COMPOSITION ROOFERS LOCAL 42 PENSION PLAN

VOTE TO APPROVE OR REJECT THE PROPOSED BENEFIT REDUCTION

BALLOT EXPLANATION

On June 28, 2019, the Board of Trustees (Trustees) of the Composition Roofers Local 42 Pension Plan (Plan) filed an application, on behalf of the Plan, with the Secretary of the Treasury (Treasury) proposing to reduce certain pension benefits under the Multiemployer Pension Reform Act of 2014 (MPRA), a federal law.

MPRA requires Treasury (in consultation with the Pension Benefit Guaranty Corporation (PBGC) and the Department of Labor (Labor)) to approve the application if it meets the requirements of MPRA.

After careful review of the application, and consultation with PBGC and Labor, Treasury determined that the application meets the requirements of MPRA and, as required by MPRA, approved the proposed reduction on February 5, 2020.

Before the proposed benefit reduction is allowed to go into effect, MPRA requires that the Plan's eligible participants and beneficiaries vote on whether to approve or reject the proposed reduction.

You are now being asked to vote on whether the proposed benefit reduction should go into effect.

You may vote to either approve or to reject the proposed benefit reduction. If a majority of eligible participants and beneficiaries does not vote to reject the proposed benefit reduction, the Trustees will be authorized to implement the benefit reduction, as described below, beginning on April 1, 2020.

MPRA sets specific rules for how votes are counted. If you do not vote, or if your vote is received after the voting period closes at 11:59 AM ET on March 13, 2020, you will be treated as though you voted to approve the proposed benefit reduction. **In other words, unless you vote by March 13, 2020, you will be counted as voting in favor of reducing benefits *regardless of whether you support or oppose the proposed benefit reduction.*** Counting an unreturned ballot as a "yes" vote is required by MPRA. The results of the vote will be posted at www.Treasury.gov/mpra within 7 days of the end of the voting period.

This explanation is intended to help you decide whether to vote to approve or reject the proposed benefit reduction. The statements and opinions in this ballot explanation are those of the Trustees, or are compiled from public comments regarding the proposed benefit reduction, and do not reflect the views or opinions of any government agency.

This ballot explanation includes the following important information:

- Detailed information about the proposed benefit reduction;
- The factors considered by the Trustees in designing the proposed benefit reduction;
- A statement from the Trustees in support of the proposed benefit reduction;
- A statement in opposition to the proposed benefit reduction; and
- Information about what would happen if the proposed benefit reduction is rejected.

DETAILED INFORMATION ABOUT THE PROPOSED BENEFIT REDUCTION

The Trustees propose a uniform 45% benefit reduction for all participants, beneficiaries, alternate payees, and retirees. The reduction in benefits will apply to benefits paid on and after April 1, 2020, and earned prior to that date.

Under MPRA, even if the proposed benefit reduction is approved and goes into effect:

- Disability benefits in pay status as of April 1, 2020 (as defined under the plan document) will not be reduced;
- The benefits of Plan participants and beneficiaries who are at least 80 years old on April 30, 2020, will not be reduced;
- The benefits of participants and beneficiaries who are at least 75 years old on April 30, 2020, will be reduced to a lesser degree, as the reduction phases out between age 75 and age 80. This means that the closer a participant or beneficiary is to age 80, the less his or her benefits will be reduced; and
- No benefit will be reduced below 110% of the PBGC guaranteed amount.

If a majority of eligible participants and beneficiaries does not vote to reject the proposed benefit reduction, the benefit reduction will be permitted to go into effect on April 1, 2020, and remain in effect indefinitely. ***Note: An estimate of the effect of the proposed benefit reduction on your current monthly benefit is shown in the accompanying document labeled "Ballot Overview."***

The Plan's actuary has certified that the Plan is projected to avoid insolvency if the proposed benefit reduction goes into effect. However, the Plan actuary's projection is based on certain assumptions that are subject to uncertainty.

FACTORS CONSIDERED BY THE TRUSTEES IN DESIGNING THE PROPOSED BENEFIT REDUCTION

In deciding how to design the proposed benefit reduction, the Trustees considered the list of factors in the applicable federal statutes and regulations. These factors include, but are not limited to:

- The age and life expectancy of the participant and beneficiary;
- Length of time in pay status;
- The amount of benefits;
- The type of benefit (such as normal retirement, early retirement, etc.);
- The extent to which a participant or beneficiary is receiving a subsidized benefit;
- Extent to which a participant or beneficiary received a post-retirement benefit increase;

- The history of benefit increases and reductions for participants and beneficiaries;
- The differences between active and retiree benefits;
- Years to retirement for active employees;
- The extent to which active participants are reasonably likely to withdraw support for the plan; and
- Extent to which benefits are attributed to service with an employer that failed to pay its full withdrawal liability.

STATEMENT IN SUPPORT OF THE PROPOSED BENEFIT REDUCTION – *PROVIDED BY THE TRUSTEES*

The Trustees have spent more than a year evaluating possible alternatives in an attempt to create an equitable proposal for reducing benefits that satisfies the requirements of MPRA. Without the approval of the proposed benefit reductions, our Plan is scheduled to go insolvent during 2030, and possibly sooner. The Trustees strongly recommend that you approve the proposed benefit reductions. They are designed to prevent the Plan from becoming insolvent and preserve your pension benefits as completely as possible. You have worked hard for your pension benefit. The Trustees submitted the application intending to avoid insolvency, stop the Plan's funding decline, and allow the Plan to continue to provide benefits going forward. The proposed benefit cuts in our application will protect the older retirees and those who are currently disabled—as required by MPRA. However, if the reductions do not go into effect and the Plan were to become insolvent, then these protections for participants and retirees based on age and disability benefits would not apply, and these participants would face a deep reduction in benefits.

STATEMENT IN OPPOSITION TO THE PROPOSED BENEFIT REDUCTION – *COMPILED BY THE DEPARTMENT OF LABOR*

In response to the solicitation of comments in the Federal Register, Treasury received no comments on the application submitted on June 28, 2019, or the review process.

WHAT WOULD HAPPEN IF THE PROPOSED BENEFIT REDUCTION IS REJECTED?

The benefit reduction described above will take effect on April 1, 2020, unless a majority of the Plan’s eligible participants and beneficiaries votes to reject the proposed benefit reduction. If a majority of participants and beneficiaries votes to reject the proposed benefit reduction, the benefit reduction will not go into effect. The Trustees could submit a new benefit reduction application to Treasury, but it is not known whether the Trustees would do so. Based on projections made by the Plan’s actuary, the Trustees have determined that the Plan will become insolvent, or run out of money to pay benefits, by the end of the Plan Year that begins in 2030, unless the benefit reduction takes effect. This means that, if the projections are correct, the Plan would not have enough money to make monthly pension benefit payments when due by the end of the 2030 Plan Year. This projection of the Plan’s insolvency is based on certain assumptions about events that are reasonably likely to take place in the future, but are not certain. For example, if the Plan’s investments perform better than expected, the date on which the Plan runs out of money could be later than 2030. On the other hand, if the Plan’s investments perform worse than expected, the date on which the Plan runs out of money could be earlier than 2030.

If the Plan runs out of money, PBGC will provide the Plan with financial assistance that will allow it to continue paying a portion of your monthly pension benefit. The amount that the Plan will be allowed to pay, however, is capped by law at a maximum guaranteed amount. That guaranteed amount may be less than your current monthly benefit and less than the estimated monthly benefit payment you would receive if the proposed benefit reduction takes effect. Also, by law, the PBGC guaranteed benefit determination does not take into account your age or the disability status of your benefit in making adjustments to your monthly benefit.

Whether the Plan is able to receive financial assistance from PBGC (if the Plan becomes insolvent) also depends on the financial stability of PBGC at that time. In a recent report, PBGC projected that its Multiemployer Plan Program, which insures the Plan's ability to pay up to the maximum guaranteed amount, could become insolvent by 2025. In other words, PBGC could run out of money before the Plan is projected to run out of money in 2030. If both the Plan and the PBGC Multiemployer Plan Program become insolvent, participants and beneficiaries of the Plan would be at risk of receiving benefits that would be much lower than the benefits they would have received if only the Plan had run out of money. If both the Plan and the PBGC Multiemployer Plan Program became insolvent, your pension benefits could be reduced to nearly zero.