NEW YORK STATE TEAMSTERS CONFERENCE PENSION AND RETIREMENT FUND

VOTE TO APPROVE OR REJECT THE PROPOSED BENEFIT REDUCTION FOR THE NEW YORK STATE TEAMSTERS CONFERENCE PENSION AND RETIREMENT FUND

EXPLANATION OF BALLOT

August 16, 2017

The Board of Trustees (sometimes referred to as the Trustees) previously sent you a Notice explaining that an application had been filed with the Secretary of the Treasury (Treasury) to reduce benefits under the Multiemployer Pension Reform Act (MPRA). The Notice said that the benefits of active participants in the New York State Teamsters Conference Pension and Retirement Fund (Fund) would be reduced by 18% and that the benefits of all other participants and beneficiaries would be reduced by 29%. However, the Notice also said that no benefits would be reduced to less than 110% of the amount that the Pension Benefit Guaranty Corporation (PBGC) would guarantee if the Fund ran out of money. Also, it said that the benefits of participants (and certain beneficiaries) who are over age 75 would be reduced less, and that participants who are age 80 or older or who are receiving disability benefits (as defined by the Fund) would not be reduced at all.

The Notice also explained that, if the Fund’s application met the requirements of MPRA, then the participants and beneficiaries would be able to vote on the proposed benefit reduction.

After carefully reviewing the Fund’s application, Treasury (in consultation with PBGC and the Secretary of Labor (Labor)) determined that the proposed benefit reduction meets the requirements of MPRA. As a result, Treasury (after consulting with PBGC and Labor) was required by MPRA to approve the application, which it did on August 2, 2017. If a majority of participants and beneficiaries does not vote to reject the benefit reduction, the reduction will be made beginning on October 1, 2017.

You now can vote on the proposed benefit reduction. You may vote to either approve or reject the proposed benefit reduction. **If you do not vote, or if your vote is received after 11:59 PM ET, September 6, 2017, your vote will be counted as a vote to approve the benefit reduction.** In other words, your failure to vote on time is the same as a vote in favor of the benefit reduction. Counting a non-vote as a vote in favor of the benefit reduction is required by MPRA.

THIS EXPLANATION IS PROVIDED TO HELP YOU DECIDE WHETHER TO VOTE FOR OR AGAINST THE PROPOSED BENEFIT REDUCTION. THE STATEMENTS AND OPINIONS IN THIS EXPLANATION ARE FROM THE BOARD OF TRUSTEES, OR ARE COMPILED FROM PUBLIC COMMENTS ON THE PROPOSED BENEFIT REDUCTION. THEY DO NOT REFLECT THE VIEWS OR OPINIONS OF ANY GOVERNMENT AGENCY.

This Explanation includes the following important information:

- Detailed information about the proposed benefit reduction;
- The factors considered by the Board of Trustees in designing the proposed benefit reduction;
- A statement from the Board of Trustees in support of the proposed benefit reduction;
- A statement in opposition to the proposed benefit reduction compiled from public comments on the Fund’s application; and
- Information about what would happen if the proposed benefit reduction was rejected.
DETAILED INFORMATION ABOUT THE PROPOSED BENEFIT REDUCTION

The Board of Trustees proposes to reduce benefits by either 18% or 29% as described in detail below except that:

- Disability benefits (as defined under the Fund) will not be reduced.
- The benefits of Fund participants who are at least 80 years old on October 31, 2017 will not be reduced. This protection also applies to beneficiaries.
- The benefits of participants who are at least 75 years old on October 31, 2017 will be reduced less than the full amount. The closer a participant is to age 80, the less the benefits will be reduced. This protection also applies to beneficiaries.
- No benefit will be reduced below 110% of the PBGC guaranteed amount.

All of the protections described above are required by MPRA.

All Active Participants (as defined below) will have their monthly benefits earned as of September 30, 2017 reduced by 18%. All Non-Active Participants (as defined below) will have their monthly benefits earned as of September 30, 2017 reduced by 29%.

Active Participants: An Active Participant is an individual who (1) has not retired and begun receiving pension payments as of September 30, 2017 and (2) had at least 500 hours of employer contributions submitted to the Fund on their behalf in the 2015 Plan Year, the 2016 Plan Year, or the 2017 Plan Year before October 1, 2017.

Non-Active Participants: All other Fund participants who do not meet the definition of Active Participant on September 30, 2017, including retirees, beneficiaries of deceased retirees, and terminated vested participants, are considered Non-Active Participants. A terminated vested participant is an individual who is not currently earning or receiving a benefit from the Fund, but who has a benefit earned from the Fund (based on prior service) that will begin at some time in the future.

The amount of the proposed reduction for Active Participants is determined by multiplying the Active Participant’s monthly benefit earned as of September 30, 2017 by 18%. For example, an Active Participant who has a monthly benefit as of September 30, 2017 equal to $3,200 would have their benefit reduced by $576 ($3,200 x 18% = $576). The amount of the reduction ($576) would then be subtracted from $3,200 to determine the final, post-reduction benefit.

A. Pre-Reduction Monthly Benefit: $3,200
B. Reduction Percentage: 18%
C. Amount of Reduction (A x B): $576
D. Post-Reduction Benefit (A – C): $2,624

Note that if you work after October 1, 2017, you will continue to earn benefits at the rate in your employer’s Rehabilitation Plan Schedule. Benefits earned after October 1, 2017 will not be reduced.

The amount of the proposed reduction for Non-Active Participants is determined by multiplying the Non-Active Participant’s monthly benefit earned as of September 30, 2017 by 29%. For example, a Non-Active Participant who is receiving a monthly benefit (such as a retiree) of $3,200 per month as of September 30, 2017 would have their monthly benefit reduced by $928 ($3,200 x 29% = $928). The amount of the reduction ($928) would then be subtracted from $3,200 to determine the final, post-reduction benefit.

A. Pre-Reduction Monthly Benefit: $3,200
B. Reduction Percentage: 29%
C. Amount of Reduction (A x B): $928
D. Post-Reduction Benefit (A – C): $2,272
subtracted from $3,200 to determine the final, post-reduction benefit.

A. Pre-Reduction Monthly Benefit: $3,200
B. Reduction Percentage: 29%
C. Amount of Reduction (A x B): $928
D. Post-Reduction Benefit (A – C): $2,272

A Non-Active Participant who is not yet in pay status (such as a terminated vested participant) but who is projected to receive a $3,200 monthly benefit based on their monthly benefit earned as of September 30, 2017 would have their projected benefit reduced in the same way.

The proposed reduction will remain in effect indefinitely.

FACTORS CONSIDERED BY THE BOARD OF TRUSTEES IN DESIGNING THE PROPOSED BENEFIT REDUCTION

In designing the proposed benefit reduction, the Board of Trustees considered the following factors:

- Accelerating employer withdrawals from the Fund, increasing the risk of additional benefit reductions for participants in and out of pay status;
- Negative reaction by Active Participants that would further prompt withdrawals of Active Participant groups and contributing employers, and Active Participants might be reasonably likely to withdraw support for the Fund;
- History of benefit reductions for Active Participants;
- Amount of benefits;
- Differences in Active Participants’ and Non-Active Participants’ benefits; and
- Differences in historical employer contribution rates/increases as between Active Participants and Non-Active Participants.

BOARD OF TRUSTEES’ STATEMENT IN SUPPORT OF THE PROPOSED REDUCTION

The Board of Trustees supports the proposed reduction for two reasons. First, without the proposed reduction, the Fund will almost certainly run out of money. If this happens, your pension may be reduced by a far greater amount than what is being proposed now, and you may be left with almost no benefit at all. Second, the proposed reduction is the only option that exists today to prevent even deeper reductions in the future. Some would like to wait for potential legislation or other proposals to fix the problem. The Trustees believe it would be irresponsible to risk your pension benefit on the mere hope that there will be some solution in the future. Unless we act now, that is exactly what we would be doing – risking your pension. And, if there is legislation or another solution that fixes the problem in the future, the Trustees will do everything they can to take advantage of it. At this time, however, no other solutions exist.

The Trustees recognize the hardship that the proposed reduction will impose on many Fund participants. They know that wage concessions made by many over the years make the reduction seem unfair, and that it will not be possible for some participants to replace the lost income. In making the very difficult decision to propose a benefit reduction, the Trustees made sure to keep the reduction at the minimum amount necessary, and attempted to make the reduction as fair as possible. Although no benefit reduction is fair, the alternative of not implementing the reduction will be far worse.
It is understandable that many participants are angry about the reduction and are looking for someone or something to blame. Unfortunately, there is a national pension crisis, and our Fund is not the only pension plan facing these problems. Regardless of the anger and frustration, finger pointing will not help our condition. We can’t look backwards; we need to face the reality of the Fund’s current situation.

With the proposed benefit reduction, our Fund is in a position where it can still be saved. Treasury has reviewed the proposed reduction and all underlying assumptions supporting the proposed reduction. After thorough review, Treasury has determined that the Fund’s assumptions comply with MPRA. Other pension funds are in a far worse position. They waited too long and now will run out of money. The participants in those pension funds may end up with almost no pension at all.

Rejection or delay of the Fund’s proposed benefit reduction will only make the problem worse. By adopting the benefit reduction now, the Board of Trustees believes that your pension can be saved. This is why the Trustees made the very difficult decision to propose the benefit reduction and fully support it.

STATEMENT IN OPPOSITION TO THE PROPOSED REDUCTION

In response to a request for comments in the Federal Register, Treasury received more than 600 comments from June 6, 2017 through July 17, 2017. Over 95 percent of the comments opposed the proposed benefit reduction, while less than 5 percent of the comments supported it. The following statement in opposition has been prepared by the Department of Labor and is compiled from these comments received and reviewed by Treasury and the Department of Labor.

In opposing the reduction, participants generally cited the following factors:

- Unfairness of the MPRA law;
- Failure of the benefit reduction application to meet requirements of MPRA;
- Financial hardship imposed on participants;
- Unfair implementation of the reduction;
- Past concessions made in bargaining for the pension benefit; and
- Failure of the Trustees to exhaust all possibilities for saving the fund.

Unfairness of MPRA

Many of the comments criticized MPRA generally, expressing doubt about the legitimacy of the law and condemning the process by which the law was passed. Many asserted that the legislation was attached to a “must-pass” Omnibus bill and passed by a lame duck Congress without debate on the merits of the law.

Application Projections

Other comments asserted that the Board of Trustees’ proposed benefit reduction fails the requirements of MPRA because it does not guarantee that benefits will be paid 30 years into the future. These comments generally challenged the assumptions underlying the projections in the application. Many of the commenters asserted that the Fund is not as troubled as the application suggests, that the Fund could recover on its own if the stock market continues to perform well, and that the benefits of the cuts do not outweigh the ills that the reduction will cause.

1 A comment submitted by the International Brotherhood of Teamsters (Comment ID: TREAS-DO-2017-0011-0386) offered a summary of the application’s assumptions in challenging the projected investment returns, activities’ population fluctuation, and the length of solvency.
Some commenters stated that depleting the Fund would be preferable to the proposed cuts.

**Hardship**
More than 200 comments criticized the cuts for imposing unanticipated financial hardship, particularly on vulnerable retirees. Many commenters voiced fears about being unable to pay bills and purchase necessary medical supplies. Some asserted that this was particularly unfair because the heavy labor associated with their work likely caused many of their ailments. Others suggested the reduction might result in the loss of their homes and/or force them into bankruptcy.

Even among those sympathetic to the fact that the Fund is headed toward insolvency, many found the cuts too stiff and feared they would impose intolerable hardship. More than a third of all comments objected to the financial hardship associated with a benefits cut. This position was most prevalent among retirees, the group that would be taking the largest benefit reduction under the proposal. Many commenters, current retirees in particular, challenged the specifics of the implementation of the reduction. Some asserted that all participants should experience the same reduction. Others argued cuts should account for a broader range of circumstances, such as how long the participant has been retired, whether the participant opted to accept the spousal benefit, and the feasibility of individual participants’ re-employment. Many retirees indicated that both declining health and length of time away from the workforce would make it very difficult to find employment needed to replace lost income if the cuts go through.

**Implementation**
The second-most common criticism, after hardship, among the comments involved how the proposed reduction would be implemented. About 130 comments expressed this concern, many asserting that it is unfair for retirees, being least able to work and replace lost income, to bear the brunt of the cuts. Some called the proposed implementation a form of age discrimination. While these comments generally advocate for no cuts, most state that any cuts should be made across-the-board for all participants. Others suggested that if cuts are to be imposed on specific classes of participants differently, more classes should be created to account for how participants in a variety of different circumstances will be affected. Examples of classes of participants that commenters suggest deserve separate treatment include recently retired participants, participants who opted for the spousal benefit, and disabled participants. Retiree representative Tom Baum echoed these concerns in his comment, claiming that he tried but was unable to get the fund to adopt “more tiers of cuts to account for these different situations.”

**Past Wage Concessions**
About one-tenth of comments refer to past concessions made by participants to keep the fund healthy, with the hopes of ensuring benefits would be paid in full. They generally suggest that, because workers declined wage increases and accepted past pension reductions, it would be inequitable to reduce benefit payments.

**Alternative Actions**
Many comments asserted that all possible avenues for saving the fund had not yet been explored and proposed alternatives to the reduction, ranging from the very general requests of delaying or reducing cuts to more specific proposals. The most popular alternative proposed was delaying the reduction. Many of the comments cited the strong performance of the stock market in recent years and suggested the fund might improve on its own, without the cuts, if given time. Some supported Senator Bernie Sanders’ draft letter urging Treasury to use its authority to issue a one-year moratorium on all pension benefit reductions. Senator Sanders was mentioned more than any

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other legislator; in addition to the moratorium, many expressed support for the Keep Our Pension Promises Act (KOPPA), a Senate bill that he introduced in May of this year. Other commenters suggested that a bailout of the Fund would be appropriate. In other comments that did not specifically request a bailout, there were many that suggested that it is unfair for some industries to have received bailouts while their pension fund does not. A few comments expressed support for the Funding Assurance Plan, a legislative proposal advocated by the Teamsters Alliance for Pension Protection that would have special-purpose credit unions available to lend to struggling multiemployer pension plans.

**WHAT WOULD HAPPEN IF THE PROPOSED BENEFIT REDUCTION WAS REJECTED**

The reduction described above will take effect on October 1, 2017, unless a majority of eligible participants and beneficiaries vote to reject the proposed benefit reduction.

Under a special rule in MPRA, even if a majority of eligible participants and beneficiaries vote to reject the proposed benefit reduction, the proposed benefit reduction (or a modified version of it) must be allowed to take effect. The special rule applies for a pension plan if the estimated cost to PBGC of providing guaranteed benefits if that plan runs out of money is over $1 billion (indexed for inflation). Under this special rule, the person who has been appointed to be the PBGC’s Participant and Plan Sponsor Advocate may recommend possible modifications to the proposed benefit reduction. It has not yet been determined whether this special rule applies to the Fund.

If the special rule does not apply and a majority of participants and beneficiaries vote to reject the proposed benefit reduction, the proposed benefit reduction will not take effect. The Board of Trustees could then submit a new benefit reduction application to Treasury, but it is not known whether the Board of Trustees would submit a new application.

If the proposed benefit reduction is not made, the Board of Trustees has projected that the Fund will run out of money in 2027. This means that, if the projection is correct, the Fund would not have enough money to make monthly pension benefit payments when they are due beginning in 2027. This projection of the Fund’s insolvency is based on assumptions about events that are reasonably likely to take place in the future, but are not certain. For example, if the Fund’s investments perform better than expected, the date the Fund runs out of money could be later than 2027. On the other hand, if the Fund’s investments perform worse than expected, the date the Fund runs out of money could be earlier than 2027.

If the Fund runs out of money, the PBGC will provide financial assistance to the Fund that will allow it to continue paying a portion of your monthly benefit. The amount that the Fund can pay, however, is capped at a maximum guaranteed amount. That guaranteed amount may be less than the monthly benefit payment you would receive after the proposed benefit reduction. Also, by law, the PBGC does not take into account your age or the disability status of your benefit in making these adjustments to your benefits.

Whether the Fund is able to receive financial assistance from the PBGC if the Fund runs out of money also depends on the financial stability of the PBGC. In a recent report, the PBGC projected that its Multiemployer Plan Program could run out of money within nine years. In other words, the PBGC could run out of money at about the same time the Fund is projected to run out of money. If both the Fund and the PBGC Multiemployer Plan Program run out of money, participants and beneficiaries receiving benefits would be at risk of receiving benefits that would be much lower than the benefits they would receive if only the Fund became insolvent. If both the Fund and the PBGC Multiemployer Plan Program became insolvent, your benefits could be reduced to almost zero.