PROTECT OUR PENSIONS – Update as of May 24, 2017

- Education: We are educating elected officials, the media, and general public about the financial challenges facing multiemployer pension funds, We've produced two important documents:
  - "How We Got Here" – provides the timeline for the multiemployer plan crisis beginning with the enactment of trucking deregulation in 1980.
  - "Key Message Points" – one page document that can be easily distributed to elected officials, the media and any other interested parties to highlight the national crisis and the particular circumstances of the Fund.
- Grassroots Mobilization: Working with the leadership of all of Teamster Locals covered by the Fund, we organized a large-scale letter writing campaign to all New York Senators and Congressmen informing them of the problems facing the Fund and asking for their assistance in developing a long-term funding solution to protect the hard-earned retirement savings of New York Teamsters. Our grassroots mobilization letter-writing campaign has generated over 10,000 letters to the New York Congressional delegation from actives, retirees and their families.
- Retiree Community: Working with Tom Baum as the Retiree Representative, we coordinated our grassroots mobilization efforts to highlight the devastating impact the failure to enact a long-term funding solution for multiemployer plans will have on our retirees. The plight of the retirees was accurately reported in a New York Daily News article that focused on the now insolvent Teamsters Local 707 Fund, but also mentioned the New York State Teamster Fund. On March 6, a meeting was held in Albany to encourage Fund retirees to participate in the letter-writing campaign.
- Elected Officials: Fund Trustees and other Fund representatives met with elected officials in both Albany and Washington, DC to discuss the need for a long-term solution to the funding problems facing multiemployer pension funds. Fund Co-Chairman John Bulgaro met in Washington with Rep. Chris Collins and Rep. John Faso to explain the actions taken by the Plan Trustees. Rep. Faso also announced that he was drafting a letter in support of the Plan and asking other members of the New York Congressional delegation to sign on. Other meetings have been held with New York Congressional offices including, Senators Chuck Schumer and Kirsten Gillibrand and Reps. Paul Tonko, Claudia Tenney, John Katko, Tom Reed and Elise Stefanik.
- Partnership Outreach: Fund Trustees contacted representatives of other financially-troubled multiemployer plans – Local 707, Central States, New England – to encourage a broader educational effort with elected officials on the need for a long-term solution. We also discussed this problem with employers, including UPS, that have an interest in a legislative fix. Additionally, we met with the new Director of the National Coordinating Committee for Multiemployer Plans, Michael Scott, to encourage his efforts for timely legislative initiatives. The message was simple: the longer Congress waits, the more difficult the problem will be to solve.
- Legislative Update: On May 11, the Keep Our Pension Promises Act was introduced in both the Senate (S. 1076) and House (H.R. 2412), legislation that would repeal many of the provisions of the Multiemployer Pension Reform Act (MPRA). According to the

bill's sponsors – Sen. Bernie Sanders (VT) and Rep. Marcy Kaptur (OH) – the legislation would "protect the pensions of up to 10 million workers and retirees." In addition to this legislation, we are aware of other draft proposals from the International Brotherhood of Teamsters and United Parcel Service that also address the funding crisis. We will post links to these proposals when they are finalized.

THE MULTIEMPLOYER PLAN CRISIS
HOW WE GOT HERE – TIMELINE

1980s –<u>Part I - Motor Carrier Act (Trucking Deregulation)</u>

- Congress deregulated the trucking industry in 1980 and in doing so, increased competition by, among other things, opening up entry into the industry for new competitors, most of whom did not participate in multiemployer plans.
- Before 1980, the trucking industry was highly regulated on rates, routes and new entrants; over 90 percent of the industry was covered by collective bargaining agreements and most companies and workers participated in multiemployer plans.
- After 1980, low cost operators who provided virtually no health or pension benefits, forced hundreds of participating trucking companies out of business and jeopardized the retirement security of tens of thousands of workers.

1980s – <u>Part II - Multiemployer Pension Plan Amendment Act (MPAA)</u>

- Congress passed MPAA imposing a new requirement for companies exiting multiemployer plans: "withdrawal liability."
- Withdrawal liability is assessed on a company's share of the total unfunded liability of the plan, including unfunded liability left by other companies.
- Loophole in the MPAA law calls for calculation of withdrawal liability in a way that often does not require exiting employers to pay their full unfunded liability.
- When employers exit a plan because of bankruptcy, plans usually recover a very small portion of the liability owed (often only pennies on the dollar).

1990s – <u>Strong Investment Returns/Legally-Required Benefit Increases</u>

- Multiemployer plans enjoyed strong investment returns in 1990s, which countered effects of deregulation; most plans became fully and/or overfunded.
- Under law, if a plan became fully funded, there were major tax disadvantages and employer contributions would have lost their deductibility.
- Many plans were effectively required to increase benefits, rather than build up reserves that could have provided protections during market downturns, like the one in 2008.
- This policy not only prevented plans from building up necessary reserves, it resulted in the adoption of benefit increases that permanently increased plan liabilities. Additionally, the anti-cutback rule prohibited plans from reducing those benefit increases when economic times were more challenging.

2000s – <u>Part I - Market Decline</u>

- In the 2001 – 2002 period, most plans suffered significant investment losses.
- Without strong investment returns to counter the loss of employer contributions, many funds immediately became under-funded and financially distressed.

2000s – <u>Part II - Pension Protection Act (PPA) (2006)</u>

- PPA was enacted to address the under-funding problems facing multiemployer plans.
- Required the identification of financially troubled plans and imposed strict requirement on plans to improve funding, including requiring the reduction of certain benefits.

2000s – <u>Part III - Markets Crash/Great Recession (2008)</u>

- Like all other investors, multiemployer plans lost 20-40% of their assets.
- Strict funding requirements designed to help funds required plans to dramatically increase employer contributions and reduce future benefit accruals.
- Employers increased the pace of withdrawals from plans because of concern over increased withdrawal liability (or potential greater financial underfunding exposure) as well as large annual rate increases and reduced benefits for their employees, further eroding the contribution base.

2010s – <u>Multiemployer Pension Reform Act of (MPRA) (2014)</u>

- MPRA provided plan trustees – for the first time – with authority to reduce retirement benefits for plans in "critical" and "declining" status.
- In order to implement those benefit reductions, plan trustees were required to submit an application to the U.S. Treasury Department for approval. The New York State Teamsters Conference Pension Fund submitted its plan on August 31, 2016.
- To date, 10 plans have submitted applications to Treasury; only 1 has been approved, 4 have been denied, 2 have withdrawn and 3 are under review.

KEY MESSAGE POINTS

National Problem

- There is a national crisis involving multiemployer pension plans.
  - 10 million Americans depend on multiemployer pension plans for their retirement.
  - Over one million Americans are in plans that are expected to run out of money – to become insolvent - over the next 20 years.
- A federal agency – the Pension Benefit Guaranty Corporation (PBGC) – is supposed to step in and pay benefits when a multiemployer plan runs out of money. Unfortunately, the PBGC itself is projected to run out of money by the end of 2025. This would leave no protection.
- Congress passed the Multiemployer Pension Reform Act in 2015 (MPRA) to try to address the multiemployer pension plan crisis, but it is not a solution.
  - Requires troubled ("critical and declining") plans to consider cutting benefits for both active and retired participants. First time the law has ever allowed reducing retiree benefits.
  - MPRA unfairly puts the burden on the backs of plan participants who were promised a benefit and are relying on their pension for their retirement security.
- The bigger problem with MPRA is it is not working as intended
  - The federal government (Treasury Department) has denied all but one MPRA application for benefit reductions.
  - Application of one of the largest multiemployer pension plans in the nation, Central States, was denied and that Fund will run out of money in 10 years or less.
  - Central States has decided not to refile its application because it cannot remain solvent even with the maximum cuts allowed under MPRA.
- MPRA clearly is not a long-term the solution to the problem.
- Congress needs to act and pass legislation that fixes this crisis or potentially millions of pensioners could be without any retirement security.

New York State Teamsters Pension Fund

- The NYS Teamsters Pension Fund was certified as "critical and declining" in 2016. This required the Trustees to consider benefit reductions.
- The Pension Fund submitted its application for a reduction of benefits last August, calling for a 31% cut for retirees and a 20% cut for active participants.
- The application was withdrawn on April 5 in order to address certain issues raised by the Treasury Department and resubmitted on May 15. The new application calls for a 29% cut for retirees and an 18% cut for active participants. On May 17, the Treasury Department notified the Fund that the application has been officially accepted for review.
- The Trustee of the Pension Fund did not want to file the MPRA application, but it was their only choice. If they did not do so, the Fund would run out of money and there was a chance that participants would get even less and potentially no pension.


Honeywell plant workers can return to work a


N.Y. retirees struggle to survive after pensio


Local once pensi runs

N.Y. retirees struggle to survive after pension fund bottoms out

BY GINGER ADAMS OTIS

NEW YORK DAILY NEWS Sunday, February 26, 2017, 4:00 AM

These retired Local 707 workers (from l.) Tim Chmil, Milton Acosta, Edward Hernandez, Ted Petrone and Ray Narvaez saw dramatic cuts to their pension checks after the fund bottomed out. (SUSAN WATTS/NEW YORK DAILY NEWS)

In the backseat of his beat-up car, Tim Chmil stashes what he refers to as his new retirement fund — bags and bags of recyclable bottles and cans.

Every time he spots a bottle on the street, he bends down to pick it up.

"Even if it's just 5 cents, it's money, and I need it," the 71-year-old said.

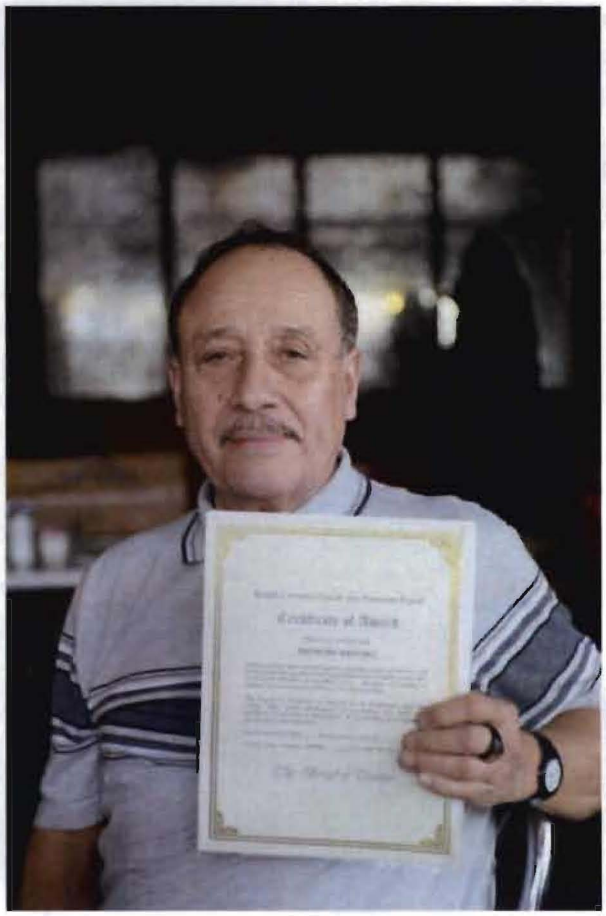
It's not the way the ex-trucker — a member of Teamsters Local 707 — expected to fund his senior years.

Chmil is one of roughly 4,000 retired Teamsters across New York State suffering a fate that could soon hit millions of working-class Americans — the loss of their union pensions.

Teamsters Local 707's pension fund is the first to officially bottom out financially — which happened this month.

"I had a union job for 30 years," Chmil said. "We had collectively bargained contracts that promised us a pension. I paid into it with every paycheck. Everyone told us, 'Don't worry, you have a union job, your pension is guaranteed.' Well, so much for that."

(SUSAN WATTS/NEW YORK DAILY NEWS)



(SUSAN WATTS/NEW YORK DAILY NEWS)

Narvaez received a certificate when he retired that guaranteed his lifetime pension, but last year, he and 4,000 others were informed their checks would be slashed.

Also on the brink of drying up are the pensions for two Teamster locals — 641 and 560 — in New Jersey, union officials said.

Plus 35,000 Teamster members upstate who are part of the money-hemorrhaging New York State Teamsters Pension Fund.

Bigger than all of New York's Teamster locals combined is the Central States Pension Fund — another looming financial disaster that could leave 407,000 retirees without pensions across the Midwest and South.

And there's still more beyond that, in various industries, officials say.

"It's a nightmare, it has just devastated all of our lives. I've gone from having $48,000 a year to less than half that," said Chmil, one of five Local 707 retirees who agreed to share their stories with the Daily News last week.

"I don't want other people to have to go through this. We need everyone to wake up and do something; that's why we're talking," said Ray Narvaez.

Narvaez, 77, got a union certificate upon retirement in 2003 that guaranteed him a lifetime pension of $3,479 a month.

Teamsters Local 707's pension fund is the first to officially bottom out. (DAVID WEXLER/FOR NEW YORK DAILY NEWS)

The former short-haul trucker — who carried local freight around the city — started hearing talk in 2008 of sinking finances in his union's pension fund.

But the monthly checks still came -- including a bonus "13th check" mailed from the union without fail every Dec. 15.

Then Narvaez, like 4,000 other retired Teamster truckers, got a letter from Local 707 in February of last year.

It said monthly pensions had to be slashed by more than a third. It was an emergency move to try to keep the dying fund solvent. That dropped Narvaez from nearly $3,500 to about $2,000.

"They said they were running out of money, that there could be no more in the pension fund, so we had to take the cut," said Narvaez, whose wife was recently diagnosed with cancer.

The stopgap measure didn't work — and after years of dangling over the precipice, Local 707's pension fund fell off the financial cliff this month. With no money left, it turned to Pension Benefit Guaranty Corp., a government insurance company that covers pension.

Hernandez, Petrone and Acosta have had to restructure their retired lives around the devastating cuts, (SUSAN WATTS/NEW YORK DAILY NEWS)

Pension Benefit Guaranty Corp. picked up Local 707's retiree payouts — but the maximum benefit it gives a year is roughly $12,000, for workers who racked up at least 30 years. For those with less time on the job, the payouts are smaller.

Narvaez now gets $1,170 a month — before taxes.

Ex-trucker Edward Hernandez, 67, went from $2,422 a month to $1,465 last year. As of this month, his gross check is $902. After federal taxes, it's $721 — but he still has to pay state and city taxes.

"We have guys on Long Island who are losing their houses, the taxes are so high out there," Hernandez said.

Milton Acosta, 75, was a dockworker in Local 707. He retired at age 62, figuring his union pension of $2,300, coupled with his Social Security, would keep him and his wife afloat.

Now his pension is $760 a month after taxes, he said.

Hernandez, 67, noted that former colleagues on Long Island "are losing their houses." (SUSAN WATTS/NEW YORK DAILY NEWS)

"I pay $13,000 a year in property taxes alone. My mortgage is $2,300 a month," Acosta said.

He and his wife share the home with their 50-year-old son, a general contractor who is often without work; the son's wife; their three kids, and the Acostas' 53-year-old daughter.

"I had to declare bankruptcy when this happened because I had too much credit card debt. It was that or lose our home," Acosta said.

Ted Petrone, 74, saves money living in a basement apartment below his son and daughter-in-law.

"It's very isolating. You can't spend money on anything — now entertainment is going for a long walk," Petrone said.

Like Chmil, the retirees find themselves doing things to stretch their savings that they never imagined. Skipping meals, holding off on doctor appointments and skimping on medicines are now commonplace, the ex-truckers said.

Chmil (l.) collects bags and recyclables to redeem them for any money he can as he struggles to make ends meet.
(SUSAN WATTS/NEW YORK DAILY NEWS)

Some of them are even considering a return to work.

"Me, I'm pretty broken down physically, I'd hate to go back on the road, if anyone would even have me," Chmil said. "But if it's that or starve ... what am I gonna do?"

As heartbreaking as their stories are, they are not new to Thomas Nyhan, executive director and general counsel of the Central States Pension Fund.

The same crisis now hitting Local 707 has been stewing among numerous Teamster locals around the country for the past decade, he said, and that includes in upstate New York.

The trucking industry — almost uniformly organized by Teamsters — has suffered enormous financial losses in its pension and welfare funds due to a crippling combination of deregulation and stock market crashes, Nyhan said.

"This is a quiet crisis, but it's very real. There are currently 200 other plans on track for insolvency — that's going to affect anywhere from 1.5 to 2 million people," said Nyhan. "The prognosis is bleak minus some new legislative help."

And it's not just private-sector industries that are suffering, he added.

"Municipal and state plans are the next to go down — that's a pension tsunami that's coming," he said. "In many states, those defined benefit plans are seriously underfunded — and at the end of the day, math trumps the statutes."

Congress of the United States
Washington, DC 20515

March 30, 2017

Honorable Steven Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, D.C. 20220

Re: New York State Teamsters Conference Pension and Retirement Fund
MPRA Application

Dear Secretary Mnuchin:

As you are aware, Congress passed and President Obama signed the Multiemployer Pension Reform Act (MPRA) as part of the Consolidated and Further Continuing Appropriations Act of 2015. The MPRA established a new process that gave multiemployer pension plan trustees the authority to make necessary changes to guarantee the solvency of retirement funds that have entered a "critical and declining" status.

Such multiemployer plans propose a reduction of benefits to the Department of the Treasury (Treasury), which then reviews the application in consultation with the Pension Benefit Guaranty Corporation (PBGC) and the Department of Labor (DOL). The MPRA is only designed to aid plans that face severe solvency issues, as most plans are sufficiently funded and would not be eligible for consideration by Treasury.

The New York State Teamsters Conference Pension and Retirement Fund (Fund) was certified as "critical and declining" by the DOL on January 7, 2016. Facing an insolvency crisis, the Fund's trustees applied for relief as defined under the MPRA to Treasury on August 31, 2016. Their application is currently under review, and a decision is expected by April 12, 2017.

If the application is not approved, the Fund will go into insolvency, and Fund recipients would face severe benefit cuts – payments at the minimum annual amount as defined by the PBGC. The Fund has a total of 34,459 participants, of which almost 16,000 are retirees, almost 7,000 are terminated vested beneficiaries and 11,575 actives.

While no one wants to see any reduction in benefits, the Fund's application must be approved to ensure that harsher benefit cuts are not implemented in the future. Thank you for your timely attention to this very important matter.

Sincerely,

John J. Faso
Member of Congress

Peter T. King
Member of Congress

Chris Collins
Member of Congress

Lee Zeldin
Member of Congress