Three Things To Know: Multiemployer Pension Funds

March 9, 2016

FACT 1:
The B&C Pension Fund benefits are neither fully secure nor fully guaranteed.

"Some benefits may be fully or partially provided for by the then existing assets and the PBGC guaranty, while other benefits may not be provided for at all."

— B&C PENSION FUND, 2014 FINANCIAL STATEMENTS

PBGC

If the B&C Pension Fund fails, the Pension Benefit Guaranty Corporation (PBGC) will likely only cover a portion of your pension benefit, and that assumes the PBGC's multiemployer plan insurance program itself has the funding to do so.

Unlike the B&C Pension Fund benefits, the Company contributions made to your Enhanced TIP account under the Company's proposal would always be yours to invest as you choose.

FACT 2:

The B&C Pension Fund has been certified to be in "Critical and Declining" Status and the Fund's advisors project that within 17 years, the Fund may not be able to pay benefit commitments to its pension plan participants.

The fact that a multiemployer pension plan like the B&C Pension Fund is in "Critical and Declining" Status is significant. That's because **under a new law a multiemployer plan in "Critical and Declining" Status may reduce earned pension benefits for employees and current retirees now, even though the multiemployer plan is not yet insolvent.**

To understand how the B&C Pension Fund compares with other multiemployer plans, of the more than 1,400 multiemployer plans in the U.S, only about 50 are in "Critical and Declining" Status.

Of those, to date at least three have announced that they intend to reduce earned pension benefits for employees and existing retirees. At Congressional hearings on March 1, 2016, Joshua Gotbaum—who headed the PBGC until 2014—testified that multiemployer plans in "Critical and Declining" Status would need to reduce benefits in order to avoid failing.

To provide an example of what a reduction of earned benefits could look like, it has been reported that, under the reductions proposed by the Teamsters Central States Pension Fund:

"Retirees would see their pensions reduced by an average 22.6% across the board. But because one-third of beneficiaries would be exempt from the cuts, the rest of the plan's participants would face higher reductions averaging closer to 34 percent".

– CENTRAL STATES PENSION FUND,
THE HILL, LABOR, PENSION MANAGERS SQUARE OFF OVER BENEFITS

Although the B&C Pension Fund has not indicated that it intends to reduce benefits, it ultimately might not have a choice. According to the Congressional Research Service, *"Deeply troubled multiemployer plans have limited options to avoid insolvency. Increased contributions and cuts to adjustable benefits to active plan participants are likely to be insufficient to return these plans to solvency."*

A researcher at the American Enterprise Institute recently testified to Congress that the poor funding of multiemployer pension funds **"places the sponsoring employers, their employees and the U.S. taxpayer at risk."**

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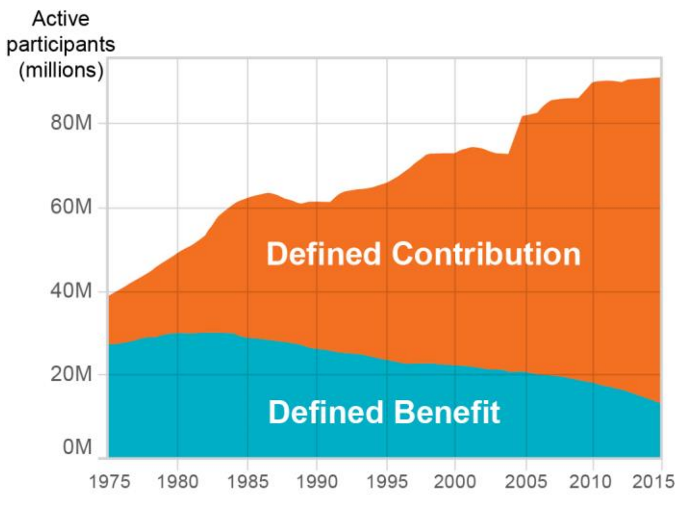
FACT 3:

Increasingly over the past three decades, for all employers—public or private, represented employees or non-represented employees — employers have been moving away from Defined Benefit (DB) pension plans in favor of Defined Contribution (DC) plans such as the Company's proposed retirement plan (Enhanced TIP plan).

Companies shifting to Defined Contribution plans like 401(k) retirement plans continues the trend of the "decade-long decline" in Defined Benefit plans. – CNBC, *Pension 'fix' by Congress could backfire.*



SOURCE: Dept. of Labor

The proposed Defined Contribution (DC) Retirement Plan (Enhanced TIP plan) will provide our BCTGM-represented employees with a retirement plan that:

- Is the employees' to keep if they leave the company;
- Provides a variety of investment options; and
- Puts employees in control of their retirement plan money and how to invest it.