



# MICHIGAN REGIONAL COUNCIL OF CARPENTERS' FRINGE BENEFIT FUNDS

P.O. Box 4540 • Troy, MI 48099-4540

Pension Member Support Line • Telephone: (877) 631-MPRA or (877) 631-6772

## IMPORTANT INFORMATION—READ THIS FIRST

### MPRA Pension Recovery Program

September 2019

Dear Participant,

We are writing to update you on the state of our Pension Plan. As you know, our Plan has been in the Red Zone since 2006 and was certified to be in Critical and Declining status in 2018. This means that the Plan is expected to run out of money in the near future—in our case in about 15 years—unless we take action now.

Despite our best efforts to keep the Plan on sound financial footing, a combination of forces largely beyond our control has battered the Plan's finances and now threatens the Plan's survival:

- **Investment losses** due to the 2000 and 2008 **stock market crashes**
- **Bad government regulations**
- **Job losses** and **declining hours**
- An **unsustainable ratio of 2.4 retirees and deferred vested participants to every one active participant.**

There are no easy answers to the problems the Plan faces, but there is now a path forward. We have developed a Pension Recovery Program, made possible by the Multiemployer Pension Reform Act (MPRA).

#### MPRA Pension Recovery Plan Overview

MPRA gives Trustees of plans like ours the ability to avoid insolvency and save our pension by reducing benefits (including benefits of retirees already collecting their pensions), within certain limits. MPRA relief is available only to plans that have problems that can be fixed long-term through one-time benefit cuts. By activating a Pension Recovery Program, we expect to:

- **Fix the Plan's finances.** Our goal is to put the Plan back in a position where our future financial stability is as close to guaranteed as we can make it.
- **Continue to pay benefits for the foreseeable future.** We expect that the benefit suspensions we make now will enable the Plan to stabilize its finances and keep benefits flowing to retirees and other eligible payees.
- **Keep the benefit suspensions as fair and modest as possible.** However, because of the way the MPRA law works, the percentage by which benefits will be reduced will differ based on a number of factors, including the participant's age when the benefit suspensions go into effect.

We have submitted our Pension Recovery Program application for MPRA relief to the United States Treasury Department.

## Key Facts About MPRA

Here are some important reminders about participants who are protected from the suspensions and what happens if our application is not approved.

- **Disability pensioners, retirees and beneficiaries who are age 80 and above when the MPRA relief plan goes into effect** are *exempt* from the benefit suspensions and your pensions will **NOT** be reduced.
- **Retirees and beneficiaries who are at least age 75 but less than 80 when the MPRA relief plan goes into effect** will have their benefit suspensions calculated on a sliding scale based on age. *The benefit suspensions taper off the older you are when the MPRA relief plan goes into effect.*
- **If our Pension Recovery Program is not approved and the Pension Plan becomes insolvent, we face the possibility that the Pension Plan will run out of money** and participants will have to rely on the shaky Pension Benefit Guaranty Corporation (PBGC) for an even lesser benefit. The PBGC will cut everyone's pensions across the board, the cuts will be much larger than the benefit suspensions in our Pension Recovery Program, and the cuts will hit everyone regardless of age or disability status. Even worse, the PBGC is predicted to become insolvent by 2026 and, if the PBGC itself becomes insolvent, your pension could be reduced to nothing.

## What is the Enclosed Notice of Application for Approval of a Proposed Reduction of Benefits?

We submitted our Pension Recovery Program to the Treasury Department. By law, we are required to send the enclosed notice to you. Much of the notice is legally required text that we could not change. We have put together this letter as well as the resources listed in the "Want More Information?" section to help you make sense of the attached notice and the Pension Recovery Program in general.

The notice is divided into six main sections:

1. Why is the Board of Trustees proposing to reduce benefits?
2. What will happen if the Pension Plan runs out of money?
3. How did the Board of Trustees decide whose benefits to reduce and by how much?
4. What are the proposed reductions in benefits?
5. What comes next?
6. An individualized estimate\* that explains how your pension will be impacted by the Pension Recovery Program.

\* If you are already collecting a pension, please remember that the amount shown in the individualized notice that represents your current benefit amount is before taxes and before any other deductions, so it is likely different from the amount on your monthly pension check.

## What's Next?

Now that our Pension Recovery Program has been submitted to the Treasury Department, you have the opportunity to review it, comment on it and, upon approval of the Treasury Department, vote on whether to ratify it or not. The Treasury Department will post the full application and take comments on its website: <https://www.treasury.gov/services/Pages/Plan-Applications.aspx>. And we will continue to keep you informed throughout the Pension Recovery Program process.

If approved, the Pension Recovery Program will go into effect on July 1, 2020.

## Want More Information?

We are devoting resources to helping you understand this process.

- **Pension Recovery Program Member Support Line:** You can call toll-free (877) 631-MPRA (877-631-6772). The Member Support Line will be open Monday through Friday from 9 am to 5 pm. It is closed on weekends and holidays.
- **Pension Recovery Program Website ([www.DetroitCarpentersPRP.org](http://www.DetroitCarpentersPRP.org)):** The website has information about the Pension Recovery Program, including FAQs, updates and videos, as well as downloadable copies of documents and mailings.
- **In-Person Meetings:** We will hold special meetings in October to explain our plan and answer your questions. Meetings will be held prior to your Local Union meeting.
  - **Local 687:** Wednesday, October 9 at 10 am for Retirees; 5 pm for Apprentices; and 6 pm for all Members
  - **Local 1045:** Thursday, October 10 at 6 pm
  - **Local 1102:** Tuesday, October 15 at 6 pm
  - **Local 1234:** Wednesday, October 16 at 6 pm
- **Tele-Town Hall Meetings:** We will hold Tele-Town Hall-style meetings for those of you who cannot attend a meeting in person. The first Tele-Town Hall will be September 29, 2019 at 7 pm. To join the Tele-Town Hall, answer the phone when it rings.

## In Conclusion

Our Pension Plan is projected to run out of money in about 15 years—unless we act now. That is why we are taking these dramatic steps. And, our Pension Recovery Program is far better than the alternatives.

Reducing pensions for current retirees and beneficiaries is not something we ever thought we'd have to do. The only reason we're even considering these changes is to prevent the Pension Plan from going broke, and your pension payments from being cut even more—or disappearing altogether. If the Pension Recovery Program works as we expect it to, the result will be a Pension Plan you can count on for many years to come.

We encourage you to review the notice and all of the other materials we have prepared carefully. We hope that they will help you understand the seriousness of our situation and why we need your support for the Pension Recovery Program.

Sincerely,

The Board of Trustees