**MICHIGAN REGIONAL COUNCIL OF CARPENTERS' FRINGE BENEFIT FUNDS**

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# NOTICE OF RE-SUBMISSION APPLICATION BY THE CARPENTERS PENSION TRUST FUND – DETROIT & VICINITY FOR APPROVAL OF A PROPOSED REDUCTION OF BENEFITS

## NOTICE OF A PROPOSED REDUCTION OF YOUR CARPENTERS PENSION TRUST FUND BENEFITS

On September 30, 2020, the Board of Trustees of the Carpenters Pension Trust Fund, Detroit & Vicinity ("the Pension Fund" or "Fund") will submit an application to the U.S. Treasury Department for approval to reduce benefits under the Pension Fund's pension plan. A prior application, submitted last year, was subsequently withdrawn by the Trustees. This type of benefit reduction is allowed by the federal law called the Multiemployer Pension Reform Act of 2014 ("MPRA").

You are getting this notice because you have a pension benefit under the plan. **A separate statement enclosed with this notice describes the proposed reduction of your monthly payments**.[1]

This notice will also answer the following questions for you:

1. **Why is the Board of Trustees proposing to reduce benefits?**
2. **What will happen if the Pension Fund runs out of money?**
3. **How did the Board of Trustees decide to reduce benefits and by how much?**
4. **What are the proposed reductions in benefits?**
5. **What comes next?**

### 1. Why is the Board of Trustees proposing to reduce benefits?

The Fund's actuary estimates that, unless benefits are reduced, the Fund will not have enough money to pay benefits in about 15 years. This estimate is based on how much

[1] A version of this notice that does not include the estimate of the effect on your benefit is being sent to the Local Union that represents Pension Fund participants and to all of the employers who make contributions to the Pension Fund.

money the actuary expects the Fund to receive and pay out each year. The Fund's actuary has estimated that, with the reduction of benefits that the Board of Trustees has proposed, the Fund should not run out of money.

**2. What will happen if the Fund runs out of money?**

If the Fund does not have enough money to pay benefits, then only the amount guaranteed by the Pension Benefit Guaranty Corporation ("PBGC") will be paid. **A separate statement enclosed with this notice describes the amount of your individual benefit that is guaranteed by PBGC**.

**3. How did the Board of Trustees decide which benefits to reduce and by how much?**

Under Federal law, the Board of Trustees must apply the following rules to the proposed reduction:

- The total reduction in everybody's benefits must be estimated to be large enough to keep the Fund from running out of money but not larger than what is needed to do that.

- Your monthly benefit and the benefit of your beneficiary cannot be reduced below 110% of the amount guaranteed by PBGC (this is also called "the MPRA guaranteed amount").

- Disability benefits (as defined under the Fund's plan document) cannot be reduced.

- The benefits of people who are at least 80 years old on July 1, 2021 and their beneficiaries cannot be reduced.

- The benefits of people who are at least 75 years old on July 1, 2021 and their beneficiaries, are partially protected and the closer the person is to age 80 the less the benefits can be reduced.

- The reduction of benefits must be spread fairly among the people who have a pension benefit under the Fund.

In deciding whether the proposed reduction is spread fairly, the Board of Trustees took into account the following:

- The length of time that participants benefits have been in pay status.

- The amount of benefits that have been accrued.

- The extent to which participants have received benefits that were subsidized by the plan.

- The extent to which participants have received post-retirement benefit increases.

- The Fund's history of benefit increases and reductions for participants and beneficiaries.

- The extent to which active participants may reasonably be expected to withdraw support for the plan, and the likelihood that as a result there may be an acceleration in employer withdrawals.

- Any differences between non-retiree and retiree benefits. Note, the phrase "non-retired" or "non-retiree" as used here and in the re-submission application means participants who are (1) active *and* (2) participants who are deferred vested (not actively performing covered work, but entitled to a benefit under the plan when they reach retirement age).

After considering the above factors, the Trustees ultimately decided on the following plan of benefit reductions.

**4. What are the proposed reductions in benefits?**

The Board of Trustees proposes the following reduction of benefits:

- Any portion of any participant's benefit that accrued after plan year 2007 (which was the year that the Fund's accrual rate was reduced to 1%) will be **unaffected (no reduction)**.

- For non-retired participants (and their beneficiaries and alternate payees), that portion of their benefit that accrued prior to plan year 2007 will be **reduced by 32%.**

- For retired participants (and their beneficiaries and alternate payees), that portion of their benefit that accrued prior to plan year 2007 will be **reduced by 32%.**

In determining to reduce benefits as described above, the Board of Trustees took into consideration the history of the Fund's formula for benefit accruals (percentage of credited contributions). That history is summarized as follows:

For current active participants the historical benefit accrual rates are:

| Time Period | Multiplier |
|---|---|
| Before 5/1/2004 | 4.3% |
| 5/1/2004 – 4/30/2007 | 3.0% |
| 5/1/2007 - | 1.0% |

For deferred vested participants who left the Fund, the historical accrual rates are:

| **Last Plan Year of Service (Beginning 5/1):** | **Original Formula** |
|---|---|
| Before 1976 | 2.75% of contributions, but not less than $35 per month or more that $650 per month* |
| 1977 – 1978 | 2.75% of contributions, but not less than $35 per month or more than $800 per month* |
| 1979 | 2.75% of the first $15,000 of contributions plus 3% of contributions in excess of $15,000, but not less than $35 per month or more than $900 per month* |
| 1980 – 1983 | 2.6% of contributions * |
| 1984 | 2.9% of contributions * |
| 1985 | 3.2% of contributions * |
| 1986 | 3.4% (3.2% for plan years before 1985) of contributions |
| 1987 – 1988 | 3.6% (3.4% for plan years before 1985) of contributions |
| 1989 | 3.7% (3.4% for plan years before 1985) of contributions |
| 1990 – 1991 | 3.85% of contributions |
| 1992 – 1996 | 3.9% of contributions |
| 1997 – 2003 | 4.3% of contributions |
| 2004+ | 4.3% of contributions prior to 5/1/2004, plus<br>3.0% of contributions 5/1/2004-4/30/2007, plus<br>1.0% of credited contributions thereafter |

* Not less than 3.5% of the first $4,300 of total contributions plus 1.5% of the remaining contributions if participant on 4/30/1969.

In order to fairly apply the reductions described here, the Board of Trustees have proposed dividing the Fund's participants into the following "groups" and "subgroups":

The main groups will be:

| **Group** | **Description** |
|---|---|
| A | Non-retired |
| B | Retiree who entered pay status between 9/1/2008 – 8/1/2013 and had a benefit reduction on 8/1/2013 |
| C | Current or prior disability retiree who benefited under the 2016 class action settlement |
| D | Retiree or disabled retiree not included in groups B or C |

Note: In the table above, "retiree" includes beneficiaries and alternate payees.

The subgroups will be:

| **Sub Group** | **Description** |
|---|---|
| 1 | Pre – 5/1/2007 accruals only |

| | |
|---|---|
| 2 | Post – 5/1/2007 accruals only |
| 3 | Both Pre – and Post – 2007 accruals |

**Enclosed with this notice is an individualized statement that describes the impact of proposed reduction on YOUR monthly payments. That statement will identify you as being within a group and subgroup. For example, you may be a non-retired participant who accrued a benefit by performing covered work both before and after May 1, 2007, which means that you are in group A3, and that portion of your benefit that was accrued prior to May 1, 2007 is subject to a 34% reduction, and the portion accrued after May 1, 2007 will not be reduced at all.**

The proposed reduction will remain in effect indefinitely. The benefit reduction is expected to stabilize the Fund and keep it solvent. This expectation is based on a number of assumptions – such as projected future work hours, contribution rates, and investment returns. Even with these and other assumptions carefully considered, it is possible that the reduction may not work as intended.

5. **What comes next?**

Approval or denial of the application by the Treasury Department

The Treasury Department will review the application to see whether it meets all of the legal requirements under Federal law. If the application meets all of the legal requirements, the Treasury Department is required to approve the application. If the application does not meet the legal requirements, the Treasury Department will deny the application. The Treasury Department will have until May 13, 2021 to make a decision. If the application is granted, approved and adopted, the proposed suspension will take effect July 1, 2021.

You can get more information from the Treasury Department

More information about the proposed benefit reductions and a copy of the application will be available at www.treasury.gov/mpra, within thirty (30) days after the Treasury Department receives it. The application includes more information about the proposed reduction, including details about (1) the Fund actuary's certification that the Fund will run out of money (that is, that the Fund is in a "critical and declining status"); (2) how the proposed reduction would satisfy the requirement that it be large enough so that the Fund is estimated to not run out of money, while not being larger than needed; and (3) the sensitivity of these estimates to the assumptions used.

The application describes the steps the Board of Trustees has already taken to keep the Fund from running out of money and why the Board of Trustees believes that a benefit reduction is the only remaining option to keep the Fund from running out of money. In addition, the application explains why the Board of Trustees believes that the proposed reduction is spread fairly among those people who have a pension benefit under the Fund.

The Treasury Department website will also provide updated information on the application, such as whether the application has been withdrawn.

For further information and assistance, you can also write to the Treasury Department at the following address:

**Department of the Treasury**
**Attn: MPRA Office, Room 1204**
**1500 Pennsylvania Avenue, NW**
**Washington, DC 20220**

You can comment on the application to reduce benefits

You will be able to submit a comment on the application by going to www.treasury.gov/mpra. Comments may also be mailed to the Treasury Department, at the address listed above. All interested parties can make comments, and the comments will be publicly available.

Retiree Representative

Because the Fund has more than 10,000 participants the Board of Trustees is required to select a retiree representative to advocate for the interests of retirees, beneficiaries, and deferred vested participants as part of this process. The Fund is required to pay the reasonable expenses of the retiree representative.

On September 10, 2020, the Board of Trustees selected Charles Tindall to be the retiree representative. He is a retiree currently receiving benefits from the Fund and is not a member or former member of the Board of Trustees. Participants and beneficiaries may contact him as follows:

c/o Mr. Charles Tindall, Retiree Representative
Carpenters Pension Trust Fund – Detroit & Vicinity
700 Tower Drive, Ste. 300
Troy, MI 48098

Phone: (313) 570-1447
Email: Retiree.Rep@gmail.com

Vote on the proposed benefit reduction

If the application for the proposed reduction of benefits is approved by the Treasury Department, you will then have the opportunity to vote on the proposed reduction. Unless a majority of all participants and beneficiaries of the Fund vote to reject the reduction, the Treasury Department must allow the reduction of benefits to take effect. This means that not voting counts the same as voting to approve the reduction.

Even if a majority of participants votes to reject the proposed reduction of benefits, Federal law gives the Treasury Department discretion to allow the proposed benefit reduction (or a modified version) to take effect if the projected cost to the PBGC to provide guaranteed benefits is particularly large. This rule applies if the value of payments from the PBGC if the Fund runs out of money is expected to be more than $1,097,000.00. Before the Treasury Department permits a reduction in this circumstance, the PBGC's Participant and Plan Sponsor Advocate may recommend possible modifications to the proposed reduction.

You may contact the PBGC's Participant and Plan Sponsor Advocate regarding such a modification by mail at Pension Benefit Guarantee Corporation, Attn: Participant and Plan Sponsor Advocate, 1200 K St., NW, Washington DC 20005; by telephone at (202) 229-4448; or by email at advocate@PBGC.gov.

<u>Your right to see plan documents of the Fund</u>

You may want to review certain plan documents of the Pension Fund to help you understand your rights and the proposed reduction to your benefits. The Fund Administrator must respond to your request for the following documents, within thirty (30) days:

- The plan document of the Pension Fund (including any amendments adopted to reflect an authorized reduction of benefits), trust agreement, and other documents governing the Fund (such as collective bargaining agreements);

- The Fund's most recent Summary Plan Description (SPD or plan brochure) and any Summary of Material Modifications (SMM);

- The Fund's Form 5500 annual reports, including the accountant's report and audited financial statements, filed with the U.S. Department of Labor during the last six years;

- The annual funding notices furnished by the Fund during the last six years;

- Actuarial reports, including reports prepared in anticipation of the benefit reduction, furnished to the Fund within the last six years;

- The Fund's current rehabilitation plan, including contribution schedules, and, if the proposed benefit reduction goes into effect, annual plan-sponsor determinations that all reasonable measures to avoid running out of money continue to be taken and that the Fund ***would*** run out of money ***if*** there were no benefit reductions; and

- Any quarterly, semi-annual, or annual financial reports prepared for the Fund by an investment manager, fiduciary, or other advisor and furnished to the Fund within the last six years.

The Fund administrator may charge you the cost per page to the Fund for the cheapest way of copying documents, but cannot charge more than 25 cents per page. The Fund's Form 5500 Annual Return/Report of Employee Benefit Plan is also available free of charge at www.dol.gov/ebsa/5500main.html. Some of the documents may also be available for examination, without charge, at the Fund administrator's office, your worksite, or union hall.

Your right to challenge incorrect calculations

If you think the Fund miscalculated the reduction to your benefits, you have the right to submit a claim to the Fund to have the calculation corrected. The Fund's Summary Plan Description ("SPD") tells you how to submit a claim. The SPD also describes your right to have a court review the Fund's final decision on your claim. If you believe the information used to calculate your estimated reduction is incorrect, please contact the Fund at:

**Carpenters Pension Trust Fund, Detroit & Vicinity**

**Phone: (877) 631-MPRA**
**(877) 631-6772**

**Mail:**
**c/o BeneSys**
**700 Tower Drive, Ste. 300**
**Troy, MI 48098**
**(877) 631-6772**