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Statement from the Retiree Representative

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In December 2014, the Multiemployer Pension Reform Act was passed allowing for failing pension funds to cut benefits to all participants, including current retirees. MPRA allows benefit cuts to prevent failing funds from becoming insolvent – running out of money – and becoming unable to pay *any* benefits. Our pension fund, Central States, is projected to run out of money within 10 years. Accordingly, Central States has been working since MPRA was passed to formulate a pension rescue plan.

With the assistance of my attorney and my actuary, I confirmed that the Central States Trustees have been working to save our Fund for many years. Efforts to improve the Fund's financial position included increased employer contribution requirements and reductions in certain benefits on an on-going basis, such as a reduction in the benefit accrual rate (the amount of benefit you accrue based upon your employer's contributions) from 2% to 1%. All of the Fund's investments have been supervised by a court-appointed representative, and generally have had positive returns. Unfortunately, these efforts have not been enough to reverse historical trends.

There are a number of reasons why Central States is headed toward insolvency. While the tendency is to point a finger and find blame, some facts cannot be ignored. In 1980, there were 4 Teamsters working and making contributions to the Fund for each retiree. That is now reversed. We now have 1 Teamster working to support 5 retirees. Trucking industry deregulation played a huge role in this disastrous trend. While there may be some parts of the country where the Teamsters were not hit as hard by deregulation, our Fund, located primarily in the heartland with interior long hauling, was hit the hardest. It caused over 10,000 Teamster employers to go out of business and withdraw from the Fund, with many of them filing for bankruptcy. These employers left the Fund with millions of dollars in unpaid pension obligations. While the history is frustrating to all of us, we need to look forward now and makes changes for the future.

If Central States continues on its current path, it will run out of money within 10 years. Segal Consulting, the Fund's actuary, and First Actuarial Consulting, my actuary, agree that this is reality. I hired First Actuarial Consulting to help me review and analyze the information Central States provided on its financial condition as well as the impact the proposed rescue plan would have on retirees. First Actuarial Consulting has confirmed the information provided is reasonable and sufficient. My actuary's report is attached to this statement. It is simple. Central States cannot continue to pay out significantly more money than it is taking in. Without intervention, the Fund will run out of money and be unable to pay *any* benefits.

MPRA is not the legislation any of us wanted. I agree with those of you who have contacted me to say that a full congressional bailout of our pension systems is what retirees deserve. However, Central States introduced this type of legislation in 2010 – to a more worker-friendly Congress – without any success. Current legislation sponsored by Senator Bernie Sanders has not yet earned the bipartisan support it needs to become law. And we cannot rely on the federal government insurance program, Pension Benefit Guaranty Corporation, to pay benefits if Central States runs out of money. According to recent reports it has published, the PBGC is likely to become insolvent before Central States.

We are faced with this harsh reality: we cannot rely on the government to fix this problem.

That leaves 2 alternatives. Do nothing, and current retirees will receive the same amount of benefits each month for a few more years. But, their payments will cease completely in a few years, and many who are entitled to a pension but not yet retired will receive nothing. Or cut benefits now so that current and future retirees have a pension they can count on in the years to come, even if it is smaller.

As the Retiree Representative appointed by Central States, I have consistently emphasized to the Trustees and staff that benefit reductions will be painful for retirees and while we recognize the importance of maintaining actives in the Fund, the retirees should not bear the entire burden of the rescue plan. The rescue plan distributes the burden between the retirees and the actives. I urged them to modify the re-employment rules for those retirees who will be experiencing a reduction in their checks under the rescue plan. If the rescue plan is approved, there will be new re-employment rules for those experiencing a reduction in their pension check.

In evaluating the different options for rescue plans, I encouraged them to consider a cap on the maximum reduction to extend protection across all of the participants. The rescue plan includes a maximum percentage reduction. Through your input to me, the Trustees heard about the many struggles retirees are facing. Having attended all MPRA subcommittee meetings held by Central States since I was appointed in January, I can attest that their main concern is to make it possible for the fund to provide future benefits. All Central States union trustees and employees are either current or future retirees. Like you and me, they will all be impacted by this rescue plan.

You will receive by U.S. mail a packet of detailed information about the rescue plan and how it will affect your benefits. I urge you to read through this information carefully. If the rescue plan is approved by the Treasury Department, you will be asked to vote on the rescue plan. You will receive by U.S. Mail another packet of information about the voting procedure. Keep in mind, regardless of the outcome of the vote, the ultimate decision rests with the Treasury Department.

No one wants a benefit cut. We want what we were promised. But the status quo won't work. The question we each need to ask ourselves is: Do I want to keep my current benefit for the next few years, or do I want a reduced benefit for the rest of my life? And, if you have not started your pension yet, is it better to hope the fund will survive, or to seek a remedy to ensure that the fund survives?

Please continue to contact me at the address above.

Susan Mauren, Retiree Representative



Attachment