



# Western Conference of Teamsters Pension Trust

An Employer-Employee Jointly Administered Pension Plan – Founded 1955

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April 14, 2014

RE: Annual Employer Letter Describing Key Pension Trust Activities

Dear Contributing Employer:

As Employer Chairman of the Western Conference of Teamsters Pension Trust (Trust), I regularly communicate with the senior executives, human resources and labor relations directors and managers of more than 1500 companies that participate in our Trust on behalf of their employees. The primary question raised as a result of this communication involves our Trust's funded status – whether it is improving and what the future may hold with regards future gains. Well, the news is good – and getting better!

In view of this very important subject, let me take the opportunity, as I do each year, to identify for you the many positive reasons why this Trust continues to enjoy its well-deserved status, not only as the largest private multiemployer defined benefit pension plan in the United States, but also as one of the most financially responsible pension plans in the country and what this means for your Company and your employees. This letter also identifies several ongoing activities we believe you should be aware of.

I'd like to break it down into several discussion points and then tie it together.

### **2013 Investment Results**

Each year I use this letter to report to you the investment results realized by the Western Conference Pension Trust for the preceding calendar year. 2013 was especially significant for the Trust because last year's investment return on Trust assets under the control of the Trust Investment Committee was 15.6%, which exceeds the Trust's budgeted rate of return for such assets by 8.6%. It is also noteworthy that, as an indication of our trend toward long term stability, 2013 represents the fourth calendar year out of the past five that our Trust assets have returned more than the 7% assumption our actuaries use to determine the Trust's funding requirements. This translates into an average return of 12% over the most recent five year period. This accomplishment has been achieved through successful implementation of an investment strategy designed by our Investment Consultant and Trustee Investment Committee to limit risk while still providing strong returns.

Further evidence of our stability is the fact that, with returns such as those realized last year, the Trust has reached net assets of 35 billion dollars as of December 2013. - This translates into an increase of approximately \$2.75 billion or 8.5% over the 2012 figure of \$32.235 billion.

### **Improvement in Funding Status**

Both Employer and Union Trustees are committed to taking prudent steps to maintain a strong funded percentage, as such is identified in the Pension Protection Act (PPA). Last year our actuaries certified that our PPA Funded Percentage was 90% as of January 1, 2013. As a consequence, the Plan remained in the Green Zone last year, as that term is used by the PPA. Our actuaries have determined that our PPA Funded Percentage at January 1, 2014 has increased to 91.5%, thus allowing the Plan to remain in the Green Zone this year, as it has every year since the PPA established the ranking system for pension plan funding in 2008.

### **Reduction of Underfunding**

As a result of the Plan's strong investment returns and realistic benefit formulas, the amount of our Unfunded Vested Benefits liability (UVBL) decreased by over \$1 billion dollars in 2013, an 18% drop from the preceding year. The UVBL is used to determine withdrawal liability. Should your company choose to obtain an estimate of its share of UVBL (available in October of this year) you will find, in all likelihood, that the estimate will be lower, perhaps significantly lower, than you have seen in recent years.

We hope that this trend in funding improvement continues in 2014 and beyond, and there are reasons to be optimistic, subject always to the impact of the investment markets.

### **Recognition of Problems Facing Multiemployer Pension Plans**

We are cognizant of the current state of many other multiemployer pension plans and the criticism aimed at such plans due to their underfunding. Certainly some of these plans are experiencing funding issues and, as a result, may be classified in the so-called Yellow or Red Zones under PPA. With this in mind I believe it is important that I again address the question that I am certain is on your mind.

What has the Western Conference Pension Trust done to successfully differentiate itself from problems confronting other pension plans? We strongly believe that the following principles have embodied our success, and will continue to do so:

1. Since the plan's inception in 1955, there has been a mutually collaborative effort by union and employer trustees to solve issues and insure that the interests of plan participants are protected.
2. This collaboration has manifested itself in actions by all trustees to make difficult decisions that are designed to benefit the Trust's beneficiaries. This has included adjusting future benefit levels up AND down when funding levels dictated action.
3. Full funding is a primary goal of the Trust. The trustees have always utilized a conservative investment strategy and benefit plan design. This has enabled the Trust to

be in the Green Zone, as that term is defined by the PPA, since the law took effect in 2006.

4. The Western Conference Trust strongly supports complete transparency. Financial information about the plan, including our audited financial statements, our Form 5500s, actuarial reports, annual funding notices, and other documents are all readily available for all to see. These documents can be accessed through the Trust's website at <http://www.wctpension.org>.
5. We have adopted a very proactive approach to the development and presentation to Congress of proposed solutions to pension legislation. In 2010, the Pension Relief Act was enacted and it contains two of the proposals which our Trust helped develop. Throughout 2013, we met again with Congressional representatives and staff to present our suggestions for extending certain provisions of the PPA due to expire at the end of this year.
6. Additionally, the Trust has offered testimony and submitted comments to appropriate congressional committees about the Trust.
7. The trustees strive to maximize operational efficiencies. Through investments in technology and a streamlined computer processing system, much of what is processed daily is now automated. Employers can report their monthly hours' activity over the Internet and send their pension contributions electronically to a clearinghouse where funds are swept immediately into the Trust's investment pools.
8. Trustees worked closely with Trust professionals to develop comments that were submitted to the Financial Accounting Standards Board that were helpful in the elimination of several FASB proposed requirements, reducing reporting burdens on contributing employers.

#### **Multiemployer Defined Benefit Plans are Not Outdated**

There have been claims that multiemployer defined benefit pension plans no longer serve the needs and hopes of employees seeking safe and secure retirement benefits that have been earned over a lifetime of work. Clearly, we do not agree with these contentions.

There is no question that some traditional multiemployer defined benefit pension plans have experienced significant funding problems for a variety of reasons. However, I would stress emphatically that the Trust has avoided such funding deficiencies through prudent and conservative management. We have gone to great lengths to insure that the Trust remains viable and strong. Investment manager selection and active ongoing oversight of investment results are monitored continuously by an Investment Advisor and by the Trustees. Trustees and all Trust providers meet quarterly in committee and full board meetings to address and resolve issues that arise affecting the Trust. We enjoy an historic high in asset value, annual employer pension contributions, and benefit payments while, at the same time, maintaining exceptional funding strength. We have worked hard to develop this model and believe that it will serve us well as we move forward.

### **Strength of the Trust Plan**

The Western Conference of Teamsters Pension Trust continues to remain healthy, stable and strong. There has been a steady flow of new bargaining units entering the Trust. The pension contributions made by employers on behalf of these new units have helped boost contribution levels by over 4% year over year. The increase in our overall General and Administrative Expenses was held to just 1.9% because of the controls put in place by the Plan Trustees. This will be the third consecutive year the Trust's ratio of contribution increases relative to benefit and expense payments has improved.

I am particularly pleased to note the complimentary remarks offered by members of Congress and witnesses offering testimony about the Trust after its Administrative Manager, Michael Sander, and others testified last year before the House Subcommittee on Health, Employment, Labor and Pensions about the structure and accomplishments of the Trust.

We continue to look for ways to improve the manner in which the Trust is operated. Two such improvements initiated last year were consolidation of our trust actuaries and reductions in the number of days needed to conduct Trust business, both of which were designed to reduce the costs of running the Trust. We will continue to monitor Trust policies and amend them when necessary to insure they remain prudent and all of those involved with the Trust will continue to exercise their duties in a responsible fiduciary manner.

Best Regards,



Richard L. Dodge

Chairman, Employer Caucus

#### **NOTE**

*I would appreciate it if you would ensure that this letter be forwarded to your main office and to the individual who is responsible for your organization's Human Resources and/or Labor Relations responsibilities.*

**MAILING LIST UPDATE**

To add individuals(s) to the mailing list of those who should receive important communications from the Chairman, or to make changes to the contact information that we have on file, please send an e-mail with the information below to Melissa Lehto at [RLDCONSULTING@ATT.NET](mailto:RLDCONSULTING@ATT.NET) or mail this form to:

Western Conference of Teamsters Pension Trust  
Office of the Chairman – Employer Caucus  
Attn: Melissa Lehto  
One Annabel Lane, Suite 211  
San Ramon, CA 94583

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