



Western Conference of Teamsters Pension Trust

An Employer-Employee Jointly Administered Pension Plan – Founded 1955

Office of the Co-Chairman/Secretary
2440 Camino Ramon, Suite 323
San Ramon, CA 94583-4383
(925) 277-1321
(925) 277-1489 Fax

Annual Update

TO: Teamster Joint Councils and Local Unions participating in the Western Conference Teamsters Pension Trust

FROM: Chuck Mack – Co-Chair

DATE: March 30, 2017

Dear Sisters and Brothers:

The Annual Update is always easier to write when we have good news to report. 2016 was a good year by every measure----hence, good news.

It didn't start that way. The markets began last year with a thud. In the first two months they were down over 10% creating memories of 2008 and early 2009. In March, they changed direction and moved upward. By years end, the Dow, S&P 500, and NASDAQ Composite Indexes had reached all-time highs.

Here's how the Plan performed:

- Investments returns came in at over 8%. At this point in time we are still gathering information, from managers, but we're comfortable approximating the returns at 8.5%. That's in the neighborhood of a \$ 2.4 billion dollar plus increase in assets.

We scored all time highs in employer contributions, benefits paid and Plan assets:

- Employer contributions were \$1.66 billion dollars. A 6% year over year increase, and the third consecutive year contributions increased by 4% or more.
- Benefits paid to members/participants and beneficiaries were \$2.67 billion dollars.
- At years end Plan assets had climbed to \$38.1 billion dollars.

- The Plans funding percentage fell from 91.7 to 90%. The drop is not attributable to investment losses or spending but rather participant longevity. Members/participants and beneficiaries are living longer. That's a good thing but the Plan has to pay for it. We did, with a portion of this year's positive investment returns. As we go forward, we expect the Funding Percentage will resume its upward movement, given normal investment results.

Speaking of longevity, the Western Conference Plan has 7,278 retirees and beneficiaries between the ages of 90 and 99, and we have 142 retirees/beneficiaries over 100. Our Plan is so important to members and beneficiaries because it provides retirement security and assures the payment of predictable benefits as long as they live.

- The big decrease in 2016 was Unfunded Vested Benefit Liability (UVBL). But that's a good thing. UVBL determines employer withdrawal liability. It was down in 2016 by \$800 million and over the last three years UVBL has declined by three billion dollars.

If any employer makes an issue of withdrawal liability during contract negotiations, you can use these numbers to educate them. Plan withdrawal liability has decreased significantly and will continue to do so if we receive average investment returns.

- Assets weren't the only thing to go up, so did Plan participants. Last year we added 2,108 new participants. Over the last five plus years, the numbers have jumped by almost 14,000. We expect active participants to reach 210,000 by the end of 2017. This will be the fourth consecutive year of headcount increase.

At years end, the Western Conference of Teamsters Pension Trust:

- Remains the largest multi-employer defined benefit plan in the country.
- Now has bargaining units in 28 out of 50 states.
- Continues to have the strongest funding status under the Pension Protection Act-- "green zone".

2017 – What's Ahead?

Markets

In the first two months of 2017, the markets continued moving up and hitting new highs. We hope the trend continues but as we know there are no guarantees. Uncertainty, about

which way the markets may go is always a concern but this year there is also significant political uncertainty. Will it impact the markets and if so, how? We will continue to watch both political and economic events and make adjustments as necessary.

Legislation Again?

It looks like we will again be battling legislation that would significantly change the rules for multi-employer plans. The National Coordinating Committee for Multi-Employer Plans, an organization comprised mainly of building trades unions and construction contractor associations, has indicated it will resuscitate the Composite Plan Concept. The proposal, if it would become law, allows the parties to freeze their current (Legacy Plan) and establish a new one. The new Plan would have no employer withdrawal liability, no Pension Benefit Guaranty Corporation premiums or coverage and require a funding level of 120% before benefits for participants can be improved. But the devil is in the details. Our studies indicate that the assumptions used to justify Composite Plans make the system weaker, not stronger, and put participants at higher risk of not receiving promised benefits.

Last year, we and our coalition, succeeded in defeating composite plan legislation. The Composite Plan is not the answer and we will continue to oppose it and other legislation that undermines and threatens Multi-Employer Plans.

Multi-Employer Pension Reform Act of 2014 (MPRA)

Three years later--- and MPRA continues to be an issue. The legislation enacted at the end of 2014 has been controversial and the target of multiple protests by retirees who face cuts in their benefits. MPRA amended ERISA and allows a Plan facing insolvency to reduce a retiree's benefits. The cuts are not automatic. Plans must go through a rigorous procedure and receive government approval before any reduction. The rationale in passing the legislation was to prolong the life of deeply troubled Plans and hopefully allow them to avoid insolvency. The Teamsters Central States Pension and several other smaller Plans, some teamsters, some not, have initiated procedure that would allow them to reduce benefits. It's a hot topic and will continue to be again this year.

Our challenge is to be sure that our members know the WCTPT is not going to reduce/cut retiree benefits. We are not "deeply troubled" or "facing insolvency". Members will continue to earn and be paid all benefits due.

Look For Us to Grow

The strong organizing that is ongoing in the West and the entrance of units from states outside of the West has, as mentioned earlier, meant an increase in Plan participants over the last several years. We expect this trend will continue. 4000 Costco members from the Eastern region joined the Plan in January. Additional members in transportation and the casino industry are poised to join.

A plan that is growing in numbers is a healthy plan. More participants, more contributions, more assets equals stronger funding.

Communications

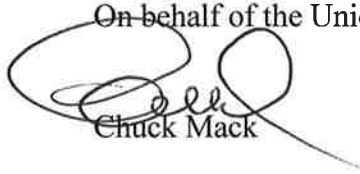
- The Annual Funding notice will be mailed in mid-April to 630,000 participants (actives, retirees, vested inactives, beneficiaries, local unions and employers.) The notice is required by law and will provide much of the information contained in this letter.
- Personal Benefits Statements will be sent to all members/participants who worked more than 250 hours in 2016. It will provide information on employer contributions, hours worked and benefits earned. It will be mailed by late May.
- Spanish translation. Last year we advised that “New Unit Brochures” were available in both Spanish and English, and also that *the* Summary Plan Description (SPD) would be translated into Spanish and posted to the web site. That was completed and the SPD is now on the website. A new booklet, “The Highlights of the Western Conference Teamsters Pension Fund”, has been printed. It contains information and explanations on Plan benefits. It too, is available in both English and Spanish. Additional copies are available upon request.
- Visit the website, **wctpension.org!** It contains a wealth of information about the Plan. You can access documents including the Summary Plan Description, Agreement and Declaration of Trust, Actuarial Reports and the Form 5500. Plan forms are also available and can be printed if need be. These include Beneficiary Designation, Change of Address and Reevaluation of reemployment. If you’ve got questions, the website has answers. Check out the *Frequently Asked Questions* section.

WCTP prides itself on being transparent. We want contributing employers, Teamster Locals and members to know the facts, figures and details of the Plan.

Our number one goal in 2017 is the same as it was when the Plan was founded 62 years ago--real retirement security for Teamster members and their families. Thank you, again this year, to our locals for continuing to make pension a priority in contract negotiations.

That loyalty and support is the reason our Plan is strong, well-funded and meets the needs of our members. Please share this letter with staff and representatives.

On behalf of the Union Trustees,

A handwritten signature in black ink, appearing to read "Chuck Mack", is written over the printed name. The signature is stylized with large loops and a long tail that extends to the right.

Chuck Mack