Western Conference of Teamsters Pension Trust
An Employer-Employee Jointly Administered Pension Plan - Founded 1955

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Annual Update

TO: Teamsters Joint Councils and Local Unions Participating in the Western Conference of Teamsters Pension Trust

FROM: Chuck Mack – Co-Chair

DATE: May 18, 2018

Dear Brothers and Sisters:

In last year's update, we reported that 2016 was a good year by every measure. 2017 wasn't just a good year-- it was exceptional.

- Investment returns were at 14%, that's over 5 billion dollars. When we subtract benefits paid to retirees and/or beneficiaries, Plan expenses, and add the 1.8 billion dollars in contributions, noted below, our assets increased 3.9 billion dollars.

Once again we realized all-time highs in contributions, benefits paid and Plan assets.

- Employer contributions were over 1.8 billion dollars-- that's a remarkable 8.2% increase over 2016. It's also the fourth consecutive year that contributions have increased by 4% or more.

- Benefits paid to retirees and beneficiaries increased to 2.75 billion dollars.

- At year's end Plan assets jumped to 41.9 billion dollars.

- The Plan's funding percentage bounced back from last year's small decrease (which occurred only because our actuaries took into account improved mortality). We began 2018 at 92%. Good news. Even better news... we have finally accounted actuarially for all of the steep losses incurred in the great recession of 2008-2009. With normal investment results going forward the funding percentage will continue to climb.

- Unfunded Vested Benefit Liability (UVBL) decreased significantly. It went from 2.7 billion to an estimated 1.6 billion for the year. That's a good thing. UVBL determines Employer Withdrawal Liability. It's always easier to negotiate increases when UVBL is declining.

- Plan participants also increased. Last year I predicted participants would increase to 210,000 by the end of 2017. I was wrong. At year's end; active participants had jumped to 214,000, a 4% annual increase. Retirees also increased by 1% to 227,000. This is exactly where we want to be, increasing actives and keeping the ratio of actives and retirees close to one for one.

2017 continued the upward trend in numbers that we have experienced since the great recession.

From 2010-2017:

- Benefits paid to retirees and beneficiaries have increased by over 25%.

- Employer contributions have increased by close to 35%.

- Plan assets have jumped by over 12 billion dollars.

- At the end of 2017 the Western Conference Teamsters Pension Trust remains the largest Multi-Employer Plan in the Nation.

- We continue to grow in numbers both in and out of the West. The 13 Western States has now become the 28 Western States.

- And we have the strongest funding level as determined by the Pension Protection Act of 2006 "Green Zone".

JUST SAY NO TO GROW

In last year's Annual Update, we indicated that the National Coordinating Committee for Multi-Employer Plans, an organization comprised mainly of Building Trades Unions and Construction Contractor Associations would attempt to resuscitate the Composite Plan Concept. Guess what? Its back, but in disguise. What was Composite is now the Giving Retirement Options to Workers (GROW ACT) (HR4997). The name has changed but the dangers remain. The GROW ACT threatens the retirement security of millions of American workers and their families, including hundreds of thousands of Teamsters across the Country.

The GROW Act, would allow pension funds to freeze their current plan (known as the Legacy Plan) and establish a new form of pension plan (called a Composite Plan). This new scheme upsets the historic sharing of plan risk and responsibility that exists among employers, participants and retirees.

- The GROW Act would weaken pension funds by eliminating employer withdrawal liability allowing employers to leave the plans without paying their fair share.

- Multiemployer pensions that transition to Composite Plans would not have to pay premiums to the Pension Benefit Guaranty Corporation (PBGC). This means that participants in composite plans would not be eligible for benefits from the PBGC in the event their pension plan fails.

- The GROW Act would require pension plans to a reach funding a level of 120% before the pension fund could increase benefits for participants. In effect, this means never.

- The actuarial modeling that the WCTPT has done on GROW indicates that, with investment returns like we've seen in the recent past, even a healthy Legacy Plan would fall into the red zone and the Composite Plan would be 25% below its funding target. A recessionary economic environment would accelerate this problem beyond the ability of the Trustees to correct it.

- The GROW Act's answer for under-funded Plans is not "share the pain." Instead, GROW would "cut the benefits". For Composite Plans, that would mean cutting future benefits, benefits already earned and retiree benefits. For Legacy Plans, both benefits already earned and retiree benefits. This is not retirement security!

- The GROW Act does absolutely nothing for troubled Plans such as the Central States, the Mine Workers and other smaller Plans, in fact, it excludes their participation. These Plans need a solution to protect their participants. GROW is not it.

- Likewise, the GROW Act is of no benefit to well-funded Plans like ours. In reality, it would undermine the funding of our Plan and other Plans that are in the Green zone. The testimony against GROW given by a Representative of AARP says it all, "If you cannot fully fund one Plan today, surely it will be more difficult to fund two Plans tomorrow".

- The Pension Benefit Guaranty Corporation would virtually be destroyed by the GROW Act.

- The GROW Act would totally shift Plan risk away from the employer and load it all on participants and retirees.

The introduction of the GROW Act begs the question---WHY and WHO in the end benefits? Obviously not the Teamster member who is a Plan participant, the retirees or beneficiaries.

The GROW Act is not a solution, it's a disaster. Its approval will only exacerbate the problems in the multi-employer defined benefits universe.

We don't take GROW's rejection for granted. That's why the WCTPT has supported the movement against it with our Joint Councils, Locals, Officers, Officials and Members/Retirees. We have held a series of meetings and discussions throughout the Western Region and beyond. The response has been overwhelming.

Thank you to Teamsters Officers and Officials for the leadership they have shown on this issue and Teamster members and retirees, who have responded, attended meetings, signed the petition and said in a loud voice "NO TO GROW". We have over 35,000 members/retirees and spouses who've signed the petition---, unprecedented, and a most important component if were to defeat this legislation.

A REAL PROBLEM

The biggest issue in the multi-employer defined benefit world today is the looming insolvency that faces the Central States, United Mine Workers and other smaller Plans. As mentioned above the GROW Act does absolutely nothing for severely underfunded Plans, in fact it excludes their participation and in reality is a distraction that is hampering efforts to correct the problem. The WCTPT supports the efforts underway in Congress to find a solution to the problems facing Plans that are severely underfunded and facing insolvency. We have communicated our position to various stakeholders and to members of the House and Senate serving on the Special Select Committee that's been appointed to work toward a solution. The failure to adequately address this problem will have a far reaching impact on other Plans and on hundreds of thousands of workers who have done the right things and need to be assured they will have the retirement security they were promised.

COMMUNICATIONS

- The Annual Funding Notice was mailed in mid-April to 650,000 participants (actives, retirees, vested inactives, beneficiaries, local unions and employers.) The notice is required by law and provides information on how well funded the WCTP Plan is.

- Personal Benefits Statements will be sent to all members/participants who worked more than 250 hours in 2017. It will provide information on employer contributions, hours worked and benefits earned. It will be mailed by late May.

- Every five years, our Plan, as required by law, provides participants with a Summary Plan Description (SPD). This booklet provides participants with detailed information about the Plan—how you become a participant, calculating your retirement benefit, types of benefits available under the Plan and how to apply and receive your retirement benefits. 2018 is the year. Look for the SPD to be mailed to all 650,000 participants in September.

- The Plan has available "New Unit Brochures". This booklet will answer questions for participants entering the Plan in newly organized units. Also available is the booklet "The Highlights of the Western Conference Teamsters Pension Fund". It contains information and an explanation on Plan benefits. Both of these are in handout form and available in Spanish and English.

- 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.

Thank you again for all that you have done in 2017, obviously it's made a difference. The loyalty and support we have from our Joint Councils, Local Unions, members, retirees and beneficiaries is the reason that our Plan is strong, well-funded and has met the needs of our participants for sixty three years.

Please share this letter with staff, representatives and members as you deem appropriate.

On behalf of the Union Trustees,

Chuck