



EMPLOYEE TRUSTEES
CHARLES A. WHOBREY
JERRY YOUNGER
GEORGE J. WESTLEY
MARVIN KROPP

EMPLOYER TRUSTEES
ARTHUR H. BUNTE, JR.
GARY F. CALDWELL
RONALD DESTEFANO
GREG R. MAY

EXECUTIVE DIRECTOR
THOMAS C. NYHAN

June 8, 2017

Name of Recipient Removed to Protect Privacy

Dear XXXX

I want to take this opportunity to apologize for the delay in responding to the handout you provided me at our meeting in Akron, OH. After reviewing the handout, it appeared to be an editorial with the majority of these questions previously addressed in writing by the Fund or in person at our meeting in Hudson, OH. Regardless, I wanted to provide you with answers to the issues you raised.

Before addressing your questions, I want to extend the same offer I made at the NUCPP meeting Hudson, OH. The Central States Pension Fund would be willing to attend a Wisconsin-Milwaukee Committee to Protect Pension meeting to update the retired membership with a current status of the Fund and information on the various proposed solutions. We recognize the importance of the NUCPP and the various clubs as stakeholders in this process, and are making ourselves available to attend your meeting. If you're interested in having a representative attend, please let me know.

Our meeting in Hudson, OH was a positive first-step and helped to stem the inflammatory and inaccurate rhetoric which is not constructive in resolving the pension crisis that faces Central States and many other pension plans throughout the country.

The questions you raised:

- **Why did CSPF ambush retirees and active participants with its Rescue Plan instead of warning them that a plan was being developed?**

We would strongly disagree with the premise of your question. Until the very end of 2014, there was no path forward to fix the serious problem facing Central States in a comprehensive way. That changed in December, 2014 when the Multiemployer Pension Reform Act of 2014 (MPRA) was enacted and signed into law. By the end of March, 2015 – prior to ever submitting a Rescue Plan - we were communicating with our active participants and retirees. To quote from our March, 2015 letter:

A few things you should know:

At this time, the specifics of a rescue plan have not yet been decided. Our Board of Trustees is currently considering how pension benefit reductions could be implemented fairly. We expect that **sometime this summer, we will be able to share with you specific information about a rescue plan and how it would impact your pension benefits.**

The March, 2015 letter along with the “Frequently Asked Questions” that was included with the letter mentions possible benefit reductions no less than 6 different times.

Additionally as we stated from the very outset, **time was of the essence**. Due to the rapid decline in assets, if we did not move quickly after the passage of MPRA, we would be unable to qualify for relief. As it turns out by the time Department of Treasury rejected the MPRA plan we were in fact out of time.

Finally, since 2000 the Central States Pension Fund has annually communicated the financial difficulties that faced the Fund due to deregulation, company bankruptcies, two recessions, and other factors. Within the limits of our authority, the Fund has made multiple attempts to try to resolve the huge imbalance created by having three times more retirees receiving benefits than active workers for whom contributions are being made. Since 2008, active participants and retirees have received an annual Funding Notice from Central States that stated the Funding percentage, along with the Assets and Liabilities.

- **Why did CSPF mislead everyone, including its own employees, by stating that the reductions would be in the 20% range when a large number of retirees were advised that their pensions would be cut by more than 50%?**

I am assuming that you are referring to the average MPRA benefit reduction under our Rescue Plan of all Plan participants which was 22.6%. Although re-litigating the Rescue Plan under MPRA does nothing to solve the current pension problem, it is important to discuss the facts.

It is a fact that under the Rescue Plan, the average reduction of all Plan participants was 22.6%. I would also agree with your general statement that a “large number of retirees were advised that their pensions would be cut by more than 50%”. Neither statement is incorrect. It is important to remember that **33% of all Central States participants had no impact** to their pension benefits under MPRA. When taking into consideration all Plan participants, the average cut was indeed 22.6%.

- **Why didn't CSPF advise CSPF retirees, active participants, and the local union leadership that reductions were being considered under MPRA and ask them to nominate representatives to work with CSPF trustees and staff to craft a more equitable plan?**

Central States worked within the parameters of the legislation that was passed which included naming a Retiree representative. In addition, I think it is important to note that as I stated at our meeting in Akron, OH and as stated by CSPF to the principal officers at a meeting last week, CSPF is willing to work with anyone that offers a workable solution to the Fund. That would include the IBT, employers, Retiree Clubs, or local union leadership.

- **Why has no one in top management at CSPF been fired for not getting its MPRA application right when CSPF was the principal architect behind MPRA and reportedly spent millions of CSPF dollars to get it passed?**

Three points to note:

1. The final MPRA legislation that was implemented was not the legislation that Central States proposed. The final MPRA legislation changed substantially from what Central States helped draft.
 2. Our MPRA application was not rejected because we didn't "get it right". Again, facts are important. It was submitted to the Department of Treasury based on the proposed regulations that the Department released on June 19, 2015. On the same day, the Department issued temporary regulations which were identified as carrying the full force of the law. Despite the Fund submitting our application in September, 2015, the Department of Treasury made significant changes to the final rules on April 28, 2016 – a mere 8 days before our application would be rejected. Our application was denied, in part, because of the final rules that came out after our application was submitted. I refer you further to our response that we provided back in May, 2016 which is available on our website.
 3. I'm not sure what "report" stated that CSPF spent millions of dollars to get MPRA passed. I would be happy to review the report if you would like to forward it to me.
- **Why does CSPF need a multimillion dollar executive payroll to administer its decline into bankruptcy?**

I'm pretty confident that any answer I provide is not going to be satisfactory – but I'll try.

Although you may see this as a "decline into bankruptcy", many other actives, retirees, and local union leadership see this as a two-decade quest to solve a pension crisis facing many plans throughout the country. During that time, Central States has been the most proactive Fund in the country seeking legislative solutions to these problems. The fact is the administrative costs of the Pension Plan are among the lowest in the country and in comparison, are much lower than the Western Conference of Teamsters Pension Fund.

Additionally, be aware that Central States also administers the largest union health Fund in the country covering over 500,000 members. Nearly 66% of our payroll is devoted to that plan. The administrative costs at Central States, in comparison to other Funds, are among the lowest in the industry.

- **Why doesn't CSPF waive all restrictions on reemployment after retirement, other than working for a CSPF contributing employer so that retirees, who are still able to work, can find jobs to protect themselves from financial ruin since Mr. Nyhan has warned that CSPF will "run out of money" in less than 10 years and their pensions will not be backstopped PBGC? This**

gesture would be a sign of 'good faith' that CSPF leadership is willing to work with retirees. Continuing the existing reemployment restrictions is morally indefensible.

Under the Pension Protection Act (PPA) the Fund is prohibited from having **any** benefit improvements while in Critical Status. The Department of Labor has determined that an improvement in restricted reemployment rules would be a benefit improvement and prohibited under the PPA. As you know the Fund did change the reemployment rules under MPRA, however that was allowed as part of the Rescue Plan being submitted.

Ignoring the editorial, it's important to note that most Taft-Hartley multi-employer Funds have restricted reemployment rules that prohibit retirees from working for non-union employers who are in direct competition with union employers. The Pension Fund was never intended to allow a retiree to subsidize their union-based pension while working for a non-union employer who is in direct competition with a union employer.

Finally, restricted reemployment rules are not unique to Central States and a majority of the reemployment requests handled by the Fund are approved.

- **Why, in its 'Annual Funding Notice' mailed in April, 2016, did CSPF notify retirees and active participants that their pensions were guaranteed by PBGC when it used, as a reason for its Rescue Plan (which was then still awaiting a decision from Treasury), that a CSPF bankruptcy would also bankrupt PBGC? This sort of contradictory messaging is the height of administrative incompetence and is a clear example of CSPF leadership cannot be trusted.**

As you know, 'The Annual Funding Notice' is a strict template provided by the Department of Labor's Employee Benefits Security Administration that Central States Pension Fund **cannot** edit. The guidance by the DOL on the Annual Funding Notice states:

PBGC Guarantees and other Title IV Information

Annual notices **must include a general description of the benefits under the plan that are eligible to be guaranteed by the PBGC**, along with an explanation of the limitations on the guarantee and the circumstances under which such limitations apply. Single-employer plan notices must include a summary of the rules governing plan termination and multiemployer plan notices must include a summary of the rules governing reorganization or insolvency.

Again, ignoring the inaccurate commentary, the Fund – by law – must continue to reference the PBGC.

I'll also add that we have communicated the failings of the PBGC. Our last correspondence that went to members after the MPRA decision stated:

Central States Pension Fund remains in critical and declining status and is projected to run out of money within ten years, or even less. Because the Pension Benefit Guaranty Corporation (PBGC), the government's pension insurance program, is also projected to run out of money, today's decision means that, absent legislative action or an approved rescue plan, Central States participants could see their pension benefits reduced to virtually nothing.

- **Why is CSPF still making premium payments to PBGC for insurance PBGC claims it will be unable to provide if CSPF becomes insolvent? CSPF claimed MPRA reductions were necessary because PBGC would be unable to honor its pension guarantees if CSPF fails.**

There is no provision in the law not to continue making premium payments to the PBGC. The Fund has had these discussions with the PBGC but until the law is modified, Central States must continue to comply with the statutes.

- **Why hasn't CSPF requested a refund of all premiums it paid to PBGC for the last 40 years, plus interest, if CSPF was 'too big' for PBGC to insure?**

There is no provision in the law to request a refund.

- **Why hasn't CSPF sued PBGC for fraud for accepting premiums for CSPF pension guarantees it knew it could never provide? This sort of litigation would certainly attract the attention of Congress and the news media and bring pending bankruptcy of CSPF to the forefront and should have been the first step in any Rescue Plan.**

Please refer to the previous two answers. I would like to add that proposed legislation like KOPPA that is supported by NUCPP as well as your committee, along with other proposed solutions, addresses the future funding of the PBGC. I think you would agree that it would be short-sighted and premature to begin costly litigation against the PBGC while solutions are being discussed.

XXXX, I trust this answers your questions. If you have any other question, or would like to schedule a meeting, please let me know.

Sincerely,



Michael Mullane
Director, Marketing and Field Service Group

cc: Mike Walden, President, NUCPP