# Warehouse Employee Union Local No. 730 Pension Trust

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# MPRA Suspensions

June 18, 2020

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# Actuarial Report

- MPRA Suspension Overview
- PBGC Guarantee
- Suspension Application Process and Timeline
- Pre-Suspension Actions

# MPRA Suspension Overview

- Permits Critical and Declining plans to suspend benefits to stay solvent
- Pension reductions
  - not below 110% of PBGC Guarantee
  - not for disability retirees
  - not for retirees and beneficiaries over age 80
  - phase in for those over age 75 at date of suspension
  - not too much: if suspension were 5% less, plan would go insolvent
  - suspensions must be “equitable”

# Equitable Suspensions

Items to take into account include:

- Actives' support for plan if more cuts
- Prior reductions in benefits
  - Accrual rate, early retirement, normal retirement age, and form of payment

- Prior contribution increases that are not benefit bearing

# PBGC Guarantee Calculation

- Divide benefit in payment by years of service to get an effective accrual rate
- Apply guarantee to effective accrual rate
  - 100% of the first $11 + 75% of the next $33
  - Maximum guaranteed accrual rate is $35.75
    - Applies to all effective accrual rates above $44
- Multiply by years of service to get PBGC guaranteed amount

# Examples

| | Example 1 | Example 2 | Example 3 |
|---|---|---|---|
| Monthly Benefit | $3,520 | $1,500 | $160 |
| Years of Service | 33 | 28 | 11 |
| Effective Accrual | $107 | $54 | $15 |
| PBGC Multiplier | $35.75 | $35.75 | $13.66 |
| PBGC Guarantee | $1,180 | $1,001 | $150 |
| 110% of PBGC Guarantee | $1,298 | $1,101 | $160 |
| Potential Reduction | $2,222 | $399 | $0 |
| % Reduction | 63% | 27% | 0% |

# Suspension Procedure

1. Apply to Secretary of Treasury
2. Send notices concurrent with application to participants and beneficiaries, contributing employers, and bargaining representatives
3. Treasury approval (consults PBGC and DOL)
4. Participant vote to suspend
   - Failure to vote is a vote for the suspensions

# Treasury Review Process

- Treasury has 225 days from application to approve or deny
- Treasury issues invitation for comments within 30 days
- Treasury can only deny if the determination of avoiding insolvency is clearly erroneous
- If Treasury approves participants get an up or down vote

# Timeline

| Partition/MPRA Suspension Timeline<br>Target Partition/Suspension Date: November 1, 2021 | |
|---|---|
| **Item** | **Date** |
| Asset Values used in the Calculations | 09/30/2020 |
| Application Made and Notices Ready | 12/19/2020 |
| Complete per Regulator | 12/21/2020 |
| Notices posted | 12/22/2020 |
| Published on Treasury Website | 01/20/2021 |
| Comment Period Closes | 03/06/2021 |
| Approval or Denial | 08/01/2021 |
| Voting Packets to Participants | 08/31/2021 |
| Voting Closes | 09/21/2021 |
| Suspension/Partition | 11/01/2021 |

# Pre-Suspension Actions

- Reach out to Giant and Eight O'clock Coffee
  - IRS/PBGC will ask for financial information from these two employers. They will sign non-disclosure agreements.

- Ensure accurate service histories for participants / beneficiaries under age 80
- Rigorous check of participants' current mailing address

# Reliance

*In preparing this presentation, we relied on information (some oral and some written) supplied by the Fund Office. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23. This analysis was based on current assumptions and methods, financial data through 12/31/2018, and the 1/1/2019 membership data. Assumptions, methods and participant valuation data are outlined in the 2019 Actuarial Valuation Report. Actual results can be expected to differ to the extent that future experience differs from the actuarial assumptions used.*

*We hereby certify that, this presentation and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation. This presentation does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.*

*This presentation was prepared solely for the Warehouse Employee Union Local No. 730 Pension Plan for the purpose of deciding whether to go forward with an application for benefit suspensions under MPRA. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.*

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