Warehouse Employee Union Local No. 730 Pension Trust

CHEIRON
Classic Values, Innovative Advice

MPRA Suspensions

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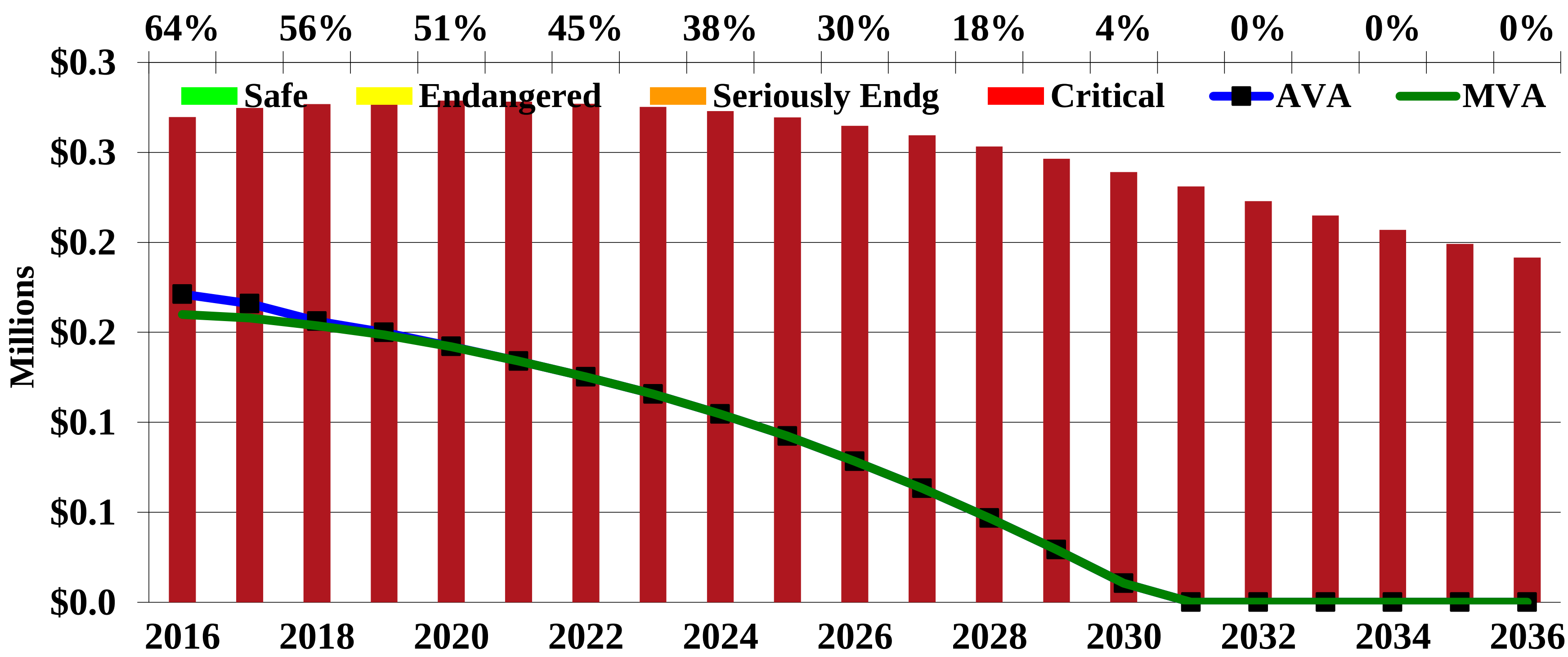
Actuarial Report

- Reminder of 2017 PPA Certification Projection
- MPRA Suspension Possibilities

2017 PPA Certification – Critical and Declining
Projection of Insolvency



MPRA

- 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”

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
- ~~Service is limited to one credit per year~~

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	$165
Potential Reduction	$2,222	$399	$0
% Reduction	63%	27%	0%

Equitable Suspensions

- Age and life expectancy
- Time in pay status
- Benefit amount
- Type of benefit, NR, ER, SS
- Subsidy in benefit
- Increases since retiring
- Prior benefit reductions
- Years to retirement (actives)
- Retiree vs. active benefit discrepancies
- Active support for plan if more cuts
- Withdrawal liability payment history

Suspensions Procedure

1. ~~Appoint Retiree Representative~~
2. Apply to Secretary of Treasury
3. Send notices concurrent with application to participants and beneficiaries, contributing employers, bargaining representatives
4. Treasury approval (consults PBGC and DOL)
5. 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

MPRA Suspensions

- 17 plans have applied (two twice)
  - 3 approved (two after withdrawing and re-submitting
  - 5 denied
  - 5 withdrawn
  - 5 still being reviewed
- Denials have generally been because the assumptions used have not met approval of Treasury
- In one case the suspensions were deemed not equitable

Assumptions Challenged

- Rate of return
- Mortality
- Election of J&S option
- Commencement of TV benefits
- New entrant profile

- Treasury convened a meeting with Academy of Actuaries to explain their requirements for assumptions

Local 730 Preliminary Projections

- Using modified assumptions to follow guidance from Treasury
  – Lower assumed return, 6.5%
  – Most recent mortality tables
- Continuing to assume hours are stable
- Determined benefits at 110% of PBGC
  – Some in-payment benefit cuts are estimates
- Preliminary projection indicate maximum cuts are more than enough to maintain solvency

Reminder of what 110% PBGC looks like

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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 accepted the data provided for the 2017 valuation and used a simplified benefit projection approach to generate cash flows and project future asset values. Actual results can be expected to differ to the extent that future experience differs from the actuarial assumptions.

I hereby certify that, to the best of my knowledge, this presentation and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as a credentialed actuary, I 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. I am not an attorney and my 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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