FREQUENTLY ASKED QUESTIONS
ABOUT TMRP PROPOSED BENEFIT CHANGES

Why We Are Proposing Benefit Changes

1. Why is the Board of Trustees of TMRP (formerly the Inter-Local Pension Fund) proposing pension benefit changes at this time?

The Trustees are proposing pension benefit changes now in order to save the future of the Plan. If no benefit adjustments are made, the Plan is projected to terminate in 2030 *or earlier* with remaining contributions not already paid out returned. Upon this termination, pension benefits will cease for any retiree who has already received the value of their contributions in the form of pension payments, and no further pension benefits will be paid in the future.

2. Haven't we reduced benefits before to address the Plan's financial situation?

Yes. Most recently, benefit reductions were made in 2018 but only to bring the Plan's funding level to 80%. That funding level was not sustainable because the large number of Teamster members anticipated to join the Plan failed to do so.

3. Why do we need to make benefit changes again?

While the Plan was able to sustain a funding level of around 80% for several years, the disparity between the annual funding requirements and the funding level coupled with the volatility of the investment market chipped away at the funding level bringing the Plan into the 60% funding range and threatening the funding level to decline further jeopardizing the future existence of the Plan.

4. How did the Trustees decide on proposed benefit changes?

The Trustees have been working with experienced professionals including actuaries, auditors, and investment advisors to analyze various ways to permanently improve the Plan's financial situation. The goal is to protect the Plan while preserving the highest level of benefits for all of us. The 2024 proposed benefit changes are different from those in the past in an important way: <u>They are projected to increase the Plan's funding level to 100% (not to 80% as has been the funding goal in the past) and eliminate the necessity to bring new members into the Plan to sustain that 100% funding level.</u>

5. Why do the Trustees want to increase the Plan's funding level to 100%?

A 100% funding level means that total projected benefit payments are equal to Plan assets and projected investment return. Reducing benefits to achieve a 100% funding level is the best available option to continue paying lifetime benefits without having to make benefit reductions in the future. Bringing the Plan to a 100% funding level also takes the need to grow the Plan's active member base out of the equation. At a 100% funding level, the Plan will be able to make all promised lifetime benefit payments without making further benefit cuts provided the Plan's invested assets earn the Plan's assumed rate of return (even with no new members). If new members join the Plan, that will further improve the Plan's funding. In order to bring the Plan to a 100% funding level and give the Plan its best chance to continue lifetime benefit payments without additional benefit cuts, however, the benefits need to be significantly reduced effective January 1, 2024 to bring benefit payments into line with Plan assets and projected investment return.

6. I heard that "Union Pension Plans" received financial assistance from the federal government (the Pension Benefit Guaranty Corporation or "PBGC") to help improve their funding; didn't the TMRP receive any money?

No. The "Special Financial Assistance" that was paid to "Union Pension Plans" was only available to underfunded "multiemployer pension plans." TMRP is not a multiemployer pension plan but rather an IRC Section 501(c)(18) plan. As such, the Plan was not eligible to receive financial assistance from the federal government despite the Trustees' efforts to get legislation passed to provide financial assistance to the TMRP. The Plan was established in 1950, long before the Employee Retirement Income Security Act (ERISA) of 1974, which guarantees benefit payments through the Pension Benefit Guaranty Corporation (PBGC) if a pension plan runs out of assets. Our Plan is not an ERISA plan and consequently is not covered by PBGC insurance.

Details on Proposed Benefit Changes

7. Are all Plan members affected by the benefit changes?

Yes. All members - active, terminated vested, disability pensioners, retirees, and spouses receiving benefits will share in the cost of saving our Plan. Since its inception, the Plan has paid out several billion dollars in benefits. Now, in challenging times, the Trustees feel it's important that everyone pull together to protect the Plan's long-term financial security by voting to bring our benefits in line with our assets and investment return projections. The Plan will continue to provide a lifetime benefit to you and your spouse to supplement and enhance your other retirement income. Provided you have been a member for a sufficient period of time, a lifetime benefit is available even if you should become disabled and unable to work.

8. What are the proposed benefit changes?

As described above, the following benefit changes are projected to increase the Plan's funding level to 100% in order to avoid future benefit adjustments regardless of our ability to bring in new Plan members. The proposed changes, if approved by the membership, will be effective January 1, 2024.

Active Members

Reduced Past Accrual Rate: The accrual rate for active members on contributions made through December 31, 2023, will be reduced to 1.225%. This represents a 30% accrual rate reduction on contributions made through December 31, 2023.

No Change to Future Accrual Rate: There is no proposed change to the accrual rate for contributions made on or after January 1, 2024. The accrual rate will remain at 1.75% for those future contributions.

For example: Jack joined the Plan in January 2000 and contributed $15 per week continuously until retirement in 2034. He contributed a total of $18,720 through December 31, 2023, and $7,800 thereafter until his retirement on January 1, 2034. His monthly pension at Normal Retirement Age (without reduction for spousal protection) is:

$18,720 x 1.225% = $229.32 <u>PLUS</u>

$ 7,800 x 1.75% = 136.50

Total pension payment per month = $365.82 for life.

It will take about 73 months (about 6 years) for Jack to recoup his contributions, but his benefit will continue for life no matter how long he lives.

Jane joined the Plan in January 2015 and contributes $25 per week continuously until her retirement in January 2040. She contributed a total of $11,700 through December 31, 2023, and $20,800 thereafter until her retirement on January 1, 2040. Her monthly pension at Normal Retirement Age (again without reduction) is:

$11,700 x 1.225% = $143.33 PLUS

$20,800 x 1.75% = 364.00

Total pension payment per month = $507.33 for life

It will take about 64 months (just over 5 years) for Jane to recoup her contributions, but her benefit will continue for life no matter how long she lives.

And, in both of the foregoing examples, if the member should die before the Plan returns 100% of their contributions, a Death Benefit equal to the remainder of his or her contributions will be paid to their named beneficiary. In addition, if the member was married at retirement, his or her pension is reduced so his or her surviving spouse will receive a lifetime pension of 50% of the amount the member was receiving (if they so elect).

<u>Increased Adjustment for Early Retirement Benefits Effective for Normal Retirements, Spouse's Pensions and Disability Benefits on or after January 1, 2024</u>:

The adjustment for retirement and other benefit commencements before age 65 will increase beginning with benefits effective on or after January 1, 2024. Currently, TMRP subsidizes the pension of anyone who retires (including on Disability or a Spouse's Pension) before age 65. That is, the lifetime value of the pension (or other benefit) is greater for those who retire before age 65 than the value of a pension (or other benefit) for those retiring after attainment of age 65 (all else being equal) and the additional value is paid for by the Plan through "subsidized" early retirement factors. The proposed change will increase the early retirement adjustment so that the value of a pension (or other benefit) for those who retire before age 65 is equal to (on an actuarial basis) the value of a pension (or other benefit) for those who retire after attainment of age 65 (all else being equal). The following table shows the value under the "actuarially equivalent" factors alongside the current factors. Under the proposed early retirement factors, there is no difference for those pensioners retiring with 25 or more years of service.

Age at Retirement/Benefit Commencement	Proposed Early Retirement Factors for All Benefits	Normal Retirement Current Factors (25+ Years of Service	Normal Retirement Current Factors (<25 Years of Service	Spouse's Pension & Disability Benefit Current Factors
65	100.00%	100%	100%	100%
64	90.58%	97%	96%	97%
63	82.21%	94%	92%	94%
62	74.75%	91%	88%	91%
61	68.07%	85%	82%	88%
60	62.09%	79%	76%	85%
59	56.71%	73%	70%	82%
58	51.87%	67%	64%	79%
57	47.51%	61%	58%	76%
56	43.56%	55%	52%	73%
55	39.98%	49%	46%	70%

For example, a member whose pension at age 65 is $500.00 per month will receive **$310.45** per month at age 60 under the proposed early retirement factors. Under the current factors, if the member has at least 25 years of service, s/he would receive $395.00 per month. If the member has fewer than 25 years of service, s/he would receive $380.00 per month. The reason for this proposed change is that the Plan no longer has sufficient assets to subsidize early retirement pensions.

Surviving Spouses of Deceased Active Members

If a member should die while actively contributing to the Plan, his or her surviving spouse has the option of receiving a Death Benefit equal to the contributions made by the member to the Plan OR receiving a Spouse's Pension. The Spouse's Pension is a lifetime monthly pension commencing when the surviving spouse reaches age 65 (or in a reduced amount as early as age 55 – see table of reduction factors above under Early Retirement). Under the proposed changes, the amount of the Spouse's Pension will equal 0.756% of the member's contributions per month (reduced from 1.08%).

For example, an active member dies after contributing $60,000 to the Plan. His surviving spouse may elect to receive a Death Benefit of $60,000 or the spouse may elect to receive an annuity beginning at age 65 equal to $453.60 per month for the rest of his or her life.

Retirees

Benefits for retired members will be reduced by 40%. This reduction is somewhat greater than the reduction for active members in order to encourage active members to continue contributing to the Plan. Those contributions will help the Plan pay lifetime pension benefits to all current and future retirees and spouses.

Under the proposed benefit reductions, for example, a retiree receiving $500.00 per month will begin receiving $300.00 per month as of January 1, 2024.

The retiree benefit reduction will apply to all retirement benefits that **commence** before January 1, 2024. If a retiree returns to work after his or her benefits have commenced under the Plan, the benefit he or she was receiving before the January 1, 2024, will be subject to the 40% retiree benefit reduction. Plan contributions received after the retiree returns to work will be subject to active member accrual rate reductions set forth above under "Active Members."

Important Note: **Over 85% of our retired members have already recouped their entire investment in the Plan (their contributions)**. For those retirees, although the proposal represents a benefit reduction, they will continue to receive a lifetime monthly pension benefit over and above the amount they contributed to the Plan for the rest of their and their surviving spouse's life (provided they elected to retire on a Joint and Survivor Option).

For those retirees who have not yet recouped their contributions, even with the benefit cuts, they will recoup their contributions within a reasonable period.

Terminated Vested Members

Benefits for terminated vested members will be reduced by 50%. Therefore, the accrual rate applied to Plan contributions to determine the monthly pension benefit is 0.875% (reduced from 1.75%). Terminated vested members will have a slightly larger benefit reduction because these members, who are no longer contributing to the Plan, have not yet retired and can increase their retirement income through other means.

For example, an individual contributed to the Plan for 10 years in the total amount of $20,000. They have since left the industry and are no longer members of the Union. Their pension at Normal Retirement Age will be calculated as follows:

$20,000 x 0.875% = $175.00 per month (reduced for retirement before age 65 as set forth above).

9. How do the proposed benefit changes affect former members of the Local One Amalgamated Lithographers of America Pension Fund and the Photoengravers Pension Welfare Fund ("Merged Plans")?

All benefits payable under the Plan attributable to contributions to the Merged Plans will be reduced in the same percentages as the reductions attributable to TMRP contributions. A schedule of benefit adjustments is included with these FAQs for those members who contributed to those Plans.

10. When will the proposed benefit changes be effective?

If the benefit changes are approved by the membership, the planned effective date is January 1, 2024.

11. How will my TMRP pension benefit be affected by the benefit changes?

If you are a **retiree**, your monthly pension will be reduced by 40%. For example, if you are currently receiving $650 per month from the Plan, your January 2024 pension and all payments thereafter will be reduced to $390 per month ($650 x .60 = $390).

If you are an **active member**, when you retire under the Plan your monthly pension will be calculated as follows:

i. Your contributions through 2023 will be multiplied by the accrual rate of 1.225% (rather than 1.75%).

ii. Your contributions made on and after January 1, 2024 will continue to be multiplied by 1.75%. Even with the proposed benefit changes, the accrual rate on your contributions is in line with other union pension plans and the *future accrual rate* on your contributions to TMRP (1.75%) is high compared to other union plans. The majority of other union defined benefit plans – in particular, multiemployer pension plans – that also express their accrual rates as a percentage of contributions have accrual rates of between 1% and 1.24% of contributions.[1]

iii. Your monthly pension will be the sum of those two amounts.

That reduction represents a 30% reduction to the accrual rate on contributions through 2023 and **NO CHANGE** on the accrual rate thereafter.

If you are the **surviving spouse** of an active member who dies on or after January 1, 2024, you may elect to receive a Spouse's Pension calculated by multiplying the member's contributions by 0.756% for commencement at age 65.

If you are a **terminated vested member**, whatever monthly pension benefit you have earned as of January 1, 2024, will be reduced by 50% when you retire.

APPROVAL PROCESS

12. How will the benefit changes be approved?

Two votes are required to approve the proposed changes:

- First, participating Local Unions representing two-thirds (2/3rds) of the Plan's membership must approve the changes by a majority vote of those present. Voting will take place during Local Union meetings in September and October 2023.

[1] PBGC report: https://www.pbgc.gov/sites/default/files/me-plan-provisions-study.pdf

- Second, two-thirds (2/3rds) of all voting active and retired members must approve the changes in a referendum vote. If the Local Unions approve the changes (per step one above), you will receive a referendum package including a ballot and self-addressed envelope through the mail in October. Ballots will be due in November 2023.

13. Who will tally the vote?

The Trustees will work with an independent, third-party auditor to tally the referendum vote. After the votes are tallied, we will share the results with you.

14. What will happen if 2/3rds of the membership votes cast are not in favor of the proposed benefit changes?

If 2/3rds of the properly executed ballots received are not in favor of the benefit changes, the Trustees will terminate the Plan. The timing of termination is unknown at this time, but it must be terminated no later than the date that Plan assets are only sufficient to return contributions – see Q&A 15(A) below.

15. What will happen if the membership votes DOWN the benefit changes?

A. Repayment of Contributions if Necessary – Trigger Point

The Trust Indenture requires that if Plan assets are only sufficient to pay back members' contributions (less benefits paid) then the Plan must be terminated, and members will receive their total contributions minus benefits received. Any retiree who has already collected the value of their contributions (currently 85% of retirees) will receive no further benefits – all pension payments will immediately cease. At present, the Plan is projected to hit this "Trigger Point" in 2030. That is, if no benefit adjustments are approved, the Plan will terminate in 2030 or earlier and any remaining contributions not already paid out will be returned. Pension benefits will cease for any retiree who has already received the full value of their contributions in the form of pension payments, and no further pension benefits will be paid in the future. This is not a proposed change and will not be voted on since the Plan already provides for this contingency under the terms of the Plan.

B. Purchase of Annuities

If the benefit adjustments set forth above for active, retired and terminated vested members are not approved by our membership, the Trustees could decide that it is in the members' best interest to terminate the Plan **now** and purchase annuities for members in the marketplace, rather than waiting until the Plan reaches its "Trigger Point" as described above. This means that whatever the Plan's assets will pay for at the time of the annuity purchase is what our members will get.

Further, due to daily investment market fluctuations, Plan members will have NO advance notice and NO opportunity to vote on any specific benefit reductions applicable to annuity purchases. Due to the demands of the annuity purchase market, the Trustees will have a window of only 4 to 8 hours to commit to specific benefit reductions.

The Trustees have researched this contingency and determined that if annuities are purchased, benefits for active members will likely have to be reduced by *at least* 37% (with a cessation of future contributions), retirees will likely incur a benefit reduction of *at least* 49%, and terminated vested members will likely have their benefits reduced at *least by* 62%. Annuities are expensive because the insurance company that sells the annuities must ensure that the Plan's assets will cover members' lifetime annuities. The level of benefit reductions could get worse between now and the time of annuity purchase, depending on factors such as investment returns and market interest rates.

Following are factors that contribute to the significant expense of annuity purchases:

Cost Factor	**Annuity Providers**	**TMRP**
Long-term interest rate assumption	Very conservative (low) and based on bond market	More optimistic and based on the Plan's balanced portfolio which, over the long-term, has earned an average return of 6.5% over the past 10 years and is projected to earn 7.4% over the next ten years.
Profit	Annuity providers are beholden to shareholders and must imbed a profit margin on the cost of annuities	No profit motive. All assets are dedicated to the payment of benefits for members and beneficiaries and the payment of reasonable administrative fees.
Risk	By taking on plan liabilities, the annuity providers are assuming the risk and must build in a significant "cushion" to hedge against poor experience.	The Plan does not have to build in a cushion and can therefore assume risk without such a high cost.
Administrative Expense	The annuity provider has administrative expenses *over and above* the cost of providing the annuities such as advertising expenses and state insurance taxes.	The only administrative expenses the Plan has are the cost of running the Plan and providing benefits to members.

If we continue TMRP, the Plan absorbs the cost of providing benefits, and we do not have to impose such severe reductions as a result. The proposed reductions increase our projected funding level to 100%. That funding level projection is based on the assumption that no new groups will join TMRP and that the Plan's assets will earn a reasonable investment return of 7% beginning in 2024.

16. If these benefit changes are approved, will the Trustees have to make additional benefit reductions later, and if so, when will those reductions be made?

These benefit changes are projected to increase the Plan's funding level to 100%. This will be the first time in decades that the Plan will have been that well-funded, and the 100% funding level will help to avoid any future benefit reductions. The Plan's actuary has projected that with these benefit adjustments, the Plan will continue to be at least 100% funded for at least the next 30 years. Of course, there are no guarantees – the Plan relies on investment income to fund benefit payments and, as we have seen in the past, markets are unpredictable. Nonetheless, these benefit adjustments are the best approach to avoiding any future benefit reductions.

These FAQs highlight the proposed changes to TMRP. Full details of the proposed changes will be contained in the official ballot; full details about the Plan are contained in the documents that establish the Plan provisions. If there is a *discrepancy between the wording here and those documents, the language of those documents will govern.*