



April 10, 2017

Union Brothers & Sisters,

In June, 2016, the Board of Trustees of the Bricklayers & Allied Craftsmen Local No. 7 Pension Plan submitted an application to the U.S. Treasury Department. That application requested the ability to reduce pension benefits. This application was a last resort in an attempt to help save the Plan.

In December, Treasury contacted us and said the application was going to be denied. Treasury told us we could withdraw the application, make the changes that Treasury suggested, and then resubmit the application at a later date.

Treasury's primary issues were with the mortality rate used in the application and the application's prediction of future hours. Mortality rates are statistical models that predict the number of years each retiree will draw a pension. The original application used a model we thought to be appropriate for bricklayers and other skilled craftsmen. We found out in December that Treasury wanted us to use a more general model that predicts longer lifespans.

The original application also used a future hours prediction that was based on Local 7's recent history plus a look ahead at several building projects that we hope will soon start in our area. Treasury said we were being too optimistic and told us to scale back the projected future hours.

Changes to those two forecasts had a significantly negative impact on the Pension Rescue Plan. Further complicating the matter is that, if we were to resubmit the application, the effective date of the suspension would need to be moved back until late in 2017 at the earliest, and time is our enemy.

Using the new mortality rates and the reduced hours projection, the Plan's actuary performed a study to see if benefit cuts could still save the Plan. She found that there's a possibility the Plan could still be saved, but only with much deeper pension cuts than the original application called for and only if actual work hours were close to the number of hours used in the original application.

For example, in the original application, nearly half of all participants would NOT have seen a cut; under a possible resubmission, 7 out of 10 would have seen reductions in their pensions. And many people would have seen much greater reductions than the original application provided for. Some individuals would have seen a nearly 80% cut to their pensions.

After reviewing these numbers and also due to the fact that the hours projection needed to support these deeper cuts may be hard to justify based on current experience, we decided not to resubmit the application.

What this means for you is that your pension will not be cut... for now. We have determined that in the next 10-15 years the Plan will reach the point where the Pension Benefit Guaranty Corporation (PBGC) will need to step in to fund the Plan's pension benefits. Many factors, such as work hours and Plan investment return, will dictate exactly how many years this Plan will survive.

Once the Plan reaches the point that the PBGC steps in, just about everyone's pension benefits will be significantly cut, and those cuts will be well below what we had originally proposed to Treasury in the application. If you still have the letter you received last summer that described the benefit cut, you will see that your benefit guaranteed by the PBGC is noted.

So what happens now? Unfortunately, it seems unlikely that the Federal Government will prop up plans like this Plan. It is more likely that the Government will provide money to the PBGC. But all that will do is make sure the PBGC can pay the greatly reduced benefits described above. Without further changes to Federal Law, and barring a significant increase in hours and consistently above average investment returns, the Plan's funding will continue to decrease.

We appreciate your attention to this difficult situation, and we wish the options were more favorable than they are. If you have any questions or comments about this letter, please do not hesitate to submit your thoughts to the Trustees through the Pension Rescue Plan's website, www.bricklayers7rescue.com, or by contacting the Plan's attorney, Timothy P. Piatt, at (330) 493-1570.

Sincerely,

The Board of Trustees of the Bricklayers & Allied Craftsmen Local No. 7 Pension Plan