



Western Conference of Teamsters Pension Trust

An Employer-Employee Jointly Administered Pension Plan – Founded 1955

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April 15, 2021

2020 Annual Pension Update

2020, the year that wasn't. Who could have imagined the United States of America, at this point in time, being so ravaged by a virus---COVID 19.

Who could have imagined, the impact on our way of life, the impact on our economy, and the impact on our way of death. Over 500,000 Americans have died from COVID. Millions more have lost their jobs or been laid off. Teamster members working hospitality, rental cars, theme parks, gaming, trade shows, movies/television, airlines, and the public sector have suffered from the impact. Those members in trucking, warehousing, construction, groceries, waste recycling, food processing, beverage, and package delivery, all providing essential services were also impacted with significant exposure to the risks from COVID.

2021 offers hope. Several anti-COVID vaccines have been developed, are being distributed, and at this point it appears the pandemic is in decline. Teamster members and other workers who have been off the job are being called back to work. It can't happen fast enough.

However, let's be careful. Proceed with caution. "It ain't over til it's over." The watchword is Vaccinate and continue to heed the COVID protocols. If we do, it will expedite our return to the new normal.

The 2020 Rollercoaster:

After an exceptional year of Plan growth in 2019, hopes were high for similar results in 2020. Those were dashed early on by the impact COVID had on the economy. At the end of the first quarter 2020, markets had lost 20-25% of their value and returns for pension plans, ours included, were down significantly. The economy began to look like the great recession of 2008-2009 all over again.

In the second quarter, with better understanding of the pandemic and the leveling off of COVID numbers, markets began a turnaround. By the end of summer, the rollercoaster was headed upwards and our Plan ended the year strongly.

Here are the Western Conference Teamsters Pension Trust (WCTPT) numbers for 2020:

- Investment returns were 11.4%

- Total Trust assets (market value) jumped to \$49,929,648,320. In early January 2021, Trust assets exceeded the \$50 billion dollar mark.
- Employer contributions also increased. They were up by 7% and totaled over \$2.2 billion dollars by the end of the year. Contributions have increased 15% over the past two years.
- Benefits paid to retirees and beneficiaries increased to \$2.9 billion dollars in 2020. This year, 2021, benefits paid will exceed, for the first time, \$3 billion dollars.
- Plan participants also increased. 2500 new participants from more than 20 new bargaining units have joined the Plan. Our total Plan participants are around 620,000. This includes actives, retirees/beneficiaries and vested-inactive participants.
- The projected funding percentage for 2021 is 92.6%---up from 92.0% in 2020.
- Unfunded Vested Benefit Liability as of December 31st 2020 is estimated at \$1.6 billion dollars. The projection for December 31st 2021 is less than \$400 million dollars even when factoring in the benefit accrual increase noted below.

At the end of 2020, we continue as a Green Zone Plan-which is the strongest pension funding level as determined by the Pension Protection Act of 2006. We now have members/participants in 29 of the 50 states and we are the largest Multiemployer Defined Benefit Plan in the nation.

Aside from the first quarter 2020, financial results over the last two years have been exceptional. Investment returns in 2019 were 17% and 11.4% in 2020.

With last year's strong showing and overall funding gains for the most recent two year period, Plan Trustees approved an increase in benefits for participants.

At this month's Quarterly Meeting, the Plan Trustees raised the current 1.2% accrual to 1.6% for calendar years 2021-2022-2023. This is 33 1/3% increase over the 1.2% for each of the three years. This follows the accrual increase the Trustees approved for 2020, from 1.2% to 1/5%.

Deserved—yes! It rewards Plan participants for their patience during several years of economic volatility and for their strong support and loyalty to the Plan.

One other change of note, the Plan's Actuary has again reduced the discount rate. Last year it went from 7.00% to 6.75%. This year it's going to 6.50%. That will now be the assumed rate of return on investments going forward. The actuary's decision was based on information from the actuarial world and investment advisors indicating lower long-term expected investment returns in the future.

Good News on the Legislative Front--Too:

In early March 2021, President Joe Biden signed the \$1.9 trillion dollar American Rescue Plan (ARP) into law. Included within, this COVID-inspired legislation was the Butch Lewis Emergency Pension Relief Act. Butch Lewis had been in the works for some time and its passage is nothing short of historic. It will provide financial relief to multiemployer defined benefit plans that are in a critical and declining status

and facing insolvency. This is good news for approximately 130 Plans that are in critical and declining status and even better news for the workers, retirees and beneficiaries of these Plans. It ensures that they will continue to receive the pension benefits they were promised.

The Western Conference of Teamsters Pension Trust supported this legislation and is enthusiastic with its passage. President Biden and the Congress have solved the largest single problem facing the multiemployer defined benefit universe. We are also ecstatic that this version of Butch Lewis did not contain composite legislation--the GROW Act. Congress finally realized that GROW does nothing for troubled Plans and only serves to undermine Plans like ours that are solvent and well-funded.

Butch Lewis is an example of what can be accomplished when the labor movement comes together and speaks with one voice.

Congratulations to the Central States Pension Fund and the other fifty Teamster Plans that will be eligible for assistance. Congratulations also to the IBT, Local Union leadership and Teamster members and retirees, they were a force to be reckoned with.

The passage of Butch Lewis and rejection of GROW were not our only legislative battles. We, with the support of members in our alliance, were able to defeat three proposals offered by Republican Senators Charles Grassley and Lamar Alexander that would have had, if enacted, a devastating impact on healthy well-funded defined benefit plans.

- Their first proposal would have dramatically increased PBGC premiums. The WCTPT Plan currently pays more than any other plan-- \$18 million dollars per year. Grassley/Alexander would have raised our PBGC premiums to approximately \$160 million dollars per year.
- The second proposal would have required "Stakeholder premiums". Every employer and local union would have been assessed a per capita payment for each employee participating in a multiemployer defined benefit plan. The cost to employers and unions would be outrageous! The premium for some of the larger Teamster locals would be as much as \$10,000 - \$15,000 dollars a month.
- The third proposal would have mandated significantly lower discount rates for almost every multiemployer plan. This also, would have had a serious negative effect on a plan's assets and funding.

While these proposals were offered as a solution for financially troubled plans facing insolvency, in reality, they would have threatened the funding status of solid and healthy plans and jeopardized our future.

The legislative successes in 2020 were significant. They have strengthened the entire multiemployer defined benefit universe. However, as we know, this is not the time to rest. We fully expect the proponents of GROW to continue their efforts to see it enacted and we should not be surprised if there is an attack on Butch Lewis. We must stay organized, prepared and on alert.

On behalf of the Western Conference Teamsters Pension Trust, thank you to the IBT, our Joint Councils, Local Unions, Local Union Political Coordinators and our Rank-and-File Members. By standing together, speaking out loudly, and delivering our message, we have accomplished much and positioned ourselves to accomplish even more in the future.

Communications:

Website: If you are looking for definitive information-- facts, figures and forms about the Western Conference of Teamsters Pension Plan, I would encourage you to visit the Pension Trust's website: **wctpension.org**. It is member/participant friendly and allows access to numerous documents and forms and there is also a section on *frequently asked questions*.

Annual Funding Notice (AFN): will be mailed by the end of April to our 740,000 Plan members/participants as well as over 1,400 employers. The AFN is required by law and provides an update on the Plan's financial strength.

Summary of Material Modifications (SMM): Something different. All Plans are required by law to provide a Summary of Material Modifications made over the past year. It is due by July 30th following the year of a Plan change. This year's SMM for our Plan will be included with the Annual Funding Notice and will also include an explanation of the April 2021 Plan changes. A single mailing of both of these items will achieve substantial postage savings and will also provide more detailed information to Plan members. Please note, the mailing includes a solicitation for members' email addresses which will be used at a later date for the electronic delivery of required documents. This packet of materials should begin hitting mailboxes in early May.

Personal Benefit Statements (PBS): Will be mailed to every member/participant who has been credited with at least 250 hours of coverage under the Plan for calendar year 2020 and has a valid address. 230,000 statements will be mailed in late May. The statement provides each member/participant with information on employer contributions, on hours worked and benefits earned in 2020 and prior years.

Please share this letter with staff, representatives and members.

Wishing you good health.

On behalf of WCTPT Union Trustees,

In Union,

Chuck Mack
Chair WCTPT