

August 20, 2020

To: All Plan Members of School District 34

Re: Message from the Teamsters' National Pension Plan Board of Trustees

Participation in the Teamsters' National Pension Plan and the Upcoming Vote

Introduction

As a member of the Teamsters Local 31 and the Teamsters' National Pension Plan who is employed by School District 34 (SD34) you will be given an opportunity to vote on whether your employer (SD34) continues to participate in the Teamsters' National Pension Plan (TNPP) or moves to the Municipal Pension Plan (MPP).

This communication is intended to give you information about that vote as it relates to your membership in the TNPP and possible membership in the MPP. This is a critical decision that will impact both you and your fellow workers and will require careful consideration by each member. **Please read this message in its entirety.**

The vote

An employer can only participate in the TNPP if all of its employees who are represented by the Union, participate in the TNPP. Therefore, SD34 has to decide whether to stay in the TNPP (for all employees) or move to MPP (for all employees). We understand that the vote is being held to determine the employees' preference.

Results of the vote

The results of the vote will apply to you even if you do not vote. If those who want to move to the MPP obtain a majority (50% + 1) in the vote, everyone will move even if they do not wish to do so.

Role of the Trustees of the TNPP

The Trustees must act in the best interests of all TNPP members. We believe it is important to give you as much relevant information as possible for you to make this decision. This complex decision will impact each member differently. To assist you we are providing you with the following three documents:

- (1) **Considerations for TNPP and MPP:** A Q&A summary of the questions the Board feels you should consider regarding your decision between the TNPP and MPP.
- (2) **Sample Calculations:** A selection of representative member profiles that provide a comparison of the two plans' contribution requirements; the impact on your gross salary; tax implications; monthly pension credits to be earned; and projected lifetime benefits at various retirement ages.
- (3) **Plan provision comparison:** A summary of the plan provisions of both the TNPP and MPP side by side so you can understand the different features of each plan.

This is a very important decision for you and your fellow members. The Board of Trustees wants to support you in making this decision and believes it is important to highlight the key reasons they feel continued participation in the TNPP provides a better fit for Teamsters Local 31 SD34 members. Please note that nothing in the information we are providing is specific to you. You will need to make the decision that is best suited to your personal circumstances.

Some key considerations outlined in these documents are:

- **Contributions:**

- The TNPP is a non-contributory plan which means that only the employers make regular contributions.
- The MPP is a contributory plan which means that employees (not just the employers) have to make contributions to the Plan. So, in determining which of the Plans makes sense for you financially you must remember that the pension contributions will be deducted off your payroll.

- **Equality for all members regardless of pay scale:**

- The TNPP provides the same benefit as a percentage of contributions made to the plan, regardless of your income level. In many pension plans, including the MPP, the proportional benefit for every dollar contributed is higher for those with a higher wage.
- The MPP provides a higher benefit as a percentage of contributions made to the plan for higher income employees when compared to lower income employees. In 2020, the benefit rate (2% of salary) for every dollar a participant earns in salary that is greater than \$58,700 per year, is 54% greater than the benefit rate available for earnings below \$58,700 (1.3% of salary). However, those with the higher salary are contributing only 16% more than those with a lower salary. *This means that in the MPP, lower-income members' contributions are helping to pay for the benefits of higher-earning members.*

- **Risk of contribution increase and benefit changes:**

- The TNPP is a collectively bargained multi-employer defined benefit plan with target benefit provisions. This means that all assets and risks are pooled between **all members in one trust fund** for the benefit of members. The TNPP has a defined target benefit, but employer contributions are fixed so the employer has no obligation to fund any shortfalls. As such, **benefits can be changed** if the plan generates a deficit or significant surplus.
- The MPP is a jointly trustee defined benefit plan. This means that benefits are pooled and risk for funding the plan is **shared between the employers and the active members** of the plan. Benefits for active and inactive members are set once they are accrued, so if the plan generates a deficit or significant surplus, the contribution rates required to be paid by **active** members and the employer will change. All deficits or underfunding that accrue in the plan are shared by contributing members and their employer through **contribution increases** to cover these costs.

- **Retirement age:**

- The TNPP “normal” retirement age is age 67 while the MPP “normal” retirement age is age 65.
- However, the earliest you can retire and start collecting a pension in both plans is age 55.
- If you retire before the “normal” retirement age, the impact on your pension will be different for each of the plans due to the different benefit formulas for the two plans. As such, it is important to understand there may be a difference in your lifetime pension benefit at each possible retirement age. The *Sample Illustrations* within this package outline these differences.

- **Governance of the Plans:**

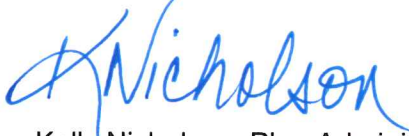
- TNPP is administered by a Board of Trustees made up of 5 Local 31 Union Trustees and 5 Employer Trustees. Currently, an employee of SD34 is a Trustee on the TNPP Board which helps ensure that issues relevant to you and your colleagues are understood by the Board.
- The “local” nature of TNPP’s governance means that the Trustees can be responsive to members’ needs. For example, if the members like the contributory nature of the MPP (that the members also make regular contributions to the pension plan) the Trustees are willing to consider making that a feature of the TNPP. This would result in higher pensions for those who contribute.

We have provided examples in the *Sample Calculations* document that show what your TNPP benefit would be if you and your employer contribute to the TNPP at the same level that is required by the MPP. Dependent upon the retirement age, the projected monthly benefit of most members in the TNPP is greater than the projected monthly benefit in the MPP.

- The MPP Trustee appointment process is already determined and existing employer organizations and Unions have the power to appoint Trustees to the MPP Board.

There is a lot to consider for your pension plan and you should take your time to ensure you make the right decision for you and your fellow members’ future. Please reach out to the Plan Office if you have any questions.

Yours truly,



Kelly Nicholson, Plan Administrator on behalf of the Board of Trustees