CENTRAL STATES
PENSION FUND



Letter sent via Email and U.S. Mail

May 20, 2016

Dear Employer:

As you know, on May 6, the U.S. Department of the Treasury (Treasury) notified Central States Pension Fund that our proposed pension rescue plan was denied.

This letter is to notify you that, after careful consideration, the Trustees will not be filing a new rescue plan with Treasury. Due to the passage of time for Treasury's review of our application (eight months), Central States can no longer develop and implement a new plan that complies with the final regulations Treasury issued on April 26, 2016.

As you might expect, this is deeply disappointing. While the decision to develop a rescue plan that reduced benefits was difficult, we strongly believed that it was the only realistic, common sense solution to secure the Fund and our participants' pensions for the long-term.

And, we were confident that our proposed rescue plan was in full compliance with the requirements of the Multiemployer Pension Reform Act of 2014 (MPRA). In fact, two of the three reasons given by Treasury in their denial could have been rectified through dialogue and discussion, so that the plan could proceed.

The third resulted from final regulations requiring lower investment return assumptions than those detailed in Treasury's initial guidance, issued in June 2015. Compliance with Treasury's final regulations, issued just 10 days before their denial, would have necessitated benefit reductions greater than those permitted under the law and much greater than those in our plan. We strongly disagree that Treasury's change in position was needed. The 7.5% investment return assumption used by the Fund's actuary is common amongst many other multiemployer pension plans in the industry. Further, over the past 35 years, Central States has earned an average return of over 10% per year.

Attached for your information is a courtesy copy of a letter being sent today to all Central States participants via U.S. mail notifying them of the Trustees' decision and assuring them of our ongoing commitment to work for a legislative solution that protects their pension benefits.

We have urged Central States participants to contact their Congressional representatives — both in the Senate and House—to ask them to take immediate action. There is no time—or reason—to delay. You can help too. Please contact and meet with your Congressional representatives to let them know the impact this ongoing pension crisis is having on your business.

Thank you very much for your support and patience. Feel free to contact me at 847-232-5700 or ppriede@centralstates.org if you would like to discuss further.

Sincerely,

Peter Priede
Director of Employer Services

# CENTRAL STATES PENSION FUND



**May 20, 2016**

**Dear Central States Pension Fund Participant or Beneficiary:**

As you are aware, on May 6, the U.S. Department of the Treasury denied Central States Pension Fund's rescue plan application under the Multiemployer Pension Reform Act of 2014 (MPRA). As a result, proposed benefit reductions required to save the Fund from insolvency will not take place. Since the application was denied, there will be no participant vote on the rescue plan.

The Trustees have met with the Fund's actuaries and legal advisors to carefully consider the most appropriate next steps. Based on those discussions, it was concluded that due to the passage of time, Central States can no longer develop and implement a new plan that complies with the final MPRA regulations issued by Treasury on April 26, 2016. Therefore, there will be no new rescue plan.

Although the decision to request approval of a rescue plan was very difficult for the Fund's Trustees, we are disappointed in Treasury's decision. The rescue plan was a proposal of last resort, and clearly not the option that the Trustees preferred. It was, however, based on a realistic assessment that benefit reductions under a rescue plan were the only available, practical way to avoid the hardship and countless personal tragedies that will result if the Pension Fund runs out of money.

We strongly disagree with the reasons expressed by Treasury for denying Central States' rescue plan application. But there is little point in dissecting a decision that has already been made and cannot be changed. We do note, however, that the alleged defects in the Fund's application could have been identified and corrected much earlier in the process, if Treasury had either pointed them out during their lengthy consideration of the Fund's application, or by publishing final regulations in a timely manner, rather than waiting until just a few days before the deadline to reject our plan.

Central States Pension Fund remains in critical and declining status, and is projected to run out of money in less than ten years. In a letter to Congressional leaders, Secretary of the Treasury Jack Lew reinforced the fact that Treasury's denial in no way resolves the serious threat to our participants' pension benefits. The fact that the federal government's multiemployer pension insurance program, the Pension Benefit Guaranty Corporation (PBGC), is also running out of money means our participants may see their pension benefits ultimately reduced to virtually nothing when the Fund runs out of money. At this time, only government funding, either directly to our Pension Fund or through the PBGC, will prevent Central States participants from losing their benefits entirely.

A significant number of Members of Congress were vocal in calling for Treasury to reject our pension rescue plan. It is now time for those and others who suggested that there is a better way to fix this critical problem to deliver on real solutions that will protect the retirement benefits of Central States participants.

There is no time—or reason—to delay. With each passing month, this crisis becomes more difficult—and costly—to solve. For over ten years, we have fought to protect our participants' hard-earned retirement benefits. This included painful benefit reductions for active members and mandatory employer contribution increases in 2004, legislative campaigns to secure additional funding in 2009 and 2010, and most recently, our pension rescue plan application under MPRA.

In the coming months, we will do everything in our power to support a legislative solution that protects the pension benefits of the more than 400,000 Central States participants and beneficiaries, who should not have to bear the emotional trauma of waiting until the Fund is at the doorstep of insolvency before Congress acts. The moment for action and for doing the right thing is now.

We will continue to track progress and provide updates on our website www.cspensionrescue.com, through email for those who have registered on our website to receive such communications, and/or by U.S. postal mail. You can also call our dedicated hotline at 1-800-323-7640 to listen to a recorded message with updated information.

We understand the uncertainty and anxiety that our participants and beneficiaries may be experiencing as this process continues. As always, our goal is to ensure that the Fund is able to continue to pay future benefits.

Thank you,

Thomas C. Nyhan
Executive Director and General Counsel