



CENTRAL STATES
PENSION FUND

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GREG R. MAY

EXECUTIVE DIRECTOR
THOMAS C. NYHAN

April 8, 2015

Dear PARTICIPANT:

Central States Pension Fund is committed to serving you and the more than 400,000 participants in our plan, including active workers, retirees and beneficiaries. Please know that your hard work is respected and that you deserve a secure retirement. We take very seriously the responsibility to protect your retirement security and the financial well-being of our plan—now and for the future.

However, like many of our nation's multiemployer pension funds, Central States Pension Fund has become severely underfunded and is headed toward financial failure if we don't take immediate, decisive action. Baby Boomers are retiring in record numbers and the union workforce has been steadily declining for years. As a result, the Fund currently has more than three times as many retirees as active members — so, fewer contributions are coming in than benefits being paid out. To put this into perspective, for every \$3.46 that the Fund pays out in pension benefits, only \$1 is collected from contributing employers, which results in a \$2 billion annual shortfall. Clearly, that math will never work.

Additionally, two major recessions have torpedoed our economy since 2000, driving down the Fund's investment assets and pushing a large number of employers into bankruptcy. The market has rebounded, but not nearly enough to make up for the huge imbalance. Central States Pension Fund currently has just 50 percent of the monies needed to support the pension benefits earned by our participants.

In order for the Fund to survive and your hard-earned benefits to be protected, significant and painful retirement benefit reductions must be considered for both active workers and current pensioners. This is not something we want to do or take lightly. Yet, it may be something we must do to save the Fund, keeping it viable and allowing us to pay benefits far into the future. We know how difficult this news will be to hear. But we owe it to you to provide honest, timely and straightforward communication.

Why didn't we take action to address this issue sooner? The answer is that, until the very end of last year, there was no path forward to fix this serious problem in a comprehensive way. That changed in December when the Multiemployer Pension Reform Act of 2014 (MPRA) was enacted and signed into law. MPRA allows trustees of multiemployer pension funds, such as Central States, to develop a rescue plan to save our pension plan from going broke and being unable to meet our obligations.

A few things you should know:

- ▶ At this time, the specifics of a rescue plan have not yet been decided. Our Board of Trustees is currently considering how pension benefit reductions could be implemented fairly. We expect that **sometime this summer, we will be able to share with you specific information about a rescue plan and how it would impact your pension benefits.**



FOR MORE INFORMATION

We have set up a special Central States Pension Fund MPRA website to provide information on a timely basis and to answer your questions.

Visit www.CSPensionRescue.com for more information and to register your email address to receive updates.

Because some of our participants do not have Internet access, we will send critical information and periodic updates via U.S. postal mail.

- ▶ By law, any rescue plan we develop must be reviewed and approved by the U.S. Department of the Treasury and then voted upon by you, our Fund participants, before being implemented. It is important to note that the final decision on benefit reductions rests with the U.S. Treasury Department. As a result of this process, **the soonest that any changes could be implemented would likely be early 2016.**
- ▶ Under MPRA provisions, there can be no benefit changes for retirees 80 years of age or those participants receiving a disability benefit. Any proposed benefit reductions for retirees ages 75-80 would be done on a sliding scale to minimize impact. As a result, **many Central States Pension Fund retirees will be largely unaffected by a prospective benefit reduction.** We fully understand that this does not make it any easier to accept for those who may be affected.
- ▶ As required by MPRA, Ms. Sue Mauren, a Central States Pension Fund retiree whose own benefit is subject to reduction, has been appointed as an unpaid advocate on behalf of our retirees. Fund retirees will soon receive a separate communication on this matter from Ms. Mauren, which will also be posted on our website at www.CSPensionRescue.com.

As we move through this process, we will do our best to answer your questions and address your concerns. The best way to stay informed is by visiting our website, www.CSPensionRescue.com. We will be posting updates, as well as answers to frequently asked questions, the first of which is enclosed. Because some of our participants do not have Internet access, we will send critical information and periodic updates via U.S. postal mail.

NOTE: Please do not call our Call Center because it is simply not equipped to answer questions about MPRA. The toll-free telephone number on this letterhead features a recorded message about MPRA and the current status of our pension rescue planning. We will update this message and our website to ensure that you have access to the most current information.

INFORMATIONAL TELEPHONE TOWN HALL MEETINGS

We have scheduled telephone town hall meetings that will allow you to dial into a toll-free telephone number to listen to a brief, live presentation on this topic and ask questions from your home or mobile phone. You can participate by calling 1-877-327-9495 and entering the passcode 111566 on the dates and times indicated below.

RETIREES: Tuesday, April 14, 5:00 p.m. CDT **ACTIVE MEMBERS:** Tuesday, April 14, 8:00 p.m. CDT

Our goal is to protect your retirement and the financial well-being of the Fund by developing a fair rescue plan that will allow us to provide benefits to our participants for years to come. While this would not be the first time we have made benefit modifications to protect and secure the Central States Pension Fund, our rescue plan will be designed to ensure that it is the last. **Some may tell you that there are easier solutions to this serious problem. There are not; and the math confirms that there is no easy fix. We regret having to consider such difficult steps.** Please rest assured that all actions taken will be in the long-term interests of our participants and beneficiaries.

Thank you.



Thomas C. Nyhan,
Executive Director and General Counsel

P.S. Later this month, you will receive, as you have in past years, the legally mandated Annual Funding Notice for 2014, as well as the required Central States Pension Fund's Notice of Critical and Declining Status for 2015, which provides additional information about this matter.