

# Minneapolis Retail Meat Cutters and Food Handlers Pension Fund



# Pension Plan Changes and the New Variable Annuity Pension Plan (VAPP): An Overview

## Goal of Legacy Plan Changes:

Improve retirement benefit security and ensure promised lifetime benefits for active members and retirees.



As a participant in the Minneapolis Retail Meat Cutters and Food Handlers Pension Fund's (the "Fund's") pension plan, you know how important your pension benefit is to having a dignified and more financially secure retirement. That's why it's important to know about key 2019 plan changes, and the 2019 introduction of our new Variable Annuity Pension Plan (VAPP).

This Overview summarizes what you need to know. The accompanying "Highlights of the Variable Annuity Pension Plan (VAPP)" provides additional information about the VAPP. Please feel free to share this Overview and the Highlights with your spouse or partner.



## How We Got Here

In 2000, the pension plan (which we're now calling the "Legacy Plan") was nearly fully funded. This means it had enough money to pay earned benefits for all then-current members. Then, the stock market crashed in 2001 and again in 2008. The Legacy Plan had dramatic investment losses those years. This caused the Legacy Plan to have large and growing unfunded liabilities. So, too, did the fact that there were fewer active members and corresponding employer contributions supporting the Legacy Plan's pension payments. As a result, the Legacy Plan wasn't making progress toward being fully funded. (Unfunded liability is the amount a plan doesn't have on hand to pay already-earned benefits for current participants.)

To try to solve the funding issue, labor and management worked cooperatively to:

- Increase Legacy Plan contributions, starting in 2010,
- Reduce benefit obligations, and
- Create an effective investment program for the Legacy Plan's assets.

In early 2018, collective bargaining agreements (CBAs) with Corporate Cub and independent employers were ratified. Bargaining surveys and membership meetings were conducted before negotiations. You and other members said retirement security was a 2018 bargaining priority. Employers said the same. So, the CBAs included historic and important retirement program changes. Labor and management worked together to improve the pension plan's long-term funding problem. They also worked together to establish a new plan—the VAPP—to help ensure your retirement security.

As of the 2018 Fund valuation, the Legacy Plan had \$576 million in assets—more than double what it had in 2009. However, the plan is only 75.5% funded, with \$195 million in unfunded liability.

To ensure your retirement security, the Trustees are freezing the Legacy Plan (meaning members will stop earning additional Legacy Plan benefits) effective March 1, 2019 and introducing the new Variable Annuity Pension Plan, effective January 1, 2019.

### What's a "Year of Vesting Service"?

A year of Vesting Service is a plan year in which you work at least 1,000 hours for one or more contributing employers.



## Where the Legacy Plan is Headed

No new members can join the Legacy Plan after December 31, 2018. If you were a Legacy Plan member on or before December 31, 2018, you currently earn a monthly Legacy Plan benefit of \$35.00 for each year of Credited Service. Starting March 1, 2019, you will no longer earn benefits under the Legacy Plan. You'll also stop earning years of Credited Service towards the Thirty-Year Retirement Benefit, unless you're covered by negotiated protections in the 2018 collective bargaining agreement.

If you're not fully vested in (that is, you haven't yet earned a right to) your Legacy Plan benefit as of February 28, 2019, you'll continue earning Vesting Service to become vested in your Legacy Plan benefit—assuming you continue working for contributing employers. If you vest, you'll receive your Legacy Plan benefit at retirement. Your benefit will be the one you've earned as of February 28, 2019. To be vested, you must have at least five years of Vesting Service.

## How the Trustee-approved Rehabilitation Plan Will Help the Legacy Plan

The Trustees approved a Rehabilitation Plan for the Legacy Plan. It's designed to help ensure there's enough money to pay Legacy Plan benefits. Contributing employers began increasing Legacy Plan contributions in March 2018, as follows:

- **For Corporate Cub:** 2.8% annually for the next three years; 3.0% annually in years four and five of the collective bargaining agreement—about a 15.0% increase in weekly employer contributions.
- **For independent employers:** 2.8% annually for the next two or three years, depending on each collective bargaining agreement.
- **Additional contribution increases for Corporate Cub and independent employers:** Beyond the current bargaining agreements, the Rehabilitation Plan calls for an increase in employer contributions of 3.0% per year in later years. The actual increase will be subject to collective bargaining and the Legacy Plan's needs at the time of the next bargaining cycle.

Employer contribution increases and the Legacy Plan's investment returns are expected to pay off the Legacy Plan's unfunded liability over about 20 years.

### Goal of Legacy Plan Changes:

Improve retirement benefit security and ensure promised lifetime benefits for active members and retirees.



### Key Legacy Plan and VAPP Dates

- **January 1, 2019:** No new members can enter the Legacy Plan.
- **January 1, 2019:** You and new members start earning a benefit in the new VAPP.
- **February 28, 2019:** The Legacy Plan will be frozen—benefit accumulations in the Plan will stop.
- **March 1, 2019:** The Thirty-Year Service Pension under the Legacy Plan will be eliminated for members who are not eligible for this benefit as of February 28, 2019.



## Elimination of the Legacy Plan's Thirty-Year Service Pension

Before March 1, 2019, the Legacy Plan will provide an unreduced Early Retirement benefit if you earned at least 30 years of Credited Service before that date. Starting March 1, 2019, the Legacy Plan's Thirty-Year Service Pension will be eliminated:

- **If you have 30 years of Credited Service as of February 28, 2019,** you won't be affected. You can retire and start receiving your benefit as an unreduced Early Retirement benefit at any time.
- **If you don't have 30 years of Credited Service as of February 28, 2019,** you cannot retire under the 30-Year Service Pension Benefit. However, you can retire under the Legacy Plan at age 62, without a benefit reduction. And, you can still retire under the Legacy Plan as early as age 52 if you have at least 15 years of Credited Service. For Early Retirement, benefits will be reduced 6.0% per year for each year you receive benefits before the Legacy Plan's Normal Retirement age.

## The New Variable Annuity Pension Plan (VAPP)

Starting January 1, 2019, you and future active members began earning future service benefit accruals in the new Variable Annuity Pension Plan—the VAPP. The VAPP is completely separate from the Legacy Plan. However, its service and vesting rules are the same as the Legacy Plan. That is, you must earn five years of Vesting Service to receive a VAPP benefit.

### Legacy Plan and VAPP Vesting Example

If you have three years of Vesting Service in your Legacy Plan benefit as of January 1, 2019, you need only two more years of Vesting Service in the VAPP to be vested in your benefit under both plans.

If you become vested in your Legacy Plan benefit, you vest automatically in your VAPP benefit. If you're not yet vested in your Legacy Plan benefit, you continue earning vesting credit as a participant in the VAPP. And, when you vest in your Legacy Plan benefit, you vest in your VAPP benefit, too.

### How Your VAPP Benefit is Determined

The VAPP is a defined benefit pension plan. This means your benefit is determined by a benefit accrual formula. The accrual formula is based on the benefit accrual rate bargained with your employer, the number of hours you work each year and the annual benefit adjustment.

Your VAPP benefit adjusts up or down each year, based on the investment performance of plan assets for the Plan Year. However, the VAPP helps protect against benefit decreases through a negotiated, pre-funded "Stabilization Reserve."

**See the "Highlights of the Variable Annuity Pension Plan (VAPP)" for important additional information about how your VAPP benefit will be determined.**

### Watch Now!

Visit [663benefits.com](https://www.663benefits.com) to watch "A Quick Look at the MRMC Variable Annuity Pension Plan (VAPP)." 90 seconds is all it'll take!



## Other Important VAPP Information

- The VAPP automatically rebalances itself every year to stay nearly fully funded. This means there's little chance that the VAPP will experience the Legacy Plan's funding issues.
- The VAPP's death benefit and disability benefit are the same as under the Legacy Plan.
- Normal Retirement under the VAPP is age 65.
- You're eligible for an Early Retirement benefit under the VAPP: you must be at least age 52 and have at least 15 years of Benefit Accrual Service. Benefits will be reduced 6.0% per year for each of the first ten years and 3.6% for each additional year that benefit payments start before the VAPP's Normal Retirement age—age 65.
- Benefit Accrual Service for Early Retirement eligibility includes Credited Service you earned under the Legacy Plan.
- At retirement, you make a one-time election to receive a fixed-for-life benefit, or a variable benefit that's based on the Plan's investment performance. **Once you make this choice, it can't be changed.**
  - **If you choose a fixed-for-life benefit**, your monthly benefit will be your accumulated benefit at the time benefit payments begin. This amount will not change.
  - **If you choose a variable benefit**, your monthly benefit will continue to be adjusted annually, just as it was before retirement. Your benefit paid during retirement could decrease. However, your benefit could also increase. The increase may at least partially protect your benefit from inflation.

Your decision to choose a fixed-for-life benefit or a variable benefit will be a very important one. Information describing your benefit options will be provided at retirement to help you make this decision.

- If you are vested in the VAPP and the Legacy Plan, you will receive two pension checks at retirement—one from each plan.

## The VAPP: The Future of Your Financial Security in Retirement

- **For you**, the VAPP will help ensure your financial security in retirement and will offer greater potential for improved benefits (based on investment performance) than does the Legacy Plan.
- **For your local union**, the VAPP offers the opportunity to negotiate newly organized groups into the Plan. This makes the VAPP a strong organizing tool. And, as more groups join the Plan, the financial strength of the Plan will improve through more employer contributions.
- **For employers**, the financial sustainability of the Plan will allow them to budget for contributions over the long term. This will help the Plan avoid unexpected unfunded liabilities, avoid the possibility of withdrawal liability (which is a financial penalty an employer must pay if they stop participating in the Plan) and further ensure the Plan's stability.

### For Questions about the Legacy Plan or VAPP...

...contact the the plan administrator, Wilson-McShane: **952-851-5797**.



*This overview provides a high-level summary of the Fund's Pension Plan (referred to herein as the "Legacy Plan") and the Fund's Variable Annuity Pension Plan. The plan documents for both plans govern the operation and benefits of the plans. If there are any discrepancies between this overview and the plan documents, the plan documents will govern.*

#### **104(b) Notice, 204(h) Notice, 305(e) Notice, and Summary of Material Modifications**

*This overview is intended to satisfy Sections 104(b), 204(h), and 305(e) of the Employee Retirement Income Security Act of 1974 (ERISA) notice requirements that require pension plan participants be notified when there are changes to a plan that reduce future benefits accruals under a plan or reduce or eliminate adjustable benefits. These types of changes only pertain to the Minneapolis Retail Meat Cutters and Food Handlers Pension Plan (Legacy Plan).*