VOTE TO APPROVE OR TO REJECT THE PROPOSED BENEFIT REDUCTION

BALLOT EXPLANATION

On May 29, 2020, the Board of Trustees (Trustees) of the Bricklayers & Allied Craftsmen Local 7 Pension Fund (Pension Plan) filed an application, on behalf of the Pension Plan, with the Secretary of the Treasury (Treasury) proposing to reduce certain pension benefits under the Multiemployer Pension Reform Act of 2014 (MPRA), a federal law. The Trustees propose to reduce benefits for all participants to 110% of the amount that would be guaranteed by the Pension Benefit Guaranty Corporation (PBGC) in the event the Pension Plan were to run out of money. Individuals who are age 80 or over as of October 31, 2020, will not have their benefits reduced. Individuals who are receiving a Disability Pension from the Plan will not have their benefits reduced. Individuals who are between ages 75 and 80 as of October 31, 2020, will be subject to smaller reductions. In addition to applying for the benefit reduction, the Trustees applied to PBGC for a partition. Under a partition, PBGC will provide financial assistance to enable the Pension Plan to pay the PBGC-guaranteed benefits for certain participants and beneficiaries.

MPRA requires Treasury (in consultation with PBGC and the Department of Labor (Labor)) to approve the application if it meets the requirements of MPRA.

After careful review of the application, and consultation with PBGC and Labor, Treasury determined that the application meets the requirements of MPRA and, as required by MPRA, approved the proposed reduction on August 11, 2020.

Before the proposed benefit reduction is allowed to go into effect, MPRA requires that the Pension Plan’s eligible participants and beneficiaries vote on whether to approve or to reject the proposed reduction.

You are now being asked to vote on whether the proposed benefit reduction should go into effect.

You may vote to either approve or to reject the proposed benefit reduction. If a majority of eligible participants and beneficiaries does not vote to reject the proposed benefit reduction, the Trustees will be authorized to implement the benefit reduction, as described below, beginning on October 1, 2020.
MPRA sets specific rules for how votes are counted. If you do not vote, or if your vote is received after the voting period closes at 11:59 AM ET on September 15, 2020, you will be treated as though you voted to approve the proposed benefit reduction. In other words, unless you vote by September 15, 2020, you will be counted as voting in favor of reducing benefits regardless of whether you support or oppose the proposed benefit reduction. This rule is required by MPRA. The results of the vote will be posted at www.Treasury.gov/mpra within 7 days of the end of the voting period.

This explanation is intended to help you decide whether to vote to approve or to reject the proposed benefit reduction. The statements and opinions in this ballot explanation are those of the Trustees, or are compiled from public comments regarding the proposed benefit reduction, and do not reflect the views or opinions of any government agency.

This ballot explanation includes the following important information:

- Detailed information about the proposed benefit reduction and proposed partition of the plan;
- The factors considered by the Trustees in designing the proposed benefit reduction;
- A statement from the Trustees in support of the proposed benefit reduction;
- A statement in opposition to the proposed benefit reduction; and
- Information about what would happen if the proposed benefit reduction is rejected.

**DETAILED INFORMATION ABOUT THE PROPOSED BENEFIT REDUCTION AND PROPOSED PARTITION**

The proposed reduction and the proposed partition would take effect on October 1, 2020. The proposed reduction will remain in effect indefinitely. Note: An estimate of the effect that the proposed reduction would have on your benefit is shown in the accompanying document labeled “Ballot Overview.”

The Trustees propose to reduce all benefits to 110% of the amount that would be guaranteed by PBGC if the Pension Plan were to run out of money, except that:

- Individuals receiving a Disability Pension from the Plan (as defined under the Pension Plan’s plan document) and who are in pay status as of October 1, 2020 will not have their benefits reduced;
- The benefits of Pension Plan participants and beneficiaries who are at least 80 years old on October 31, 2020, will not be reduced;
- The benefits of participants and beneficiaries who are at least 75 years old on October 31, 2020, will be reduced to a lesser degree, as the reduction phases out between age 75 and age 80. This means that the closer a participant or beneficiary is to age 80, the less his or her benefits will be reduced; and
- No benefit will be reduced below 110% of the PBGC guaranteed amount.

The Pension Plan’s actuary has certified that the Pension Plan is projected to avoid insolvency, if the proposed reduction of benefits and the proposed partition of the Pension Plan are approved.
The Pension Plan actuary’s projection is based on certain assumptions that are subject to uncertainty. In July, PBGC conditionally approved the Pension Plan’s request for a partition. If there is no benefit reduction because a majority of participants and beneficiaries vote to reject the benefit reduction, there will not be a partition.

**FACTORS CONSIDERED BY THE TRUSTEES IN DESIGNING THE PROPOSED BENEFIT REDUCTION – PROVIDED BY THE TRUSTEES**

In deciding how to design the proposed benefit reduction, the Trustees took into account the following factor:

If the Pension Plan made the maximum benefit reductions that are permitted under the law, the Pension Plan would still run out of money. Therefore, the Pension Plan had to take the additional step of applying to PBGC for a partition. Before PBGC can approve a partition, the Pension Plan must first make maximum benefit reductions. This means that both the maximum benefit reductions AND the partition are necessary if the Pension Plan is to avoid insolvency.

**STATEMENT IN SUPPORT OF THE PROPOSED BENEFIT REDUCTION – PROVIDED BY THE TRUSTEES**

The Trustees support the proposed reduction in benefits. The Trustees believe they have done everything in their power to avoid these benefit reductions, including reducing active participants’ benefits and future accruals and getting active participants to agree to increase contributions to the Pension Plan instead of receiving wage increases. However, reductions in investment returns, work hours, and employer contributions have forced the Trustees to take this action so that the Pension Plan does not become insolvent.

If the Pension Plan were to become insolvent, it would not be able to pay all of the benefits promised to all eligible recipients, and benefits paid would be less than the benefit reductions under the proposed reduction in benefits.

**STATEMENT IN OPPOSITION TO THE PROPOSED BENEFIT REDUCTION – COMPILED BY THE DEPARTMENT OF LABOR**

In response to the solicitation of comments in the Federal Register, Treasury received no comments on the application submitted on May 29, 2020.

**WHAT WOULD HAPPEN IF THE PROPOSED BENEFIT REDUCTION IS REJECTED?**

The benefit reduction described above will take effect on October 1, 2020, unless a majority of the Pension Plan’s eligible participants and beneficiaries votes to reject the proposed benefit reduction. If a majority of participants and beneficiaries votes to reject the proposed benefit reduction, the benefit reduction will not go into effect. The Trustees could submit a new benefit reduction application to Treasury, but it is not known whether the Trustees would do so. Based on projections made by the Pension Plan’s actuary, the Trustees have determined that the Pension Plan will become insolvent, or run out of money to pay benefits, by the end of the Plan Year that begins in 2022, unless the benefit reduction takes effect. This means that, if the projections are correct, the Pension Plan would not have enough money to make monthly pension benefit
payments when due by the end of the 2022 Plan Year. This projection of the Pension Plan’s insolvency is based on certain assumptions about events that are reasonably likely to take place in the future but are not certain. For example, if the Pension Plan’s investments perform better than expected, the date on which the Pension Plan runs out of money could be later than 2022. On the other hand, if the Pension Plan’s investments perform worse than expected, the date on which the Pension Plan runs out of money could be earlier than 2022.

If the Pension Plan runs out of money, PBGC will provide the Pension Plan with financial assistance that will allow it to continue paying a portion of monthly pension benefits. The amount that the Pension Plan will be allowed to pay, however, is capped by law at a maximum guaranteed amount. That guaranteed amount may be less than your current monthly benefit and will be less than the estimated monthly benefit payment you would receive if the proposed benefit reduction takes effect. Also, by law, the PBGC guaranteed benefit determination does not take into account your age or the disability status of your benefit in making adjustments to your monthly benefit. So, if this reduction in benefits is not approved and the Plan becomes insolvent, there will be no protections for individuals age 80 and over or for individuals receiving a Disability Pension from the Pension Plan.

Whether the Pension Plan is able to receive financial assistance from PBGC (if the Pension Plan becomes insolvent) also depends on the financial stability of PBGC at that time. In a recent report, PBGC projected that its Multiemployer Fund Program, which insures the Pension Plan’s ability to pay up to the maximum guaranteed amount, could become insolvent by 2025. If both the Pension Plan and the PBGC Multiemployer Fund Program become insolvent, participants and beneficiaries of the Pension Plan would be at risk of receiving benefits that would be much lower than the benefits they would have received if only the Pension Plan had run out of money. If both the Pension Plan and the PBGC Multiemployer Fund Program became insolvent, your pension benefits could be reduced to nearly zero.