

## CLIENT BULLETIN

### ***Treasury Approves First MPRA Suspension Application Iron Workers Local 17 Pension Fund Gets it Right***

The US Treasury Department recently [approved](#) the first *MPRA* suspension application. The Iron Workers Local 17 Pension Fund application was submitted and then withdrawn and resubmitted and approved. The resubmitted documents are entries 41-49 (the last page of documents) at <https://www.treasury.gov/services/Pages/iron-workers-local-17.aspx>.

According to published reports, the Plan had \$91.9 million in assets and \$232.2 million in liabilities as of April 30, 2014 for a funded ratio of only 41%. The Plan had 2,064 participants, of which 640 were actives. The Plan was projected to go insolvent in 2032. According to the *MPRA* application, the requested suspensions would be enough for the Plan to remain solvent for an indefinite period of time.

The Plan avoided the problem Central States pension experienced when the Treasury [rejected its suspension application](#) finding the 7.5% annual investment return was unreasonable by setting the initial investment return low and gradually rising over time. The following table from page 19 of [checklist item 7](#) shows the assumptions.

Post-September 30, 2015 annual investment returns for deterministic projections are assumed to be as follows:

Plan Year Beginning May 1	Return	Plan Year Beginning May 1	Return	Plan Year Beginning May 1	Return
2015	3.96%	2029	7.52%	2043	7.88%
2016	4.75%	2030	7.78%	2044	7.89%
2017	5.35%	2031	7.80%	2045	7.89%
2018	5.80%	2032	7.81%	2046	7.89%
2019	6.13%	2033	7.82%	2047	7.90%
2020	6.38%	2034	7.83%	2048	7.90%
2021	6.57%	2035	7.84%	2049	7.90%
2022	6.71%	2036	7.85%	2050	7.91%
2023	6.82%	2037	7.85%	2051	7.91%
2024	6.90%	2038	7.86%	2052	7.91%
2025	7.38%	2039	7.87%	2053	7.91%
2026	7.43%	2040	7.87%	2054	7.92%
2027	7.47%	2041	7.88%		
2028	7.50%	2042	7.88%		

In approving the application, the Secretary of Treasury, in consultation with the Secretary of Labor and the PBGC determined that the Plan was eligible to reduce benefits under *MPRA* as it satisfied the requirements of [Code Sections 432\(e\)\(9\)\(C\)-\(F\)](#). The approval letter explained that before implementing the benefit suspensions, the participants must vote to accept or reject the proposed suspensions.

The approval letter indicated the Trustees of the Plan must submit the following information by December 23, 2016:

- A voting roster that identifies eligible voters (including all Plan participants – active participants, deferred vested participants and retirees – and beneficiaries of deceased participants).
- Plan information (such as participant identification codes used by the Plan) to enable the Treasury to verify the identity of each eligible voter
- Mailing addresses for all voters on the roster (or an indication that an address could not be located through reasonable efforts)
- Current electronic mailing addresses for those voters who also may be contacted electronically; and
- Individualized estimates of the effect of the proposed suspension on the participant or beneficiary under the Plan.

The Trustees are responsible for contacting eligible voters and informing them of the ballot package coming their way. The Treasury has also just posted information on the balloting process as follows:

Ballot materials are being mailed to participants and beneficiaries who are eligible to vote on December 30, 2016. If you want to see what the mailing envelope looks like, [click here](#). If you want to see a sample of the ballot overview and the ballot explanation materials, [click here](#) [broken link in original] and [here](#).

The voting period opens December 30, 2016 at 5 p.m. EST and closes January 20, 2017 at 5 p.m. EST. Answers to frequently asked questions about the voting rules are available by [clicking here](#). Treasury will be hosting a conference call on Friday, January 6, at noon EST to explain the voting procedures and take questions on those procedures.

If the suspensions are approved, they will be implemented since the Plan is too small to be considered “systemically important” which would allow the PBGC to override a “no” vote if the suspensions are voted down.

We expect that other plans in critical and declining status will submit *MPRA* suspension applications now that one has finally been approved. Future submitters may wish to review Central States denial letter and the Iron 17 application which was approved and tread in the path of the Iron 17 Pension Plan.

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