

# BAKERY AND CONFECTIONERY UNION AND INDUSTRY INTERNATIONAL PENSION FUND

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Dear Participating Local Unions and Contributing Employers:

We are writing to update you on an important change in the Rehabilitation Plan that governs required contributions to the Bakery and Confectionery Union and Industry Pension Fund (“the Fund”). As you know, since 2012, the Fund has been in critical or critical and declining status as determined under the Pension Protection Act of 2006 (“PPA”). PPA requires that plans that are in critical or critical and declining status adopt a “rehabilitation plan.” Such a plan contains a combination of benefit reductions and contribution increases that will improve the plan’s funding over time.

One feature of the Fund’s rehabilitation plan was required annual compounded contribution increases. Employers on the “preferred schedule” – which is the vast majority of employers – were required to increase contribution rates by 5% each year. Those employers that are on the “default schedule” were similarly required to increase contribution rates by 10% each year. These annual increases have compounded year over year, with no corresponding increase in benefit level for participating employees.

The Fund trustees concluded at their meeting in December 2020 that continuing these increases indefinitely is not sustainable. These increases have led local unions, participating employees and employers to shoulder pension costs at an increased share of the overall compensation “package” with no increase in benefit levels. The trustees realize the hardship this creates may ultimately lead to loss of participation in the plan.

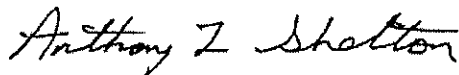
Increasing pension cost with no increase in benefit level puts financial pressure on contributing employers that are already facing higher costs and competition from lower cost companies. The Fund office has reported an increase in the number of employers who are delinquent on required contributions and an increase in the number of employer withdrawals, whether due to bankruptcy or otherwise. If this trend continues, it may result in a worsening financial outlook for the plan in direct conflict with the stated goals of the rehabilitation plan.

The law requires that trustees of funds in critical and critical and declining status take “all reasonable measures” to enable the plan to emerge from critical status or to forestall the Fund’s insolvency. The trustees have concluded that the contribution increases required to date are reasonable, but that requiring any additional increases without increases in benefits would be unreasonable. **To that end, the Trustees have determined that, effective December 31, 2020, no further percentage increases will be required under the Fund’s rehabilitation plan.**

Under PPA, changes in a Fund's rehabilitation plan that occur during the term of a collective bargaining agreement are not effective until the existing agreement expires. However, to enable the bargaining parties to take advantage of this change at the earliest possible opportunity, **the Fund is allowing bargaining parties to amend existing collective bargaining agreements by completing and returning to the Fund Office the enclosed Revised PPA Schedule Election Form. If this form is received by the Fund Office by March 31, 2021, the Fund will apply the election retroactively to increases effective after December 31, 2020. Any election form received after that date will be applied prospectively only, for increases effective after the date the election form is received.** See the enclosed memorandum for more information.

The Trustees hope that this change is helpful to the bargaining parties. It is important to note that the Fund remains in critical and declining status. While this change does not have a material effect on the Fund's projected insolvency date, it is important that contributing employers and local unions continue to work with the Fund Office and the International Union to lobby Congress for comprehensive long-term multiemployer plan reform which will enable the Fund to continue to provide meaningful and secure retirement benefits for years to come. Please contact either of us, or the Fund Office, if you have questions or if you would like to help in this important effort.

Sincerely yours,



Anthony Shelton  
Chairman, Board of Trustees  
International President – BCTGM  
International Union



Lou Minella  
Secretary, Board of Trustees  
Sr. Vice President – Bimbo  
Bakeries USA