



# MASSACHUSETTS & NORTHERN NEW ENGLAND LABORERS' DISTRICT COUNCIL

OF THE LABORERS' INTERNATIONAL UNION OF NORTH AMERICA, AFL-CIO

October 4, 2019

Anna Nolin, Superintendent  
Natick Public Schools  
Town of Natick  
13 E. Central Street  
Natick, MA 01760

Re: LIUNA Industrial Pension Fund – Alternative Plans of Action

Dear Superintendent Nolin:

It has come to our attention that, on September 24, 2019, Melissa Malone, Town Administrator, requested **“between 1-2 million dollars”** of taxpayer funds from the Finance Committee in order to allow her to “begin negotiations” with “LIUNA pension administrators” on a proposed withdrawal from the Industrial Pension Fund. (Attachment 1). It is our understanding that her request was tentatively approved by the Finance Committee. **Accordingly, the Union is respectfully suggesting that the Town Administrator’s request be placed on hold while the parties explore alternative plans of action in light of the following reasons:**

1. By letter dated August 14, 2019, the LIUNA Industrial Pension Fund advised the Town of Natick that last year (2018) the Town’s estimated withdrawal liability would have actually been three million, nine hundred seventy-two thousand, nine hundred and eight dollars **(\$3,972,908.00)**. The Town was further advised that this payout of approximately four million dollars could significantly increase or decrease in the future. (Attachment 2).
2. The Town cannot simply “negotiate” with the Industrial Pension Fund over withdrawal liability. The amount of withdrawal liability has to be calculated by independent actuaries who then recommend specific amounts to the Fund Trustees who have a fiduciary obligation to the plan participants under federal law. There simply cannot be “negotiations with the pension administrators” over these amounts.
3. The Union has been advised that there are one hundred sixty-eight (168) active and inactive (but vested) participants. **Of this group, thirty-three (33) of the Town’s current employees are not yet vested and would therefore never qualify to receive their individual pension if the Town withdraws from the Pension Plan.** These thirty-three (33) employees would effectively lose all of the contributions that the Town has made on their behalf to date.



4. Of the above group of active and inactive participants, forty-one (41) individuals have been given credit for their past years of service with the Town of Natick. These past years of service are normally included in the calculation of the employee's pension benefit. **However, these past years of service are not considered "vested" and will be eliminated, reducing their future pensions, if the Town withdraws from the Pension.**
5. **All of the remaining active employees of the Town of Natick would have their future pensions frozen at their current levels.**
6. We have been further advised that of the current seventy-four (74) pensioners retired from the Town of Natick, over half have received "past years of service credit". **Specifically, thirty-eight (38) current retirees from the Town of Natick could be at risk of having their individual pensions significantly reduced if the Town withdraws from the Pension.**
7. At the turn of the last century, the Town agreed through its collective bargaining agreements to participate in the Pension Fund and **the Town has a legal obligation to bargain in good faith with the Union (not the Pension Fund) over the proposed elimination of the Pension or any other agreed-upon contractual benefit.**

In light of the above, the Union is respectfully requesting your consideration of one or both of the following possible plans of action:

1. According to the Town Administrator's September 24, 2019 Memo to the Finance Committee, the Town's portion of the 2019 payment to the Pension was slightly over two hundred fifty thousand dollars (\$250,000) or approximately six percent (6%) of the four million dollars (\$4,000,000) needed to fully withdraw from the Pension. **The Union respectfully suggests that the Town keep, separate, and invest the above four million dollars and use the resulting capital gains and/or interest to completely cover the Town's cost of the Pension. This eliminates the above hardships and maintains the Town's full control over its original four million dollar principal investment.**
2. The Union has been recently advised that, within the next six (6) months (April of 2020), the Industrial Pension may be reclassified as being within the "Green Zone". **Once the Pension is so reclassified, and the Town is released from the Rehabilitation Plan, the Town and the Union would be able to negotiate reduced future costs through increased sharing or other means.**

Thank you for your time and consideration in this matter. As a former employee of the Town of Natick I know many of the current and former employees of the Town, their widows and families, who could be severely impacted by the proposed withdrawal. As you are aware, municipal employees do not qualify for social security and this small pension was implemented by the

Town to address this issue. Please contact me directly at the above number if you have any particular questions or need additional information.

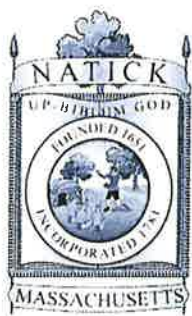
Sincerely,

A handwritten signature in black ink, appearing to read "Tim Mahoney", with a horizontal line extending from the end of the signature.

Timothy Mahoney  
Business Manager  
Massachusetts Public  
Employees Council

TM/sd

cc: Natick Selectmen (Individually)  
Natick School Committee Members (Individually)  
Natick Town Administrator  
Natick School Superintendent  
Business Manager, LIUNA Local Union 1116



## TOWN OF NATICK MASSACHUSETTS

MELISSA A. MALONE  
TOWN ADMINISTRATOR

### MEMO

To: Finance Committee  
From: M. Malone, Town Administrator  
Cc: Board of Selectmen  
Date: September 24, 2019  
Re: LIUNA

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The Town voluntarily joined the LIUNA pension on July 1, 1999. LIUNA is an additional pension plan that non-public safety union employees from various departments currently participate. In 2010, this pension fund entered "critical status" pursuant to the Pension Protection Act of 2006 (PPA). On February 1, 2011, the Board of Selectmen assented to the Preferred Schedule of increased payments via a side letter.

The amount paid to LIUNA by the Town by fiscal year is reflected below:

Fy 2019 – 302,095 (includes 46,183.05 of employee contributions)

Fy 2018 – 287,125 (includes 40,589.15 of employee contributions)

Fy 2017 – 262,096 (includes 33,974.67 of employee contributions)

Fy 2016 – 239,339 (includes 27,952.87 of employee contributions)

Fy 2015 – 238,235 (includes 20,981.24 of employee contributions)

The Town of Natick has approximately 124 union employees who participate in the LIUNA pension plan, which works out to the Town paying about \$2,987 dollars per year on average per employee. Union employees are also paying a portion of their earnings to LIUNA, an average of \$760 per year, which includes a service fee of \$318, and a contribution amount of \$442 (FY19 rates).

Now despite the LIUNA plan being approximately 76% funded and clearly not in "distress," LIUNA is seeking to continue the same escalated pension contributions from the Town of Natick. I am requesting between 1-2 million dollars of free cash be pledged toward satisfying this liability. This money would allow us to begin negotiations with LIUNA pension administrators, preserving the vested benefits for all individuals while allowing the Town of Natick to determine thoughtful next steps to address this long-term liability and negotiation 3 year contracts with the respective unions.



# National (Industrial) Pension Fund

August 14, 2019

## BOARD OF TRUSTEES

### UNION TRUSTEES

**TERRY  
O'SULLIVAN**  
Co-Chairman

**ARMAND E.  
SABITONI**

**J. ROCCO DAVIS**

Mr. John M. Townsend, Deputy Town Administrator/Finance Director  
Town of Natick  
13 East Central Street  
Natick, MA 01760

**RE: Estimated Employer Withdrawal Liability under the  
LIUNA National (Industrial) Pension Fund:  
Town Natick:  
N1470- Custodians  
N1542 – Dept. of Public Works  
N1543 – Supervisors/Administrators  
N1576 – Clerical**

Dear Mr. Townsend:

## EMPLOYER TRUSTEES

**F. GILBERT  
CROSTHWAITE**  
Co-Chairman

**ROBERT B.  
DI SCUILLO, JR.**

**THOMAS T.  
HOLSMAN**

You have requested that the Laborers' National (Industrial) Pension Fund ("LNIPF") conduct and provide an estimate of employer withdrawal liability should the Town of Natick completely withdraw from participation in the LNIPF. The Fund's actuary has completed the estimated withdrawal liability study based on a potential withdrawal from the Pension Fund in calendar year 2018, the most recent year for which the Actuarial Valuation is complete. The study is enclosed with this correspondence.

Please be advised that should the Town of Natick completely withdraw as a contributing employer in 2018, it would have an estimated withdrawal liability of **\$3,972,908.00**. However, should the Town of Natick withdraw from the Fund after 2018, the estimate could be significantly higher or lower.

**ADAM M. DOWNS**  
Fund Administrator

[www.lnipf.com](http://www.lnipf.com)

The Pension Protection Act of 2006 ("PPA") amended federal pension law to impose stricter funding standards on multi-employer pension funds, such as the LNIPF. The Fund's actuary certified the Pension Fund on March 31, 2019, and the Pension Fund continues to be in the "red zone" under the PPA's standards. This was explained in the Annual Funding Notice for the plan year 2018 and the Notice of Continuation of "Critical Status" that was mailed to all contributing employers, participating unions, and participants in April 2019. The Board of Trustees adopted a Funding Rehabilitation Plan on July 26, 2010. A copy of the Funding Rehabilitation Plan was sent to all contributing employers on August 25, 2010. All notices are available at [www.lnipf.org](http://www.lnipf.org).

The continued participation of contributing employers is essential to the success of the Funding Rehabilitation Plan. Therefore, the Funding Rehabilitation Plan requires that all past service credit, that was conditionally granted, be cancelled if a contributing employer ceases to participate in the Plan. Further, the benefits of the

participants in the group will be determined under the Default Schedule, specifically as follows:

- (a) A full Regular Pension would not be payable until a vested participant attains age 65. Vested participants who wish to retire before age 65 may apply for an Early Retirement Pension, but an Early Retirement Pension will no longer be subsidized. This means that the amount of the Early Retirement Pension benefit would be reduced so that it is the actuarial equivalent of the benefit that would be payable to him if he retired on a Regular Pension at the Normal Retirement Age (age 65). The reduction factors, based on actuarial equivalence and using the Fund's funding assumptions, will be as follows:

<u>Age</u>	<u>% of Normal Retirement Age Pension Payable Early</u>
55	38.24%
56	41.80%
57	45.76%
58	50.16%
59	55.06%
60	60.54%
61	66.67%
62	73.56%
63	81.31%
64	90.07%
65	100%

For retirements between birthdays, this chart will be interpolated.

- (b) No optional forms of pension would be available to participants in this group (e.g. no pop-up option, 120 certain payment option, Social Security option, 100% joint and survivor option). The automatic 60-month payment guarantee would not be available to participants in the group. The only forms of pension available will be the regular 50% Husband and Wife Pension (qualified 50% joint and survivor annuity, without pop-up option), the regular 75% Husband and Wife Pension (75% joint and survivor annuity, without pop-up option), and a Single Life Annuity (payable only for the duration of the participant's life). The pension of a participant payable as a joint and survivor pension would be reduced according to certain factors to account for the survivor protection.
- (c) Beneficiaries of participants in the group would not be eligible for the pre-retirement Death Benefit (\$5,000).
- (d) Participants in the group would not be eligible for a Disability Pension.

An employer can avoid withdrawal liability and avoid having their employees lose past service credit by staying in the Plan. They can avoid having their employees fall into the Default Schedule by adopting the Preferred Schedule if they have not already done so.

Should you have any questions, please do not hesitate to contact the Fund Office.

Sincerely,

A handwritten signature in dark ink, appearing to read 'AM Downs', written over a light blue horizontal line.

ADAM M. DOWNS  
Fund Administrator

AMD: mrh

Enclosure

*cc: Mr. Tim Mahoney, Business Manager – MLDC*

July 30, 2019

This report summarizes and reviews the Plan's status and experience with respect to employer withdrawal liability. It outlines the withdrawal liability provisions adopted and explains the calculation of the amount of potential liability for Town of Natick – N1470, N1542, N1543 & N1576 for an assumed withdrawal from the Fund during the plan year ended December 31, 2018. If this employer actually withdraws after December 31, 2018, the withdrawal liability could be significantly different than the amount shown in this report and would be determined based on the applicable withdrawal liability valuation.

The actuarial calculations were completed under the supervision of Joshua Kaplan, FSA, FCA, MAAA, Enrolled Actuary.



**LIUNA National (Industrial) Pension Fund**

**Report on  
Potential Employer Withdrawal Liability  
for an Assumed Withdrawal in the Year Ended  
December 31, 2018**

**Town of Natick – N1470, N1542, N1543 & N1576**

**LIUNA National (Industrial) Pension Fund  
Town of Natick - N1470, N1542, N1543 & N1576**

**Withdrawal Liability**

**I. General – Amount of Withdrawal Liability**

When an employer withdraws, the Trustees must determine the amount of the employer's withdrawal liability. This is based essentially on the extent of the Plan's unfunded vested benefits at the time of withdrawal. The withdrawal formula assigns a share of that unfunded liability to the employer that has withdrawn.

The Trustees of the LIUNA National (Industrial) Pension Fund have adopted the statutory formula provided in the Multiemployer Pension Plan Amendments Act of 1980.

The statutory formula distinguishes between the employers who are participating now and employers who participate in the future. It prorates the current unfunded liability for vested benefits only among employers currently contributing. To be more specific, the unfunded vested liability as of December 31, 1979 is prorated among employers contributing during 1979. The proration for each employer is based on its contributions in relation to the total made by all continuing employers over the preceding 5 years.

An employer coming into the Plan in future years will not have a share, should it withdraw, in liabilities accumulated before it entered. Beginning January 1, 1980, the Plan must determine the annual change in its unfunded vested liability. It then prorates each year's change to each of the then participating employers in proportion to their contributions in the preceding 5 years. If at some point an employer withdraws, the amount of its liability is in the sum of what remains of the annual allocations plus the employer's share, if any, of the original December 31, 1979 liability. (Each portion, including the original liability, is reduced to the point of withdrawal by 5% a year.)

## II. Actuary's Assumptions and Methods of Withdrawal Liability Valuations

The actuarial assumptions to be used are the valuation assumptions used for plan funding, except for the investment return rate and the expense charge. To the extent the assets, valued at market, cover the vested benefits, benefits will be valued at an investment return rate consistent with current annuity rates; the portion of the benefits that is not yet funded will be valued on the interest assumptions used for plan funding.

Specifically, the withdrawal liability valuation assumptions and methods are:

### 1. Investment Return

- (a) To the extent vested benefits are matched by the market value of assets on hand: interest assumptions prescribed by the Pension Benefit Guaranty Corporation (PBGC) under 29 C.F.R. Part 4044, Appendix B, which are in effect for the applicable withdrawal liability valuation date.

PBGC interest rates as of December 31, 2017

Select rate	2.34%
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Ultimate rate after 20 years	2.63%
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- (b) To the extent vested benefits are not matched by plan assets (at market), the interest assumption is the same used for plan funding: 7.5% as of December 31, 2017.
- (c) The portion of the vested benefits that is matched by assets is determined by comparing the total present value of benefits plus expenses – at PBGC rates – with the total market value of assets; each vested benefit will be treated as covered by assets to the same extent as all other vested benefits.
- (d) Affected Benefits liabilities are valued at the same interest rate assumption used for plan funding for the plan year in which the pool was established.

### 2. All Other Assumptions

Same as used for minimum funding purposes as of the valuation date that is the day following the date for determination of unfunded vested liability.

3. Expenses

\$10,000, plus \$200 per vested participant, plus a percentage (defined by statute) of the excess of the value of plan benefits over \$200,000, and is applicable to the portion of benefits that is matched by assets.

4. Assets

At market value.

### **III. The Plan's Unfunded Vested Liabilities**

The Plan's unfunded liabilities for vested benefits were determined with respect to the data supplied to us by the Fund Office as to active employees, pensioners, and inactive vested employees, and financial data prepared by the Fund Auditor. The calculations were completed using the methodology and assumptions outlined in the actuarial certifications and the plan of benefits in effect as of each valuation date.

As explained earlier, an employer's withdrawal liability is determined by adding up the balances (as of the preceding Plan Year end) of the unfunded liabilities and of any reallocated noncollectibles. "Balances" refers to the fact that each figure is written down by 5% for each year that passed. Each balance is prorated to each employer based on the ratio of the employer's obligated contribution in each five-year period, excluding any surcharges and Rehabilitation Plan increases first effective after December 31, 2014.

Beginning in 2010, certain "affected benefits" were reduced. Affected benefits are otherwise nonforfeitable benefits that are reduced in accordance with a rehabilitation plan. In accordance with the Internal Revenue Code, these reductions must be disregarded in determining an employer's withdrawal liability. The Trustees have approved the use of the simplified method described in PBGC Technical Update 10-3 to account for these benefits. This simplified method provides that the withdrawing employer is allocated a portion of the unamortized balance of the affected benefits pool based on the ratio of the employer's obligated contribution in the five-year period prior to withdrawal. The affected benefits pools are amortized in level annual installments over 15 years at the Plan's funding interest rate.

Table 1 shows the unfunded liability for vested benefits (excluding the affected benefits), as calculated for withdrawal liability purposes, for each of the past 20 years. The chargeable change for each year and the remaining unamortized balance as of the valuation date are also shown. Table 2 shows the affected benefits pools. These tables are the basis and contain the figures on which the withdrawal liability for employers who withdraw on or after January 1, 2018 and on or before December 31, 2018 is determinable.

**Table 1**

Withdrawal Liability Basic Pools

<u>"Year"</u>	<u>Unfunded vested benefits at 12/31/"Year"*</u>	<u>Chargeable change at 12/31/"Year"**</u>	<u>Unamortized balance of chargeable change at 12/31/2017</u>
1998	\$923,012	\$923,012	\$46,151
1999	0	0	0
2000	0	-389,346	-58,402
2001	22,815,118	22,407,411	4,481,482
2002	129,574,316	107,899,277	26,974,819
2003	152,675,534	29,643,236	8,892,971
2004	174,151,229	29,499,876	10,324,957
2005	224,590,648	59,938,592	23,975,437
2006	242,417,231	30,322,685	13,645,208
2007	251,769,181	23,364,185	11,682,093
2008	354,501,408	117,912,675	64,851,971
2009	352,322,900	18,897,572	11,338,543
2010	372,194,416	41,892,476	27,230,109
2011	415,238,929	67,160,095	47,012,067
2012	428,747,179	40,981,835	30,736,376
2013	398,195,511	-1,028,988	-823,190
2014	408,360,179	39,635,898	33,690,513
2015	390,974,810	14,067,657	12,660,891
2016	937,999,200	579,180,797	550,221,757
2017	851,647,403	-25,236,350	-25,236,350
Total unamortized balance			\$851,647,403

\* For the years ended December 31, 2010 and later, the unfunded vested liability and resulting basic pools exclude the liability for any affected benefits. The liability for affected benefits is maintained in separate pools, as shown on Table 2.

\*\* The chargeable change for a year is equal to the unfunded vested benefits less the sum, but not less than zero, of the previous years' unamortized balances.

Table 2

## Affected Benefits Pools

<u>Year</u>	<u>Original amount</u>	<u>Years remaining</u>	<u>Unamortized balance as of December 31, 2017</u>
2010	\$40,026,502	8	\$26,559,895
2011	4,294,832	9	3,103,645
2012	13,563,428	10	10,547,095
2013	2,628,121	11	2,178,040
2014	1,176,602	12	1,031,066
2015	2,562,865	13	2,359,256
2016	1,234,530	14	1,187,263
2017	1,632,775	15	1,632,775

Total unamortized balance: \$48,599,035

IV. Withdrawal Liability for Town of Natick - N1470, N1542, N1543 & N1576

Contribution information for this employer was received from the Fund office as follows:

Table 3

<u>For years Ended December 31.</u>	<u>Total Contribution</u>
1999	\$7,598.03
2000	30,323.12
2001	63,427.43
2002	88,977.38
2003	97,361.54
2004	123,409.42
2005	128,861.14
2006	150,807.90
2007	181,705.30
2008	194,768.56
2009	195,723.68
2010	194,253.73
2011	200,644.06
2012	224,284.34
2013	246,761.31
2014	277,384.88
2015	281,546.03*
2016	286,397.46*
2017	284,835.18*

*\*Disregarding contribution rate increases effective after December 31, 2014, pursuant to the Rehabilitation Plan*



Based on an assumed withdrawal in 2018, the determination of the potential net allocable share of unfunded vested benefits for Town of Natick -- N1470, N1542, N1543 & N1576 is detailed below.

Table 4

"Year"	(1) Change in unfunded vested benefits for year ended 12/31/"Year" amortized to 12/31/2017	(2) Uncollectibles for "Year" amortized to 12/31/2017	(3) Total contributions for the 5-year period ending 12/31/"Year" <sup>1</sup> Withdrawing employer	(4) All employers	(5) Allocable share of liability (1) + (2)) x (3) / (4)
1998 <sup>2</sup>	\$46,151	\$0	\$0	\$95,822,578	\$0
1999	0	107	7,598	105,134,151	0
2000	-58,402	0	37,921	119,025,885	-19
2001	4,481,482	0	101,349	134,147,775	3,386
2002	26,974,819	38,137	190,326	150,216,782	34,226
2003	8,892,971	22,334	287,688	168,751,222	15,199
2004	10,324,957	57,805	403,499	187,445,804	22,350
2005	23,975,437	70,694	502,037	205,927,560	58,623
2006	13,645,208	215,131	589,417	219,990,647	37,136
2007	11,682,093	106,405	682,145	232,821,920	34,539
2008	64,851,971	57,246	779,552	243,328,102	207,950
2009	11,338,543	30,000	851,867	246,905,583	39,223
2010	27,230,109	165,134	917,259	238,671,808	105,285
2011	47,012,067	301,312	967,095	230,633,416	198,395
2012	30,736,376	54,887	1,009,674	226,459,273	137,284
2013	-823,190	1,601,766	1,061,667	228,040,651	3,625
2014	33,690,513	3,689,028	1,143,328	240,945,797	177,372
2015	12,660,891	1,185,304	1,230,621	256,727,173	66,372
2016	550,221,757	438,680	1,316,374	267,719,971	2,707,587
2017	23,362,685 <sup>3</sup>	1,445,287	1,376,925	274,642,296	124,375

6. Total potential allocable share of unfunded vested benefits (sum of column (5))

7. De minimis amount (see Section V)

8. Net potential allocable share of unfunded vested benefits (6) - (7)

\$3,972,908

\$0

\$3,972,908

<sup>1</sup>Disregarding contribution rate increases effective after December 31, 2014, pursuant to the Rehabilitation Plan

<sup>2</sup>The pools of withdrawal liability established prior to 1998 have been fully amortized as of December 31, 2017.

<sup>3</sup>This amount includes the total unamortized value of affected benefits as of December 31, 2017 of \$48,599,035.

V. Application of De Minimis Rule

The amount of liability allocable is reduced by the smaller of:

- (1) 3/4 of 1% of the Plan's unfunded present value of vested benefits (determined as of the end of the plan year ending before the date of withdrawal) or
- (2) \$50,000,

reduced by the amount, if any, by which the unfunded vested benefits allocable to the employer exceeds \$100,000.

Since the potential allocable share of unfunded vested benefits before reduction is \$3,972,908, the de minimis deductible is \$0.

## VI. Payment Schedule

The determination of the payment and length of payment period for Town of Natick - N1470, N1542, N1543 & N1576 is as follows:

1. Total hours reported for year ended December 31:

Year	Hours
2008	302,374.50
2009	293,240.30
2010	282,083.40
2011	267,561.40
2012	271,630.05
2013	269,418.25
2014	274,091.95
2015	273,159.80
2016	277,757.35
2017	276,335.95

2. Highest consecutive 3-year average hours..... 292,566
3. Highest hourly contribution rate .....\$1.06<sup>1</sup>
4. Amount of quarterly payments [(2) x (3)] ÷ 4 quarters ..... \$77,530
5. Potential allocable share of unfunded vested benefits .....\$3,972,908
6. Plan funding investment return assumption .....7.5%

Potential Payment Schedule:

\$77,530 per quarter for 80 quarters<sup>2</sup>

<sup>1</sup>Includes increases required by the Rehabilitation Plan only through December 31, 2014.

<sup>2</sup>Payments have been limited to the 20-year payment cap per ERISA Section 4219