ANNUAL FUNDING NOTICE
For
CWA/ITU Negotiated Pension Plan
April 2019

Introduction

This notice includes important information about the funding status of your multiemployer pension plan (the “Plan”). It also includes general information about the benefit payments guaranteed by the Pension Benefit Guaranty Corporation (“PBGC”), a federal insurance agency. All traditional pension plans (called “defined benefit pension plans”) must provide this notice every year regardless of their funding status. This notice does not mean that the Plan is terminating. It is provided for informational purposes and you are not required to respond in any way. This notice is required by federal law. This notice is for the plan year beginning January 1, 2018 and ending December 31, 2018 (“Plan Year”).

How Well Funded Is Your Plan

The law requires the administrator of the Plan to tell you how well the Plan is funded, using a measure called the “funded percentage.” The Plan divides its assets by its liabilities on the Valuation Date for the plan year to get this percentage. In general, the higher the percentage, the better funded the plan. The Plan’s funded percentage for the Plan Year and each of the two preceding plan years is shown in the chart below. The chart also states the value of the Plan’s assets and liabilities for the same period.

<table>
<thead>
<tr>
<th>Funded Percentage</th>
<th>2018 Plan Year</th>
<th>2017 Plan Year</th>
<th>2016 Plan Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valuation Date</td>
<td>January 1, 2018</td>
<td>January 1, 2017</td>
<td>January 1, 2016</td>
</tr>
<tr>
<td>Funded Percentage</td>
<td>68.7%</td>
<td>67.1%</td>
<td>69.7%</td>
</tr>
<tr>
<td>Value of Assets*</td>
<td>$653,823,420</td>
<td>$651,088,883</td>
<td>$695,192,847</td>
</tr>
<tr>
<td>Value of Liabilities</td>
<td>$951,959,329</td>
<td>$969,638,153</td>
<td>$997,462,550</td>
</tr>
</tbody>
</table>


Year-End Fair Market Value of Assets

The asset values in the chart above are measured as of the Valuation Date. They also are “actuarial values.” Actuarial values differ from market values in that they do not fluctuate daily based on changes in the stock or other markets. Actuarial values smooth out those fluctuations and can allow for more predictable levels of future contributions. Despite the fluctuations, market values tend to show a clearer picture of a plan’s funded status at a given point in time. The asset values in the chart below are market values and are measured on the last day of the Plan Year. The chart also includes the year-end market value of the Plan’s assets for each of the two preceding Plan Years.
<table>
<thead>
<tr>
<th></th>
<th>December 31, 2018</th>
<th>December 31, 2017</th>
<th>December 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair Market Value of Assets</td>
<td>$553,494,147*</td>
<td>$653,823,420</td>
<td>$651,088,883</td>
</tr>
</tbody>
</table>

*Based on the plan administrator’s unaudited financials and is subject to revision during the annual audit process.

Endangered, Critical, or Critical and Declining Status

Under federal pension law, a plan generally is in “endangered” status if its funded percentage is less than 80 percent. A plan is in “critical” status if the funded percentage is less than 65 percent (other factors may also apply). A plan is in “critical and declining” status if it is in critical status and is projected to become insolvent (run out of money to pay benefits) within 15 years (or within 20 years if a special rule applies). If a pension plan enters endangered status, the trustees of the plan are required to adopt a funding improvement plan. Similarly, if a pension plan enters critical status or critical and declining status, the trustees of the plan are required to adopt a rehabilitation plan. Funding improvement and rehabilitation plans establish steps and benchmarks for pension plans to improve their funding status over a specified period of time. The plan sponsor of a plan in critical and declining status may apply for approval to amend the plan to reduce current and future payment obligations to participants and beneficiaries.

The Plan was in critical and declining status in the Plan Year ending December 31, 2018 because there is a deficiency in the funding standard account, and there is a projected insolvency within 20 years.

The Plan was projected to be insolvent in the 2030 Plan Year based on the assumptions and financial information as of January 1, 2018. However, based on updated assumptions and financial information as of January 1, 2019, the Plan’s year of solvency is now projected to be in the 2028 Plan Year. Such insolvency may result in benefit reductions.

In an effort to improve the Plan’s funding situation, the trustees adopted a rehabilitation plan on March 8, 2010. The rehabilitation plan eliminates the 60 month minimum guarantee in the Life/5 pension option; increases the minimum age for the Early Pension from 60 to 62 (with 20 years of service credit); removes the Early Pension subsidy by increasing the reduction factors; discontinues the offering of retroactive pension payments; and requires 5 years of service credit to vest for participants reaching normal retirement age before a break in service. You may get a copy of the Plan’s rehabilitation plan, any update to such plan and the actuarial and financial data that demonstrate any action taken by the Plan toward fiscal improvement. You may get this information by contacting the plan administrator.

The Plan was certified to be in critical and declining status for the Plan Year ending December 31, 2019. A separate notification of the 2019 critical and declining status will be provided.

Participant Information

The total number of participants and beneficiaries covered by the Plan on the valuation date was 28,249. Of this number, 2,587 were current employees, 17,431 were retired and receiving benefits, and 8,231 were retired or no longer working for the employer and have a right to future benefits.

Funding & Investment Policies

Every pension plan must have a procedure to establish a funding policy for plan objectives. A funding policy relates to how much money is needed to pay promised benefits. The Plan’s benefits are to be funded by employer contributions as negotiated in collective bargaining agreements and investment earnings.
Pension plans also have investment policies. These generally are written guidelines or general instructions for making investment management decisions. The Plan uses professional investment management firms and index funds to invest its assets in accordance with the investment policy guidelines. The firms are selected and monitored by the Plan’s Board of Trustees, in consultation with an independent investment consultant. No Plan investments are managed internally. The asset allocation guidelines specified in the investment policy are described in “Information about Plan Investments” located on the Plan’s website at CWAITUNPP.ORG.

Under the Plan’s investment policy, the Plan’s assets were allocated among the following categories of investments, as of the end of the Plan Year. These allocations are percentages of total assets:

<table>
<thead>
<tr>
<th>Asset Allocations</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash (Interest and non-interest bearing)</td>
<td>0.30%</td>
</tr>
<tr>
<td>Corporate Common Stocks</td>
<td>8.12%</td>
</tr>
<tr>
<td>Partnership/Joint Venture Interests</td>
<td>9.62%</td>
</tr>
<tr>
<td>Value of interest in Common/Collective Trusts</td>
<td>68.65%</td>
</tr>
<tr>
<td>Value of interest in Mutual Funds</td>
<td>13.31%</td>
</tr>
</tbody>
</table>

For information about the Plan’s investment in common/collective trusts, contact the Plan Office as indicated at the end of this notice.

Right to Request a Copy of the Annual Report

Pension plans must file annual reports with the US Department of Labor. The report is called the “Form 5500.” These reports contain financial and other information. You may obtain an electronic copy of your Plan’s annual report by going to www.efast.dol.gov and using the search tool. Annual reports also are available from the US Department of Labor, Employee Benefits Security Administration’s Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1513, Washington, DC 20210, or by calling 202.693.8673. Or you may obtain a copy of the Plan’s annual report by making a written request to the plan administrator. Or you may see the annual report on the Plan’s web site at CWAITUNPP.ORG. Annual reports do not contain personal information, such as the amount of your accrued benefit. You may contact your plan administrator if you want information about your accrued benefits. Your plan administrator is identified below under “Where To Get More Information.”

Summary of Rules Governing Insolvent Plans

Federal law has a number of special rules that apply to financially troubled multiemployer plans that become insolvent, either as ongoing plans or plans terminated by mass withdrawal. The plan administrator is required by law to include a summary of these rules in the annual funding notice. A plan is insolvent for a plan year if its available financial resources are not sufficient to pay benefits when due for that plan year. An insolvent plan must reduce benefit payments to the highest level that can be paid from the plan’s available resources. If such resources are not enough to pay benefits at the level specified by law (see Benefit Payments Guaranteed by the PBGC on the next page), the plan must apply to the PBGC for financial assistance. The PBGC will loan the plan the amount necessary to pay benefits at the guaranteed level. Reduced benefits may be restored if the plan’s financial condition improves.

A plan that becomes insolvent must provide prompt notice of its status to participants and beneficiaries, contributing employers, labor unions representing participants, and PBGC. In addition, participants and beneficiaries also must receive information regarding whether, and how, their benefits will be reduced or affected, including loss of a lump sum option.
Benefit Payments Guaranteed by the PBGC

The maximum benefit that the PBGC guarantees is set by law. Only benefits that you have earned a right to receive and that cannot be forfeited (called vested benefits) are guaranteed. There are separate insurance programs with different benefit guarantees and other provisions for single-employer plans and multiemployer plans. Your Plan is covered by PBGC’s multiemployer program. Specifically, the PBGC guarantees a monthly benefit payment equal to 100 percent of the first $11 of the Plan’s monthly benefit accrual rate, plus 75 percent of the next $33 of the accrual rate, times each year of credited service. The PBGC’s maximum guarantee, therefore, is $35.75 per month times a participant’s years of credited service.

Example 1: If a participant with 10 years of credited service has an accrued monthly benefit of $600, the accrual rate for purposes of determining the PBGC guarantee would be determined by dividing the monthly benefit by the participant’s years of service ($600/10), which equals $60. The guaranteed amount for a $60 monthly accrual rate is equal to the sum of $11 plus $24.75 (.75 x $33), or $35.75. Thus, the participant’s guaranteed monthly benefit is $357.50 ($35.75 x 10).

Example 2: If the participant in Example 1 has an accrued monthly benefit of $200, the accrual rate for purposes of determining the guarantee would be $20 (or $200/10). The guaranteed amount for a $20 monthly accrual rate is equal to the sum of $11 plus $6.75 (.75 x $9), or $17.75. Thus, the participant’s guaranteed monthly benefit would be $177.50 ($17.75 x 10).

The PBGC guarantees pension benefits payable at normal retirement age and some early retirement benefits. In addition, the PBGC guarantees qualified preretirement survivor benefits (which are preretirement death benefits payable to the surviving spouse of a participant who dies before starting to receive benefit payments). In calculating a person’s monthly payment, the PBGC will disregard any benefit increases that were made under a plan within 60 months before the earlier of the plan’s termination or insolvency (or benefits that were in effect for less than 60 months at the time of termination or insolvency). Similarly, the PBGC does not guarantee benefits above the normal retirement benefit, disability benefits not in pay status, or non-pension benefits, such as health insurance, life insurance, death benefits, vacation pay, or severance pay.

For additional information about the PBGC and the pension insurance program guarantees, go to the Multiemployer Page on PBGC’s website at www.pbgc.gov/multiemployer. Please contact your employer or plan administrator for specific information about your pension plan or pension benefit. PBGC does not have that information. See “Where to Get More Information About Your Plan,” below.

Where to Get More Information

For more information about this notice, you may visit the Plan’s updated website at CWAITUNPP.ORG, or you may contact the Plan Office:
1323 Aeroplaza Drive,
Colorado Springs, Colorado 80916
Phone: (719) 473-3862 (no toll free number)
Email: info@cwaitunpp.org
Notice to Pensioners about Tax Withholding

For identification purposes, the plan sponsor’s name, employer identification number (“EIN”), and plan number is:

CWA/ITU Negotiated Pension Plan
EIN: 13-6212879   PN: 001

This is a reminder that you may choose whether or not to have taxes withheld. Benefits under the Plan are taxable income to the recipient. (The IRS may charge a penalty if your tax withholding or estimated tax payments are not sufficient to cover your tax liability.) If you desire withholding, please advise the Plan Office in writing of the dollar amount. If you have made an election previously, it will remain in effect until changed or revoked, which you may do by notifying the Plan Office. If you have not made an election, we will use the classification of a married individual claiming three withholding allowances to determine whether or not to withhold federal tax from your pension. This will NOT result in any tax withholding unless your monthly pension from this Plan exceeds $2,033. **If no change in withholding is desired, do not respond to this reminder.**

Please keep the Plan Office informed of any address, phone number, Power of Attorney or marital status changes via our website or call (719) 473-3862

The Plan Office will be conducting Annual Audit Verifications for anyone receiving monthly benefits. These verifications must be returned to the Plan Office to update your permanent file.
Notice of Critical and Declining Status for
CWA/ITU Negotiated Pension Plan
April 2019
This is to inform you that on March 29, 2019 the Plan's actuary for the CWA/ITU Negotiated Pension Plan ("Plan") certified to the US Department of the Treasury and also to the Plan’s Board of Trustees, that the Plan is in critical and declining status for the Plan Year beginning January 1, 2019. Federal Law requires that you receive this notice.

Critical and Declining Status

The Plan is considered to be in critical and declining status because it has funding and liquidity problems. More specifically, the Plan's actuary determined there is a funding deficiency in the current Plan Year and the Plan is projected to become insolvent during the Plan Year beginning January 1, 2028. The Plan's Board of Trustees is monitoring the Plan’s funded status very closely and will take all steps that are reasonably necessary and prudent to improve the Plan’s financial condition.

Rehabilitation Plan

Federal law requires pension plans in critical status to adopt a rehabilitation plan aimed at restoring the financial health of the plan. Critical and declining status was added to federal law in 2015. The law permits pension plans to reduce, or even eliminate, benefits called "adjustable benefits" as part of a rehabilitation plan. Under the Rehabilitation Plan adopted by the Board of Trustees on March 8, 2010, changes were made to the Plan for pensions not yet in pay status. These included increasing the Early Pension age to 62, removing the Early Pension subsidy and eliminating the 60-month guarantee in the Life/5 form of pension. Notice of these adjustable benefit changes was mailed to participants on April 28, 2010. **There is no change to current pensions and the level of a participant's basic benefit payable at normal retirement has not been reduced.**

The adjustable benefits offered by the Plan have been eliminated as noted above except for the Early Pension, which is now only available at age 62 (with 20 years of service credit) for future pensioners. A mandatory increase in contributions is not included in the Rehabilitation Plan but decreases in contribution rates, the exclusion of covered employees, and the payment of lump-sum benefits greater than $5,000 are not permitted. If the Board of Trustees determines that further benefit reductions are necessary, you will receive a separate notice explaining the reductions.

Where to Get More Information

For more information, you may visit the Plan's website at CWAITUNPP.ORG or you may contact the Plan Office at (719) 473-3862 or email info@cwaitunpp.org. The Plan Office's mailing address is 1323 Aeroplaza Drive, Colorado Springs, Colorado 80916. You have a right to receive a copy of the Rehabilitation Plan from the Office.
April 2019

Dear Pension Plan Participant,

Enclosed you will find the NPP's Annual Funding Notice, which is required to be sent by law to inform pension plan participants of the funding status of their plan. On behalf of the NPP, we are writing to you to provide some background to our country's multiemployer pension plan crisis and to encourage you to contact your Congressional representatives to urge them to support pension reform, including a bill introduced in Congress this year, the "Rehabilitation for Multiemployer Pensions Act", sponsored by Rep. Richard E. Neal (D-MA).

The NPP is classified as a "critical and declining" status pension plan. This is due, in large part, to technological changes in the printing and newspaper industries that have resulted in reduced workforces and declining active Plan participation. The NPP's board of trustees has taken all the steps permissible under the law to stabilize the Plan and has closely monitored its investment portfolio to provide strong investment returns without undue risk. However, substantial declines in the NPP's active participant base has created on-going challenges.

The NPP is not the only pension plan in this difficult situation. A recent study of pension plans by an independent actuarial consulting firm found that 114 multiemployer pension plans are projected to fail in 20 years. Just three of those 114 plans (Teamsters' Central States, Bakery and Confectionery Union and the United Mine Workers) account for $22.8 billion or 62.5% of the total unfunded liability of these failing plans. The Pension Benefit Guaranty Corporation, the governmental agency that guarantees participants a minimum pension even if their plans fail, is expected to run out of money by the end of 2025. We should not let this happen without a fight.

WHAT CAN YOU DO TO HELP? First, read the enclosed report prepared independently by J.P. Morgan Asset Management to get a better understanding of the serious problems facing pension plans like the NPP. Second, reach out to your Congressional representatives and your union representatives and urge them to address this pension crisis. Finally, don't stay silent. Reform will only happen when workers and retirees actively demand change.

You can find your Congressional representative’s contact information by clicking through the following website: https://www.house.gov/representatives/find-your-representative.

Send them the following message:

“114 multiemployer pension plans covering over 1.3 million workers and retirees are projected to become insolvent within 20 years. I URGE YOU TO SUPPORT THE “Rehabilitation for Multiemployer Pensions Act” in order to save the pensions of over 1.3 million workers and retirees.”

Fraternally,
CWA/ITU NPP Board of Trustees
The single biggest problem for multiemployer pension plans

In brief

- There has been a significant shift toward defined contribution plans as the primary vehicle for helping individuals save for retirement, but defined benefit plans still account for a significant share of retirement assets.

- The financial crisis left many pension plans - both public and private - in an uncomfortable situation. As risk assets tumbled in 2008 and early 2009, the funded status of these plans deteriorated, with private multiemployer pension plan funded status reaching a low of 53% in early 20091.

- Multiemployer defined benefit plans are unique in the sense that the discount rate used to determine the present value of liabilities is based on the plan's expected return, rather than a market-based rate.

- While the bull market and rising interest rates have helped to bring the funded status of many plans back into balance, the multiemployer system continues to struggle, and has not enjoyed the same benefits from rising rates as has been the case with single-employer plans.

The current landscape

In 2016, there were 1,296 multiemployer plans covering approximately 10.3 million participants. Of these participants, 3.8 million were active participants, 3.7 million were retirees and beneficiaries, and 2.8 million were former employees who worked long enough to earn vested benefits in a pension plan but left the company sponsoring the plan and are not yet receiving retirement benefits. Many of these participants are employed by small companies in the building and construction industries, but these plans also cover employees in retail trade, manufacturing, mining, trucking and transportation, and entertainment industries (Exhibit 1).

1 http://www.milliman.com/mpfs/
In 2015, nearly 65% of plans were in the Green Zone, meaning that they would most likely be able to pay all of the participants' benefits without changes to employer contributions or participant benefits. However, 12.5% of plans were classified as endangered, meaning that their funded status was less than 80% and they were projected to have a funding deficiency in one of the next six years. The remaining nearly 24% of plans were classified as “critical or declining,” as their funded status was less than 65% and the plan was expected to be insolvent within five years. These “critical or declining” plans are required to adopt a rehabilitation program to improve funded status over a 10-year window, and simultaneously provide notice to all plan participants, beneficiaries, the collective bargaining parties, Pension Benefit Guaranty Corporation (PBGC) and the Department of Labor (DOL).

These solvency problems stem from a number of areas. To start, the multiemployer system has not enjoyed the same benefits from rising rates as has been the case with single-employer plans, which have seen the value of future liabilities come down as interest rates have risen. Additionally, the ERISA anti-cutback rule has prevented plan administrators from amending plans in a way that decreases accrued benefits, and excise taxes on contributions to overfunded pensions have incentivized some trustees to increase benefits during good times in order to avoid paying this tax. Furthermore, the decline of the U.S. manufacturing sector and union membership more broadly, coupled with demographic headwinds, have led this situation to become increasingly unsustainable given the reliance on employer contributions to fund these plans.

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EXHIBIT 2: TOTAL NUMBER OF PARTICIPANTS AND BENEFICIARIES IN DEFINED BENEFIT PLANS
Millions of participants and beneficiaries

Source: Department of Labor, J.P. Morgan Asset Management. Based on Form 5500 filings for plan year ending 2015. Single employer plans include single employer plans, plans of controlled groups of corporations and multi-employer non-collectively bargained plans. All defined benefit plans paying premiums to PBGC’s single employer program are included. Multiemployer plans include multiemployer plans and multi-employer collectively bargained plans. All defined benefit plans paying premiums to PBGC’s multi-employer program are included. Data are as of November 12, 2018.

Broad economic impact

Unfortunately, prospects for improvement seem limited at the current juncture. Potential solutions, such as decreasing the discount rate used to determine the value of future liabilities, would exacerbate an already problematic situation, while increasing contributions would increase the financial burden on employers, dragging on profitability and potentially putting these companies out of business. The best solution seems to be one based on federal loans; while our read of the situation is that this outcome is somewhat inevitable, it may be challenged given uncertainty around the ability for the loans to be repaid.

While few of the proposed resolutions are palatable to all those involved, the collapse of the multiemployer pension system would create notable headwinds for the U.S. economy. With some of the largest multiemployer plans at risk of insolvency if restructuring does not occur, there is the potential for the PBGC - which insures benefits promised by defined benefit private pension plans - to become insolvent as well. In fact, a recent report from the PBGC suggested that it would be insolvent by 2025 if some sort of corrective action is not taken (Exhibit 3).

The collapse of the multiemployer system would lead participants and retirees to receive only 50% of what they had expected, and the subsequent collapse in the PBGC would leave them only receiving about 2% of those expected benefits. Put another way, if the average worker expected to collect $20,000 per year in retirement, failure of the multiemployer system would lead this amount to fall to $10,000, followed by a mere $400 if the PBGC were to fail as well.

EXHIBIT 3: EXPECTED INSOLVENCY FOR MULTIEMPLOYER PENSION PLANS IN CRITICAL AND DECLINING STATUS
Cumulative number of participants, thousands, cumulative benefits paid, millions of U.S. dollars

Source: Congressional Research Service, J.P. Morgan Asset Management. Based on 2015 Form 5500 data. Plans in critical and declining status must indicate the year in which they expect to become insolvent. This chart is for illustrative purposes only. Data are as of November 12, 2018.

The failure of these institutions and sharp drawdown in benefits received would have a significant impact on the economy through a number of channels. First, employers would struggle, as increased contribution requirements, coupled with increasing unfunded liabilities, would make it difficult for these firms to compete. In many cases this could drive these employers into bankruptcy, hitting small employers.

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hardest, but also would impact large multinational employers who contribute to multiemployer plans. As these firms come under pressure, they would likely take action in an effort to get things back on track. These actions would likely be characterized by cost cutting and layoffs, leading the unemployment rate to rise and economic growth to slow. This environment of softer economic growth would lead to a more challenging return environment for a plan’s investments, thereby creating a negative feedback loop, which further exacerbates the underfunded status of the multiemployer system.

Diving in deeper, 3.7 million retirees and beneficiaries received about $41 billion in benefits in 2016, which is estimated to have generated around $83.5 billion of economic output. This suggests that each dollar of benefits that a participant receives has historically generated just over two dollars of economic output.

With the number of retirees expected to increase over time, and nearly 70% of nominal GDP coming from consumption, multiemployer pension plans will remain as an important support for economic growth in the years to come. However, with nearly $560 billion in unfunded liabilities (as of 2015) and 13.6 million total jobs related to the multiemployer system, failure to pay these benefits could result in a significant drag on consumption and a notable reduction in federal, state and local taxes (Exhibit 4).

So what can we do?

There have been a number of suggestions as to how to fix this problem; the issue is, very few of them will actually work. A common proposal involves reducing the discount rate that these plans use to calculate their future liabilities. While discount rates in the multiemployer system are meant to measure the expected return on a pool of assets - and given our expectation for more muted returns going forward, a lower discount rate may be appropriate in certain situations - substantially reducing the discount rate would dramatically increase the funding required to keep these plans solvent (Exhibit 5). For example, with 64% of plans currently sporting a funded status of greater than 80% (putting them in the Green Zone), a shift to either a corporate bond or 30-year U.S. Treasury yield would reduce the share of plans in the Green Zone to 7% and 2%, respectively.

Furthermore, the impact of higher discount rates on required contributions would be severe. Required contributions are a function of the value of the benefits accrued during the year, the operating expenses of the plan, and a payment to help reduce any unfunded liabilities. The use of a higher discount rate would not only create a headwind to reducing unfunded liabilities, it would simultaneously increase the value of accrued liabilities and likely result in

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higher operating costs as well. It is also important to note that the use of market rates would increase the volatility of plan funded status, a potential issue when contribution rates are often times determined for three years or more through the collective bargaining process.

**EXHIBIT 5: PLAN ATTRIBUTES UNDER DIFFERENT DISCOUNT RATES**

<table>
<thead>
<tr>
<th>Pension Status</th>
<th>Current status</th>
<th>Change in discount rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Assets</td>
<td>Liabilities</td>
</tr>
<tr>
<td>Critical &amp; declining</td>
<td>$38.56</td>
<td>$72.04</td>
</tr>
<tr>
<td>Critical</td>
<td>$68.65</td>
<td>$99.24</td>
</tr>
<tr>
<td>Seriously endangered</td>
<td>$1.70</td>
<td>$2.36</td>
</tr>
<tr>
<td>Endangered</td>
<td>$64.81</td>
<td>$90.32</td>
</tr>
<tr>
<td>Green zone</td>
<td>$312.96</td>
<td>$340.94</td>
</tr>
<tr>
<td>Total</td>
<td>$486.70</td>
<td>$604.90</td>
</tr>
</tbody>
</table>

Source: Department of Labor, J.P. Morgan Asset Management. Based on Form 5500 filings for plan year ending 2015. Corporate bond rate and 30-yr. U.S. Treasury rate are based on average bond yield during October 2018. This chart is for illustrative purposes only. Data are as of November 12, 2018.

As a result, it seems that there are three things that could be done to address this issue: increase contributions, decrease benefits or obtain a loan to improve the funded status of these plans. The first option is relatively challenging to implement, as few employers would be able to sustain the financial burden of the contributions required to remedy the problem. The second option - decreasing benefits - is equally challenging, as the ERISA anti-cutback rule prevents this from occurring. While the Multiemployer Pension Reform Act (MPRA) of 2014 did provide one channel through which struggling pensions can reduce benefits, there have only been seven instances since 2016 where reductions were approved. The third route - some sort of loan - seems like the best option, but may be challenged given significant growth in the debt and deficit this year and uncertainty around the ability for the loans to be repaid. As such, the road to any resolution looks set to be a rocky one.

The broader issue here is that increasing contributions, decreasing benefits or providing a federally backed loan all call the viability of the broader defined benefit system into question. If confidence in the system is eroded, the potential economic drags described above may become even more severe as participation decreases and employers see profitability come under pressure. In other words, if employers do not believe that their employees will receive their promised benefits, there will be a race for the exit and only an empty bag left behind. As a result, while the road to resolution will be challenging, it is one that must be taken. In the end, policymakers and stakeholders will need to work together in order to come up with a viable solution that is acceptable to all parties, as failing to do so could have significant implications for the broader U.S. economy.

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The Market Insights program provides comprehensive data and commentary on global markets without reference to products. Designed as a tool to help clients understand the markets and support investment decision-making, the program explores the implications of current economic data and changing market conditions.

For the purposes of MiFID II, the JPM Market Insights and Portfolio Insights programs are marketing communications and are not in scope for any MiFID II/MiFIR requirements specifically related to investment research. Furthermore, the J.P. Morgan Asset Management Market Insights and Portfolio Insights programs, as non-independent research, have not been prepared in accordance with legal requirements designed to promote the independence of investment research, nor are they subject to any prohibition on dealing ahead of the dissemination of investment research.

This document is a general communication being provided for informational purposes only. It is educational in nature and not designed to be a recommendation for any specific investment product, strategy, plan feature or other purpose. Any examples used are generic, hypothetical and for illustration purposes only. This material does not contain sufficient information to support an investment decision and it should not be relied upon by you in evaluating the merits of investing in any securities or products. In addition, users should make an independent assessment of the legal, regulatory, tax, credit, and accounting implications and determine, together with their own professional advisers, if any investment mentioned herein is believed to be suitable to their personal goals. Investors should ensure that they obtain all available relevant information before making any investment. Any forecasts, figures, opinions or investment techniques and strategies set out are for information purposes only, based on certain assumptions and current market conditions and are subject to change without prior notice. All information presented herein is considered to be accurate at the time of production, but no warranty of accuracy is given and no liability in respect of any error or omission is accepted. It should be noted that investment involves risks, the value of investments and the income from them may fluctuate in accordance with market conditions and taxation agreements and investors may not get back the full amount invested. Both past performance and yields are not reliable indicators of current and future results.

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