

Edison Plan News

From the Board of Trustees
Edison Pension Trust

Fitness Is Not a Straight Line

No matter how fit and healthy we are, every one of us are affected by health issues from time to time — whether it's a winter cold or ski accident. It's the same with a pension plan. There are going to be ups and downs; it's the long-term health that matters most.

A pension plan's funding level is impacted by number of factors — some of which we have a level of control over, and some of which we don't. We can't do much about the stock market, the economic health of our region, or legislative changes. But, we do have some influence on the number of hours that are worked under the Plan through organizing and how the wage package is allocated during negotiations.

By doing the kind of maintenance the Plan needs along the way, we'll be in much better shape to be able to handle the next storm.

A Diet and Exercise Kind of Issue

When all you hear in the news is about the pension plans that are in trouble, it's natural to worry about your own. There are some plans out there in very serious trouble, but the Edison Plan isn't one of them. Currently, the Plan's funding level is in the green zone.

However, as you have seen in the notices that have been mailed out over the last few years, the Plan is not in the same kind of shape that it was a number of years ago (who among us are?). But, this is the kind of thing that can be effectively addressed with proper diet and exercise — common-sense steps, taken throughout the life of the Plan, aimed at keeping the Plan fit and in the green zone.

Keeping Our Plan Healthy

Paying attention to the things that we have some control over and keeping the long haul in mind as we make decisions may be more important than ever. Despite the good investment returns that we've seen recently, the longer-term outlook by experts has changed and going forward they expect lower returns on average for all investors than we've seen in the past.

Interest rates are starting to rise but are still historically low (and we don't know whether they will continue to go up), increases in profit margins are no longer expected to raise stock prices because those expectations are already built into the price, and so on... The experts see a lot of headwinds for the economy and investment returns.

It may not be wise, for instance, to increase benefits (a decision with long-term impact) based on a couple of good years' worth of returns (possibly a short-term blip). Just because we've lost a few pounds, doesn't mean we can start eating cookies every day again.

By taking some practical steps, and sticking to our long-term goals, we can boost the Plan's fitness level.



The Edison Pension Plan has been in the Green Zone every year since the zone concept was introduced! Through 2017, the Plan has paid out almost \$600M to retired participants and beneficiaries— and has never missed a payment.

Plans designated in the Green Zone are considered healthy and have the safest funding levels.

Plans in the Yellow Zone are considered "Endangered." Trustees and bargaining parties must take action to improve funding levels.

Plans in the Red Zone are considered "Critical." Trustees and bargaining parties must take drastic actions to keep the plan from deteriorating further.

The More the Merrier

The more market share we have and the more organizing we're able to do, the better for the Pension Plan. Why?

We need to stay in balance: When a pension plan first starts out, there are a lot of active members paying into the plan and only a few retirees—that means the contributions coming into the plan are larger than the benefits being paid out to retirees. If a plan slows down in terms of adding new members, over time you end up with a lot more retirees than actives. The problem with that is you end up with more money going out than coming in and that makes recovering from any investment losses all the more difficult. The more active members we have, the more the pie can grow for all of us and the more stable the Plan will be.

We want to maintain the power of our contributions and any future increases: Contributions are set as a dollar amount per hour. But, it doesn't matter how high the hourly rate is if the number of hours worked is low. The more hours worked under the Plan, the better off we all will be.

Making an Investment in the Plan

It's a smart move to get in the habit of putting a bit of every wage increase into the Edison Pension Plan:

- The more you put in, the bigger your benefit. Unlike other plans, the Edison Pension Plan has no "outside the formula" contributions — that means every additional cent increases benefits.
- The Plan provides a valuable lifelong benefit and stacks up well when compared to other options (see below).
- Additional contributions are like insurance on your benefit. Every increase in the contribution rate adds to the long-term stability and health of the Plan, allowing it to better weather future challenges.

Is a Pension Worth the Investment?

We're fortunate to have a pension — so many workers don't these days. However, because they're not common, you don't hear much about pensions (except when it's bad news). On the other hand, people like to talk about their defined contribution (DC) plans when their balances are going up. After a while, you might begin to think having only a DC plan (such as the 9th District Plan) is the way to go. But that's not the best path to a secure retirement.

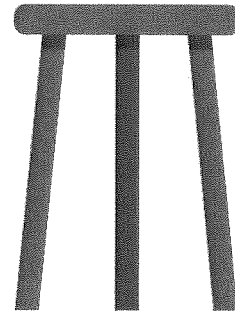
DC plans were designed to supplement pension plans — not replace them. Many experts feel the widespread move away from pension plans and to DC plans alone has put Americans' financial security in retirement at risk, and that there may be a real crisis coming. In fact, according to a 2017 article in the Wall Street Journal, "many early backers of the 401(k) now say they have regrets about how their creation turned out... it wasn't designed as a primary retirement tool."

Ideally, you'd have both a pension and your own savings / a DC plan, along with Social Security. That's the "3-legged stool" of retirement that you may have heard about.

The importance of the pension leg of the stool is that it provides stable, lifelong income. You can't outlive your money because the Plan continues to send you a check every month until your death (or, longer if you choose an option that continues benefits to your spouse after you die). That gives you a source of income that you can count on. Then, you can use your savings to cover large or unexpected expenses, or supplement your income.

In addition to the security of lifelong income, the Pension Plan provides a valuable benefit for the money. Comparing a pension and a DC plan can be a bit tricky because they're apples and oranges. But, let's look at an example to get an idea:

Recipe for a Secure Retirement



Pension • DC Plan • Social Security

Scenario: Bob worked 1,700 hours a year for 25 years, then retired at age 60 on January^o1, 2018. If we assume the actual investment returns and Edison contribution rates from 1993-2017, here's how the pension and a DC plan would compare:

Edison Pension Plan

\$3,320 per month for life

Bob's lifetime contributions to the Pension Plan were \$145,203. He would get that back in benefit payments in 3.6 years. And, in fact, the Plan's default payment option provides a minimum of 5 years of payments.

DC Plan

Account balance at retirement: \$304,031

If Bob decided to take out \$3,320 per month, and he earned 7.25% on his investments each year in retirement, Bob would run out of money in less than 11 years

Or, he could use his account balance to buy an annuity from an insurance company

At current rates, Bob could get a benefit of \$1,462 per month for life (over \$1,800 less per month than the Edison Plan)

It Pays to Stick With the Program

Pension plans move slowly. It can take what feels like a long time for changes to have an impact. But, if we make smart decisions that will benefit us over the long term (like exercising and eating right), we'll have a strong and valuable Pension Plan – that third leg of the stool that provides a foundation of stable, lifelong income – for generations of electricians to come.

Learn More

Stay tuned for more information about the Pension Plan. We are planning more newsletters from time to time to help you stay informed.

You can also visit these websites for related information:

Edison Pension Trust Benefit Site:

<https://benefits.wcearthart.com>

If you don't yet have an account, type in your Social Security number and check the box to "request a PIN number" – you'll receive one within a couple of days by mail

9th District Plan Benefit Site:

<https://www.principal.com>

Log in to view plan information

National Electrical Benefit Fund Site:

<https://www.nebf.com/nebf>

Benefit Plan Summaries:

<https://www.ibew48.com/member-services/ibew-benefits-plan-summaries>