

Trustee Statement on the Department of Labor Audit

February 21, 2017



Dear Participant,

The Department of Labor (DOL) recently concluded an exhaustive, 10-year audit of the Pension and Health Plans' finances. There are several things you should know:

The Plans are fiscally sound.

The DOL did not find any issues the Trustees were not aware of or had not already proactively corrected. The DOL did make determinations about certain expenditures with which the Trustees strongly disagreed, but we chose not to contest them.

By not contesting disputed claims we avoided unnecessary expenditures.

The Trustees and our legal counsel do not agree with certain conclusions drawn by the DOL staff. However, by deciding not to contest those DOL findings with which we disagreed, the Plans avoided unnecessary expenditures of additional time and resources to fight those claims. Ultimately, the Plans received a payment from our insurance carrier, bringing the matter to a close. As a result, Plan assets were not adversely affected.

Not one dollar of participant funds was lost.

Media reports about this issue have been misleading and inaccurate. There was absolutely no "misappropriation" of Plan resources. The audit reflected disagreements between the DOL and the Plans regarding certain expenditures but there was never a DOL finding or assertion of misappropriation.

The biggest disagreement between the DOL and the Plans concerned fees paid between 2004 and 2010 to City National Bank to serve as an ERISA fiduciary investment advisor. The DOL's position was that the fees paid to this advisor were

excessive. The Trustees adamantly disagreed and were confident no court would uphold those findings.

However, challenging the DOL's findings would have resulted in further expenditures of Plan resources. Instead, the Plans were reimbursed \$700,000 by insurance for those investment fees – fees which the Trustees maintain were completely appropriate. An additional \$56,000, paid by former Plan staff, had previously been reimbursed to the Plans as a result of independent Trustee reviews. In short, the Plans' assets are whole.

Our commitment to you.

As Trustees, we take issue with mischaracterizations of Plan activities and attempts to portray the Plans as being mismanaged in any way. We take our fiduciary responsibilities very seriously, and are committed to protecting the sustainability of Plan benefits in order to continue meeting your health and retirement needs for decades to come.

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