Why Serve as a Trustee
Someone willing to put in the time and effort it takes to be the trustee of a multiemployer fund receives the benefits of education and a chance to improve peoples’ lives and the industry he or she works in.

The Question

People sometimes ask: “With all the fiduciary duty/ liability issues involved, why would anyone want to be a trustee of a multiemployer trust fund? Trustees have to contend with so many federal and state laws and regulations. Government agencies are always watching what you do. Why be a trustee?”

The Answer

It is a great honor to be invited to serve as a trustee on a multiemployer pension, health and welfare, training, vacation or other benefit fund. You are being asked to be a leader. In today’s ever-changing economic and political world, U.S. citizens worry about health care, retirement security, jobs, paying the bills and education. A trustee has the opportunity to obtain an extensive education and can exert influence over important matters and decisions that will affect the health and security of themselves, plan participants and their families, the workplace and the industry.

A trustee on a proactive, solution-oriented fund can also benefit the entire multiemployer community.

Before you decide, evaluate whether you have both the time and dedication to devote to being a trustee. Do you have the time for the necessary education, the reading and comprehension of financial, administrative, actuarial, auditor, legal and other reports? Do you have time to prepare for and attend all trust meetings?
Yes, there is a time and knowledge commitment, but you will find it very worthwhile.

A new trustee soon learns that by following the fiduciary duty guidelines and the advice and counsel of professional advisors, liability issues and governmental oversight diminish. Suggestions to make trustee functions easier and more productive are listed in the sidebar.

Opportunity to Learn and Influence Decisions

Investments Challenges and Opportunities

All multiemployer plans have assets or reserves that are invested to protect the assets and provide a reasonable return. A new trustee learns investment terms such as the efficient frontier, alpha, beta, diversification, correlations, market risk, tracking error, active versus passive management, market indexes, fees and real return, as well as many bond, stock, real estate, hedge fund and private equity investment strategies. Trustees, with the assistance of an investment consultant and investment managers, develop an investment goal and strategies to protect the assets and provide a desired return that benefits the participants.

May a trustee apply the knowledge gained as a trustee to improve his or her own personal savings and investments? Yes—as long as it is only the knowledge the trustee utilizes. A trustee can influence the investment policy to meet the challenges when changes in the national or local economy affect job stability in the industry the plan represents. Investment policy flexibility is essential to the financial success of the plan.

Pension Challenges and Opportunities

A trustee will learn from the professional advisors and at educational conferences about retirement security challenges and the importance of financial planning. Here are a few examples:

- To maintain its standard of living, the average postretirement U.S. household will need $52,000 per year in after-tax income. However, studies show that the average household has retirement savings that equal only 70% of the amount necessary to provide a $52,000 annual income level. This means a reduced retirement standard of living.
- Today, people between the ages of 32 and 65 have a 45% chance of outliving retirement savings.
- Forty million U.S. households do not have access to a workplace retirement plan. However, even those with access to a workplace retirement plan do not contribute sufficiently and will have only 70% of the income they will need for retirement.

May a trustee use the knowledge gained through trust retirement security education to improve his or her own retirement security savings plan? The answer is yes. A trustee may also influence the trust’s retirement security activities.

<table>
<thead>
<tr>
<th>Participant</th>
<th>Age at Which Contributions Begin</th>
<th>Monthly Contributions</th>
<th>Assets at the Age of 65*</th>
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</thead>
<tbody>
<tr>
<td>1</td>
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<td>$458</td>
<td>$1,484,746</td>
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<tr>
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<td>4</td>
<td>55</td>
<td>$1,833</td>
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</tr>
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</table>

*Assumes 8% annual return.

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designed to assist plan participants. A trustee can:
• Educate plan participants that a consistent savings plan will result in significant asset growth. The age at which the participant starts a savings plan is critical, as shown in the table.
• Provide information on resources that will assist the participant in preretirement planning (e.g., plan-sponsored preretirement workshops or a website such as www.americasavesweek.org)
• Improve the accessibility to the retirement plan and increase plan participation
• Provide information on resources that will assist participants in managing their postretirement risks (e.g., inflation, longevity, health issues, taxes, stability of Social Security and Medicare, and savings withdrawals)
• Enable those who must work longer before they can retire.

Health and Welfare Challenges and Opportunities
A health and welfare trustee will have ongoing education as laws and regulations, plan utilization, medical technology, public health and medical inflation constantly change. Among the factors influencing the need for continuing education:
• The financial formula for a health and welfare plan is relatively straightforward: Contributions and other income must equal claims costs plus administration.
• Eighty percent of claims dollars go to pay the claims of only 15-20% of plan participants.
• Ten chronic health conditions—allergy, arthritis, asthma, cancer, depression, diabetes, heart disease, hypertension, migraine and respiratory—account for 79% of the plan’s claims dollars. Ninety percent of chronic conditions can be controlled or prevented by a change in lifestyle behavior.
• The population with chronic disease or cognitive impairments is increasing. One in four Americans—and 75% of elderly Americans—have two or more chronic conditions. One in three adults has hypertension, which can contribute to and result from poor lifestyle habits.

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continued on next page
Ideas to Help Trustees Avoid Common Mistakes

At their March 2011 meeting, members of the International Foundation’s Trustees Committee identified five common mistakes trustees make in exercising their fiduciary responsibilities:

1. Not adequately preparing for a meeting
2. Not using professionals effectively or specifically asking them for verification
3. Not requiring continuing education in the benefits area
4. Failing to choose professionals that are independent and who may not agree with what the trustees want to hear
5. Finding it hard to ask the difficult questions or any questions of professionals who serve the fund.

The following suggestions will make trustee functions easier and more productive and help them avoid those common mistakes:

- Execute a comprehensive written contract with the administrator and each professional advisor. Be very specific about their duties and obligations and the trustees’ expectations. Include time limits and due dates. This will assist you in obtaining the advice and guidance you need and in monitoring their performance.

- Have the plan administrator and other professional advisors make a list of all the required communications, notices and government filings, as well as when they are due. This will assist you in assuring that all communications are sent or filed in a timely manner.

- Have a strictly enforced policy that all factual information and material relevant to a business item for a trust meeting are presented to trustees at least two weeks before the meeting. (The only exception is an emergency.) This will prevent trustees having to make a decision based on limited facts and give them time to prepare for the meeting and consider the proposal.

- Require the professional advisors to provide alternatives whenever an economic or controversial decision must be made.

- Require the professional advisors to provide information on potential economic, legislative or regulatory activity that may impact the trust and trustee decision making.

- Require the professionals who prepare the 5500 form to complete it at least two weeks before the filing date. Schedule a trust meeting for the purpose of reviewing the 5500 form and understanding all of the entries.

- Follow the rules, policies and procedures established in plan documents. Never make an individual exception. If you desire a change, amend the document as it applies to all participants.

- Keep up-to-date on legislative and regulatory changes and requirements.

- Read and understand the reports from the professional advisors. Ask questions.

- Have at least one trustee meeting per year for the sole purpose of reviewing where the trust is now and what lies ahead. This meeting is for evaluation and planning.

- Maintain comprehensive minutes of all meetings and include all of the professional advisors’ reports and factual information on which trustees based their decisions. If you use subcommittees, attach the subcommittees’ meeting minutes that show the deliberation, conclusions and recommendations.

- Communicate often with plan participants to get them actively involved in improving their health and preventing chronic health conditions from developing. Also communicate the importance of each participant having an ongoing savings plan to ensure his or her retirement security.
• The cost of specialty drugs reached over $100 billion in 2010 and is projected to increase at 10-15% per year in the future. An AARP study found the average annual specialty drug cost to be $34,500 per person with a range of $7,200 to $1.5 million for some cancer treatments.

• Fifty percent of patients do not take their medication as directed by their physician and pharmacist. Sixty percent do not follow all of the physician’s instructions after they leave the physician’s office.

A trustee is in a position to significantly alter the economic pressures of rising health care costs for the plan, improve the health of plan participants and improve the productivity of each business operated by the contributing employers. The trustee may also use the services of the plan to improve his or her own health and productivity. A trustee can use the following tools:

• Participant lifestyle behavior modification can eliminate 70% of health care costs for the plan and improve the day-to-day life of the participants.

• A simple benefit such as a nurse hotline can assist participants in knowing when to seek medical care, taking medication properly and following physician’s instructions.

• Collective bargaining parties can be encouraged to take wellness and lifestyle behavior into the workplace to increase productivity and save dollars. Unscheduled absenteeism can equal 16% of payroll costs. Lost annual productivity per smoker is $5,523 and per overweight participant, $3,900. Presenteeism (when an employee is physically at work, but not fully engaged) can account for a productivity loss of 15-60% per day.

A Harvard study showed that for every $1 invested in wellness programs, medical costs per employee can decrease by $3.27 and the lost productivity costs can be cut by $2.73.

Benefiting All Multiemployer Plans

An innovative and solution-oriented multiemployer benefit plan will definitely benefit plan participants. It can also benefit other multiemployer plans by sharing the strategies that led to the plan’s success. The sharing can be done at local meetings with the trustees of other plans or in publications and educational conferences such as those provided by the International Foundation of Employee Benefit Plans.

Trustees can also benefit other plans by educating legislative and regulatory agencies on the effect of laws or proposals upon multiemployer plans. (See, e.g., 29CFR 825.211 for a multiemployer application in the Family and Medical Leave Act.) This proactive education is absolutely necessary to allow multiemployer plans to meet the objectives of providing essential benefits to their participants and dependents.

Conclusion

If you are invited to be a trustee of a multiemployer benefit plan, you must consider the time commitment that will be required. Evaluate whether you desire to be one of the many who only receives the benefit or one of a selected few who can substantially influence the quality, quantity and delivery of the benefits. As a trustee, you have the opportunity to improve your own life and the lives of all the plan participants and their dependents and the economics of the industry the plan represents.