



## Why are retirement plans down in 2020?

The overall value of Carpenters Trusts of Western Washington investments declined sharply last spring and are now recovering. Though the market was extremely volatile in the first quarter of 2020, the significant decline was unexpected and exacerbated by the Trusts' investments held with one management firm: Allianz Global Investors (AllianzGI). Though AllianzGI funds had performed well up to that time, they failed in a short period during February and March 2020.

## What percentage of the retirement plans' funds were invested with AllianzGI?

Investments in AllianzGI funds made up roughly 17% of the entire portfolio of the Carpenters Individual Account Pension Plan and the Carpenters Retirement Plan. One AllianzGI fund, which made up 5% of total Trust investments, lost nearly all of its value (losing approximately 90+%) in the first quarter of the year and was ultimately closed. One other AllianzGI fund made up another 12% of the total of the two retirement plans' investments and also performed very badly (losing approximately 50%) during that period.

## What happened with AllianzGI?

In February and March of 2020, investments managed by AllianzGI unexpectedly and severely declined in value. One AllianzGI investment experienced a 90+% decline in the first quarter of 2020. In late March 2020 right before the end of the quarter, AllianzGI announced to investors, including the Trust, that this investment fund was being closed and any remaining capital would be returned to investors. An additional AllianzGI fund held by the Carpenters Retirement Trusts, as well as an AllianzGI fund held by the Carpenters Health & Security Trust, also experienced significant declines, losing approximately 50% of their value during the same time period. Because of concerns about mismanagement by and lack of communication from the management company, the Board decided to withdraw all remaining investments from AllianzGI.

## Are my retirement plans healthy for the long-term?

Yes. We have a diversified portfolio designed to weather short-term volatility. The loss from the AllianzGI funds was unacceptable and unfortunate but it has not jeopardized the long-term health of the two retirement plans. The two plans remain healthy, and over the past 30 years have averaged a 7.9% return, gross of fees. The Carpenters Retirement Trust will be certified as a "Green Zone Plan" for the 2021 Plan Year and is expected to remain in the Green Zone in future years.

## Will this loss impact my medical benefits?

No. While the Carpenters Health & Security Trust held an investment with AllianzGI representing 5% of its assets, the loss will not impact the medical benefits you receive.

## Were Carpenters Trusts' plans the only ones impacted by the AllianzGI loss?

No. The Carpenters Trusts were not the only ones affected by this loss. Trusts across the country that manage pension plans for teachers, Teamsters, and subway workers were among some of the others that were also impacted. Many have also filed their own lawsuits against AllianzGI. (As an example, see this [September 29, 2020 CNN article](#)).

## Does Carpenters Trusts still have investments with AllianzGI?

No. In late March 2020, because of the closing of one fund, and concerns about mismanagement by and lack of communication from AllianzGI, the Carpenters Trusts divested completely from AllianzGI, withdrawing all investments from AllianzGI funds.





## Why was the Carpenters Trusts invested in AllianzGI funds?

The AllianzGI funds were introduced to the Carpenters Retirement Plan and the Carpenters Individual Account Pension Plan in 2014, and in 2015 to the Health & Security Plan to diversify the portfolio and help protect assets during just this type of equity decline. Until February of 2020, AllianzGI funds had performed well.

## How are the retirement plans performing now?

Since the end of March 2020, the overall performance of the Carpenters Retirement Trusts investments has improved because of a healthier market and changes made by the Trustees. Rough estimates of performance for the entire 2020 calendar year, show the Retirement Trusts with an estimated investment return of -0.5%, even with the AllianzGI losses. While this is disappointing, it is a marked improvement from the March 2020 lows of -19.2%.

## Why is our Carpenters Individual Account Pension Plan's return lower overall than some other 401(k) plans?

You may have seen greater returns last year in other 401(k) plans or other investment accounts. These accounts may have investments with a different risk profile. We have a diversified portfolio designed to weather short-term volatility and produce sustainable gains over the long term.

## How was the Carpenters Individual Account Pension Plan impacted?

Account balances declined in the spring of 2020 and have since rebounded to some degree as market performance has improved. However, losses have not fully reversed. The unit value for these accounts is adjusted monthly for investment returns from the previous month. These adjustments will continue to be reflected in your quarterly benefit statements.

## How was the Carpenters Retirement Plan impacted?

Benefits you earned prior to 2017 are unaffected. The Sustainable Income Benefit (SIB) you have earned since 2017 will be adjusted in January of 2022 to reflect 2020 returns. The stabilization reserve has enough assets to shore up benefit reductions for retirees in pay status. The Board of Trustees will vote in October 2021 whether to use these funds. For all participants including non-retirees, your SIB will continue to adjust in the future to reflect ongoing investment returns.

As a reminder, benefits adjust each January 1 based on the Plan's audited investment return for the calendar year immediately preceding the prior year. Each year the "underlying benefit" goes up, down or stays the same based on whether investment returns are greater than, less than or equal to the 4% hurdle rate. In years in which plan investments are less than 4%, the SIB Stabilization Reserve can be used to shore-up the SIB so it does not decline.

## How does this loss affect retirees?

If you are a retiree, you will not see any change in your monthly benefit you earned for years prior to 2017 before the Plan was amended to provide a Sustainable Income Benefit (SIB). Your SIB earned during 2017 or later will be adjusted in January of 2022 to reflect 2020 returns; however, the Board of Trustees has authority to use the stabilization reserve to shore up benefit reductions for retirees in pay status.

If you are retired and still have an account balance, you will continue to see monthly adjustments to your Carpenters Individual Account Pension Plan account for investment returns.

## How does this loss affect working participants?

If you have many years until retirement, the benefit payments will reflect additional years of contributions for your covered work and additional investment returns. The more time you have until retirement, the more time you have for the plans to improve and investments to grow.





If you are closer to retirement, a relatively small portion of your monthly benefit is subject to the Sustainable Income Benefit (SIB) adjustment that will occur effective January 1, 2022. The retirement benefit you earned before 2017 is unaffected by investment gains or losses.

### **What is the Board of Trustees doing to help correct the problem and safeguard investments for the future?**

The losses we incurred are completely unacceptable, and the failure of the AllianzGI funds was due to AllianzGI's breaches of the duties it owed to Carpenters Trusts. We have severed all ties with AllianzGI and filed a lawsuit against AllianzGI seeking to recover our investment losses.

### **What does Carpenters Trusts hope to get out of the lawsuit and how will it help participants?**

If the lawsuit against AllianzGI is successful, proceeds from the lawsuit will be used to restore retirement benefits. The lawsuit also seeks recovery of losses to the Health and Security Plan. Proceeds from the lawsuit will be reinvested and used to provide benefits and pay the Plan's administrative costs.

### **Who manages the Carpenters Trusts of Western Washington?**

The Board of Trustees is responsible for the management of the Trusts and all investment decisions. The Board of Trustees is comprised of employer and employee representatives. They have the authority to control and administer the trust funds and benefit plans.

### **How does the Board of Trustees make decisions about investments?**

The Board of Trustees employs professional advisors including an actuary, attorney, and an investment consultant to assist with managing the Trusts' investments. The Trustees also retain a salaried administrator to assist in the day-to-day administration of the trust funds and benefit plans—this person does not make investment decisions.

### **Why didn't we hear about this earlier?**

The AllianzGI collapse was an extraordinary event involving numerous large and complicated entities. The Board of Trustees has been working hard to gather information about the situation, understand all the facts and implications, and take necessary steps to recover the funds on your behalf, including to file and prepare for a lawsuit against AllianzGI. Please be assured, the Board of Trustees takes our responsibility to participants very seriously and continues to explore all available avenues of possible recovery.

### **Is there anything I need to do at this point?**

There is no action required at this point. The Board of Trustees is taking all possible action against AllianzGI to recoup the losses and we will keep you apprised of developments. If you have additional questions you can contact our Retirement Services team at (206) 441-6514 or (800) 552-0635 from 8:00 a.m. to 5:00 p.m. PST, Monday through Friday; or email [pension@ctww.org](mailto:pension@ctww.org).

### **Who can I talk to if I have questions about my retirement plans?**

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