



LOCAL 2-21 C.A.T. Letter

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Distribution: # 54

Date: 10-7-2010

Our meetings on October 5, 2010 at the union hall on our defined benefit pension were informative. Those who attended appreciated the information.

About three months ago, it was evident by the concerns being expressed to the Committee, that many of you had legal questions about the lump sum option in our defined benefit pension. These legal questions resulted from the uncertain economy, where so many businesses and pension plans are struggling or going bankrupt.

The Local has received good assistance from the USW International.

However, we felt the need to get an independent legal opinion regarding the lump sum option. We hired Peter W. Strom, a pension attorney here in Escanaba. Mr. Strom's outline is attached to this CAT letter. I'll try my best to capture the highlights of Attorney Peter W. Strom's opinions, but it will be difficult to include everything that took place during the two meetings.

We asked Mr. Strom to provide his opinions on the following issues: According to available reports, how well is our pension funded and managed? What could happen to our lump sum option if the plan funding percentage dropped, or if NewPage were to file for bankruptcy? What could happen to our lump sum option if NewPage were to be purchased by another company?

Based on the available records, including information provided to the committee by the plan on October 4, 2010, **our defined benefit pension is funded at 100.85%. The Plan has assured us that the funding percentage of 100.85% will govern until April 1, 2011.** During the first quarter of 2011, the funding percentage will be revaluated by the Plan Administrator and will go into effect April 1, 2011. Any revaluation made on April 1, 2011 will remain in effect until April 1, 2012. The Plan informs that during the first quarter of every year, the plan will be re-examined and the new funding percentage determination will remain the exact same throughout the year until the following April 1st.

One thing that was made very clear is that **the pension fund is a completely separate legal entity from NewPage.** The pension fund assets are held in separate trust for the participants and their beneficiaries. **Under federal law, the company cannot use the pension money to run the business or pay down company debt.** The company cannot touch our pension money in any way, shape, or form. The pension assets can only be used for the exclusive benefit of the participants and their beneficiaries.

The law provides that, if our pension funding percentage was to fall below 80%, you could still get 50% of your lump sum and the rest would be distributed to you through an annuity. If the funding percentage were to then rise above 80%, the law provides that you could get the rest of your pension in a lump sum.

The law provides that, if the funding percentage falls below 60%, you could not take your benefits in a lump sum, and all payments would be then through an annuity.

If the company were to file for bankruptcy and try to terminate the defined pension plan, the law requires the Plan Administrator to provide all affected parties (this means you) with written notice at least 60 days before the proposed date of termination. This should allow time for employees to make a decision whether or not to retire and receive a lump sum option. However, once a company files bankruptcy, depending on which chapter of the bankruptcy code it files under, pension options

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could be affected; however, the pension cannot be diverted from the exclusive benefit of the participants and their beneficiaries.

The Pension Benefit Guarantee Corporation (PBGC) insures your defined benefit pension in case the plan itself becomes insolvent or terminates. The PBGC law sets maximums as to how much insurance can be paid out. In our pension, many of us may not exceed the maximums, so our full monthly benefits may be insured, even if the plan were to terminate or become insolvent.

If NewPage were to be sold to another company, providing the pension is funded by 80% or more, the lump sum option should remain available, provided the old agreement continues, or we have a new agreement. A sale of the company would not automatically result in the loss of the lump sum option. Also, be advised that a sale, in or out of bankruptcy, does not happen overnight. There could be time to retire and elect a lump sum if such a sale were ever to be announced, before the sale became final. There would also be, depending on the circumstances, successorship liability, and the company would be obligated to bargain over the continuation of the collective bargaining agreement.

Therefore, in summary, although there are no absolute guarantees, based on the information available, **our lump sum pension option seems solid at least until April 1, 2011.** That could be jeopardized if the plan's investments perform very poorly or if the company filed bankruptcy and sought to terminate the pension plan. The plan would be required to give you 60 days notice if that were to happen.

According to Mr. Strom, anyone thinking of retiring in the near future to elect the lump sum should carefully consider many other pros and cons. Although there are advantages to getting the lump sum, such as more control of your retirement money, and maybe more to leave to your beneficiaries, there are also risks in receiving a lump sum. For example, if you retire early, your benefits could be reduced; you could have increased health insurance costs; and once you receive a lump sum, it is no longer insured by the PBGC. Money rolled over in an IRA is also at risk of loss if not properly managed or invested. Each family is unique. There may be additional pros and cons to consider in each family, so be sure to think it through.

I would add that you should consider the additional dollar we will receive on January 1, 2011. Depending on the number of years you have out here, that dollar can mean a difference of between \$5,000.00 to just under \$8,000.00 on your lump sum. That money will not be available until we ratify a contract and will be paid retroactively the same as the dollar from both 2009 and 2010. The company has given that to us in writing. Please do not mistake this for the retro for back wages because we do not have that in writing for any of us at this time.

We were also advised that, if we were on strike, a participant could still retire.

My final thought is that the opinions we have received are based on the information provided by the company, the USW International, and legal research by the attorney. The predictions as to the company's financial situation short term and long term are based on assumptions given to us in the information we received. There are no guarantees. No one can be certain what will happen with this company.

Mr. Strom's legal opinions have helped dispel some of the rumors and concerns. We are better able to evaluate our situation knowing our legal rights and the legal responsibilities of the company and the pension plan. If you have any questions that I did not address, please feel free to give me a call.

Thank you for your support.
In Solidarity,



Bryon Branstrom