Central States, Southeast and Southwest Areas Pension Plan
Items #20-22

Item #20

Does the application describe how the plan sponsor took into account – or did not take into account – the factors listed in section 5.02 in the determination that all reasonable measures were taken to avoid insolvency.
See section 5.03.

The required description is contained in the attached document number 20.

Item #21

Does the application describe how the plan sponsor took into account – or did not take into account – in the determination that all reasonable measures have been taken to avoid insolvency the impact of

- benefit and contribution levels on retaining active participants and bargaining groups under the plan, and
- past and anticipated contribution increases under the plan on employer attrition and retention levels.

See section 5.03.

The required description is contained in the attached document number 20.

Item #22

Does the application include a discussion of any other factors the plan sponsor took into account including how and why those factors were taken into account.
See section 5.04.

The required discussion is contained in the attached document number 20.

SECTION 5

.03 How plan factors were taken into account. For each of the factors listed under section 5.02 of this revenue procedure and the factors described in § 432(e)(9)(C)(ii)(VIII) (the impact of benefit and contribution levels on retaining active participants and bargaining groups under the plan) and § 432(e)(9)(C)(ii)(IX) (the impact of past and anticipated contribution increases under the plan on employer attrition and retention levels), the application must describe how that factor was taken into account (or why that factor was not taken into account) in the plan sponsor's determination that all reasonable measures have been taken to avoid insolvency.

(1) For the past 10 plan years immediately preceding the plan year in which the application is submitted:

(a) Contribution levels.

As explained in the discussion required by Rev. Proc. 5.01 (document number 18), the Board of Trustees has, over the 10 years immediately preceding the year of this application, taken all reasonable measures with respect to contribution levels. The Board of Trustees increased contribution levels as much as their research, analysis, and experience indicated Contributing Employers could bear without going out of business or withdrawing from the Plan.

From 2005 to 2014, the average rate at which Contributing Employers contributed to the Fund increased 83.2% (a 57.9% increase after adjustment for inflation), from a rate of $120.42 per week in January 2005 to a rate of $220.63 per week in December 2014.[1] Since 2004, pension contribution rates under the National Master Freight Agreement ("NMFA") and the National Master Auto Transport Agreement ("NMATA") have increased by 100% (70% after adjustment for inflation). Active participants under the NMFA and NMATA currently have contributions made to the Fund on their behalf at the maximum contribution rate currently required under the Fund's rehabilitation plan—$342 per week for participants covered by NMFA and $348 per week for those covered by NMATA.[2]

As discussed in the response to Rev. Proc. 5.01 (document number 18), the Fund in 2010 engaged consulting firm SRR to study the ability of the Fund's Contributing Employers to continue to absorb contribution rate increases. SRR concluded that a number of the Fund's larger, publicly-traded Employers could not reasonably be expected to absorb additional contribution rate increases. On this basis, in November 2010, the Board of Trustees froze the top NMFA and NMATA contribution levels at the rates indicated above. For other Employers, the $342 per week rate became the maximum rate necessary to be in compliance with the rehabilitation plan's Primary Schedule without the need for additional rate increases.

[1] These figures exclude the special case of YRC, discussed in detail below.

[2] Some of these participants are covered by local agreements that mirror the contribution rates under NMFA or NMATA.

As of May 2015, just 26 bargaining units representing 259 active participants (out of a total active participant population of approximately 65,000) operated under the Default Schedule. All other actives, except for those employed by YRC, Inc. and its affiliates,[3] operated under the Primary Schedule.

Attached as Tab A is a schedule showing the following data relating to the Fund for each of the 10 years from 2005 to 2014:

a) total Employer contributions;
b) total contribution base units;
c) average contributions;
d) withdrawal liability payments; and
e) rate of return or assets.

When designing the benefit suspension plan, the Board of Trustees re-examined contribution levels over the past 10 plan years and considered whether, when applied in conjunction with the benefit suspensions, contribution increases that previously had been unreasonable became reasonable when applied over a longer time horizon. *See* Chart of Effect of Time Horizon on Plan Changes, document number 18, page 18.11 ("Time Horizon Chart"). This could happen because contribution rate increases improve funding levels gradually over many years. Increases that provide minimal value when a plan is unable to avoid insolvency over a short time horizon can provide considerable value once the plan implements benefit suspensions, and the duration of the increases is not limited by a projected insolvency date.

The Board of Trustees obtained the views of SRR in 2015 regarding whether the Fund's Contributing Employers could, at this time, withstand contribution rate increases in light of the improving economy. As explained below in the section titled "The impact of past and anticipated contribution increases under the plan on employer attrition and retention levels," the Board of Trustees determined that additional contribution increases, when made in conjunction with the plan of benefit suspensions, would now constitute reasonable measures to enable the Plan to avoid insolvency.

(b) Levels of benefit accruals, including any prior reductions in the rate of benefit accruals.

The adjustments to the levels of benefit accruals that the Board of Trustees has made in response to declining funding levels are discussed in detail in the response to Rev. Proc. 5.01, document number 18. As explained therein, those measures, which included a reduction in the rate of benefit accrual from 2% of contributions to 1% of contributions, the freezing of early retirement / "and-out" pensions, increasing the plan's minimum retirement age, and eliminating the possibility of bargaining up or making self-contributions, constituted reasonable measures with respect to reductions of benefits.

[3] YRC, Inc. and its affiliates operate under the Distressed Employer Schedule, discussed in detail in the response to Rev. Proc. Section 5.01(document number 18).

When re-examining the levels of benefit accruals in conjunction with the formulation of the plan of benefit suspensions, the Board of Trustees considered whether additional reductions in benefit levels, which previously had been determined to be both counterproductive and to have an immaterial effect on the solvency of the Plan, would now be productive and effective when applied in conjunction with the plan of benefit suspensions. Previously, when developing the rehabilitation plan, the Board of Trustees had determined, based in part on the views of the IBT (discussed in the response to Rev. Proc. 5.01), that reductions in the rate of benefit accrual below 1% would severely undermine the support of active participants for the Plan. In addition, in light of the Plan's projected insolvency in the near future, there would be insufficient time for such a reduction in accrual rate to have a significant impact on the Plan's solvency.

Now, when made in conjunction with the plan of benefit suspensions, which allows the Plan to continue indefinitely, a reduction in the rate of future benefit accruals would have a significant impact on the Plan's actuarial soundness. Although reductions in the rate of future benefit accruals still present the possibility of reducing support from active participants, the Board of Trustees determined that a reduction in future benefit accruals is necessary to avoid a projected insolvency while lessening the benefit suspensions applied to all participant groups. In doing so, the Board of Trustees considered the fact that the reduction in the accrual rate from 1.0% to 0.75% is somewhat offset by the contribution rate increases, including rate increases for employers whose rates are presently frozen, that are anticipated under the proposed suspension plan. The Board of Trustees determined, with specific input from the Employee Trustees, that these accrual rates should be sufficient to continue the support of active participants for the Fund; however, the Trustees also determined that, if the future accrual rate were to be lowered to any significant extent below 0.75% of contributions (*e.g.*, to 0.5%), there would be a serious risk of erosion of support for the Plan by the active participants and an increase in employer withdrawals.

The Board of Trustees thus concluded that reducing the rate of future benefit accruals to 0.75 percent of contributions in conjunction with the plan of benefit suspensions now constitutes a reasonable measure to avoid insolvency.

(c) Prior reductions, if any, of adjustable benefits under § 432(e)(8).

The section responsive to Rev. Proc. 5.01 (document number 18) describes the reductions the Board of Trustees has made to adjustable benefits as they implemented and updated the rehabilitation plan as required under PPA. As authorized under PPA, adjustable benefits include essentially all benefits other than those already in pay status prior to 2008, disability benefits in pay status at any time, and accrued benefits payable at age 65. Under the current rehabilitation plan, the following events trigger a loss of adjustable benefits:

a) application of the rehabilitation plan's Default Schedule;
b) application of the rehabilitation plan's Distressed Employer Schedule; and
c) application of the rehabilitation plan's Rehabilitation Plan Withdrawal rule.

The Fund's actuary advises that in total, as of December 31, 2014, adjustable benefits with an accumulated present value of approximately $1.64 billion (as reflected in the Fund's funding standard account) have been eliminated under these rehabilitation plan rules, including the elimination of the adjustable benefits attributable to the United Parcel Service, Inc. bargaining unit that withdrew from the Pension Fund at the end of 2007.

In formulating the rehabilitation plan and in the process of annually updating that plan, the Board of Trustees considered a more expansive rule that would have eliminated all PPA adjustable benefits of all active participants, but they determined that doing so would likely (a) cause many active participants to withdraw their support for the Plan, (b) increase Employer withdrawals, and (c) ultimately cause a more rapid deterioration of the Fund's financial condition and an acceleration of its projected insolvency. However, the Trustees froze early retirement and "and-out" pensions at an amount based on years of service earned at that point, while still allowing participants to grow into eligibility for a portion of those benefits by earning additional years of service. As discussed below in the section titled "The impact on plan solvency of the subsidies and ancillary benefits, if any, available to active participants", the Fund's actuary advised the Board of Trustees that further reductions in the adjustable benefits for active participants would not have a meaningful positive impact on the solvency of the Plan.

(d) Any prior suspension of benefits under § 432(e)(9).

Not applicable. The Board of Trustees has not previously submitted an application to suspend benefits under the Plan.

(e) Measures undertaken by the plan sponsor to retain or attract contributing employers.

As explained in the detailed descriptions of reasonable measures taken over the past 10 years, the Board of Trustees has taken a number of innovative steps to retain and attract contributing employers, including:

- Adopting a Distressed Employer Schedule which allowed YRC to remain in the Plan rather than withdraw and incur withdrawal liability sufficient to send the employer into bankruptcy;
- Creating a hybrid plan whereby employers may withdraw, pay their withdrawal liability in full, and re-enter the plan as New Employers in what is now a well-funded pool of liabilities; and
- Freezing the maximum contribution rates during the financial crisis that began in 2008 and during the recovery period thereafter.

These measures are discussed in detail in the section responsive to Rev. Proc. 5.01 (document number 18). The Board of Trustees concluded that each of these measures to retain and attract Contributing Employers served to protect the Plan from further deterioration.

(2) The impact on plan solvency of the subsidies and ancillary benefits, if any, available to active participants.

As noted above, the Fund for some time offered benefits that include early retirement subsidies (*e.g.*, “25-and-out” and “30-and-out” Contributory Service Credit Pensions). Effective January 1, 2004, however, the Board of Trustees froze early retirement and “and-out” pensions at an amount based on years of service earned at that point, while still allowing participants to grow into eligibility for those benefits by earning additional years of service. Although this measure limited the cost of these benefits, there remain a number of retired Fund participants in pay status who receive benefits.

The Fund’s actuary has estimated that, as of January 1, 2015, approximately 3% of the Fund’s total actuarial accrued liability of $35.1 billion is comprised of subsidized early retirement benefits accrued by currently active participants. Therefore, the impact on the Fund’s solvency of subsidies and ancillary benefits accrued by currently active participants is relatively minor compared to the more pronounced impact of the subsidized early retirement benefits that are currently being paid to retired participants in pay status; the Fund’s actuary estimates that, as of January 1, 2015 the latter benefits composed approximately 16% of the Fund’s total actuarial accrued liability of $35.1 billion.

The Board of Trustees concluded that these subsidized benefits payable to participants who have accrued subsidized early retirement benefits represent a considerable portion of the Fund’s accrued liabilities and that, at the time these benefits were earned, the Fund did not receive contributions commensurate with the value of these benefits. This disproportionality compared to the contribution/cost ratio of normal retirement benefits was a factor in the Board of Trustees’ decision to adopt a plan of benefit suspensions that based benefits primarily on a percentage of the contributions made on each participant’s behalf, effectively eliminating the early retirement subsidies. By doing so, the Board of Trustees brought the value of benefits received by early retirees in return for their employers’ contributions more in line with those of normal retirees.

(3) Compensation levels of active participants relative to employees in the participants’ industry generally.

Retirement benefit costs in the unionized sector of the service industries generally are significantly higher than in the non-unionized sector of those industries. A June 10, 2015 News Release by the Bureau of Labor Statistics (“BLS”) titled “Employer Costs for Employee Compensation” (“BLS Report”) indicates that, in the unionized sector of the “service producing industries,” which includes transportation and warehousing—industries in which a high percentage of the Fund’s active participants are engaged—an average of $4.23 per hour (or 9% of total employee compensation) is dedicated to retirement benefits. BLS Report at 22. On the other hand, in the non-unionized sector of the service producing industries, retirement benefit costs average $0.93 per hour (3.2% of total compensation).

Although the average union employee (across all industries) enjoys higher wages than a comparable non-union worker, in recent years non-union wages have grown far more rapidly than union wages. Between 2001 and 2011, non-union wages grew at a rate 28% faster than union wages. George L. Long, "Differences Between Union and Non-Union Compensation," Monthly Labor Review (April 2013). From this, it appears likely that pension costs in the unionized sector of the economy as a whole are acting as a drag on wage growth in that sector.

The discrepancy between the unionized and non-unionized pension costs is even more pronounced in the case of the Fund. For example, 8,700 of the Fund's active participants currently work under the NMFA or the NMATA (or under contracts that mirror the wage rates and benefits therein). Over the last ten years, pension contributions under the NMFA have increased by approximately 60%, while wages under that labor agreement have been relatively stagnant. As a result, today NMFA Employers pay an average of approximately $17,500 per year in pension contributions for each bargaining unit employee; yet the average annual wage paid to NMFA employees is less than $50,000. This contrasts sharply with the non-union trucking industry, in which annual pension costs average between $1,000 and $3,000 per employee.

At the same time that the Fund participants were being asked to sacrifice larger portions of their total compensation to fund pension contributions, they were experiencing reductions in the amount of pension benefit accruals they could expect to yield for every dollar contributed on their behalf. This decline in the participants' benefit accruals on a per contribution dollar basis was due to the reduction (from 2% to 1% of contributions) in their accrual rates, along with the other benefit modifications that the Board of Trustees instituted in 2004. *See* Response to Rev. Proc. 5.01 (document number 18).

Due to these trends and the desire of many workers to augment their wages rather than to see increasing amounts of their total compensation dedicated to pension contributions (particularly when approximately $0.50 of each dollar of contributions to the Fund generated by the work performed by active participants pays for the pension that they earn for that work; most of the rest funds the pensions of retirees and terminated participants),[4] the Board of Trustees has determined (based on its experience with current trends in hiring and the preferences of the various bargaining units that participate in the Fund) that mandatory additional contribution rate increases beyond those already scheduled and the increases incorporated into the proposed suspension plan would be likely to (a) cause a net decline in support for the Fund among active participants and (b) make it more difficult for Contributing Employers to attract and retain qualified employees. These consequences, in turn, will lead to more Employer withdrawals and to a decline in contribution revenue for the Fund. Based in part on these considerations with respect to compensation levels of active participants relative to employees in the participants' industry generally, the Board of Trustees has concluded that they have taken all reasonable measures to avoid insolvency.

[4] We note that, at a .75% contribution rate, this ratio worsens, such that roughly two thirds of each dollar contributed to the Plan on behalf of an active participant goes to pay for the benefits of retirees and terminated participants.

(4) Competitive and other economic factors facing contributing employers.

As discussed in the section responsive to Rev. Proc. 5.01 (document number 18), the Board of Trustees has continually analyzed and considered the competitive pressures and financial constraints faced by the Fund's Contributing Employers. As noted in those discussions, the Board of Trustees has been mindful that if they set contribution requirements at a level that is too high for the Fund's Contributing Employers to sustain, irreparable harm to the Employers could result (*e.g.,* business failures, liquidations, and bankruptcies). This would, in turn, cause a permanent disruption of the stream of contribution revenue on which the Fund relies.

The Board of Trustees has been guided by the advice of SRR, an expert financial consultant, in its effort to determine the levels of contribution rate increases that Contributing Employers can reasonably sustain. Although the SRR studies have focused on relatively large, publicly-traded Contributing Employers, the Fund's smaller Contributing Employers appear no more capable of absorbing sustained contribution rate increases. For example, between 2010 and 2014, the Fund experienced a total of approximately 260 *involuntary* withdrawals resulting from Contributing Employer bankruptcies. Ninety-six percent of those bankruptcies involved Employers with fewer than 50 active Fund participants on a full-time equivalent basis, while 92 percent of the Fund's total Employer population employed an average 50 or fewer active participants during the same period.

These figures indicate that the Funds' smaller Contributing Employers are under a level of financial stress comparable to that of the larger Employers (and perhaps even greater given that the small Employers experienced 96 percent of the Employer bankruptcies between 2010 and 2014, but comprised only 92 percent of the total Employer population). Thus, although the 2010 SRR study did not include these smaller employers, it is evident that, like the publicly-traded employers discussed in the report, the smaller employers would not have been able to withstand additional contribution increases during the 2010 to 2014 time period.

Today, however, the economy is strengthening, lifting with it the industry sectors in which the Fund's contributing employers operate. This positive economic outlook is explained in SRR's 2015 report (document number 19.8, pages 165-325). Although these industry sectors remain highly competitive, it appears likely that they will be boosted by the recovering economy, and the Fund's contributing employers will be capable of bearing the contribution increases set forth in the SRR report.

- **The impact of benefit and contribution levels on retaining active participants and bargaining groups under the plan.**

As discussed in the section addressing Rev. Proc. 5.01 (document number 18), the Board of Trustees, in enacting the reasonable measures to avoid insolvency, considered the impact of benefit and contribution levels on retaining active participants. When formulating the rehabilitation plan, as noted, the Board of Trustees considered the IBT's statement that the result of further benefit cuts would be “a serious erosion of support for the Fund among the rank-and-file Fund participants and their bargaining representatives.” February 19, 2008 Letter from C. Thomas Keegel to Thomas C. Nyhan. In the IBT’s view, it would be “virtually impossible” to retain union participation in the Fund if further benefit cuts were coupled with contribution increases. *Id.* As discussed previously, the Board of Trustees concluded that further reductions in benefit levels would be counterproductive and would decrease support for the Fund, worsening rather than improving its financial condition.

In developing the proposed plan of benefit suspensions, the Board of Trustees has considered the elimination of all adjustable benefits accrued by terminated vested participants with fewer than 20 years of Contributory Service Credit. However, even after the proposed plan of benefit suspension is given effect (so that the elimination of the terminated participants’ adjustable benefits has a longer time horizon in which to improve the Fund’s overall financial condition, and the duration of the impact of the elimination of the benefits is not limited by a projected insolvency date), the Fund’s actuary has advised that this measure, in conjunction with potential suspension plans, would result in a reduction in the overall “caps” (or upper limits as a percentage reduction from current benefits entitlements) on suspensions that the Board of Trustees has built into their proposed suspension plan of less than 1% of pre-suspension benefits. The Board of Trustees has determined that this amount of reduction in the maximum suspension for the general population of affected participants is not large enough to justify the elimination of all PPA adjustable benefits of terminated participants who have less than 20 years of Service Credit.

- **The impact of past and anticipated contribution increases under the plan on employer attrition and retention levels.**

When designing the plan of benefit suspensions, the Board of Trustees reconsidered whether, when applied in conjunction with benefit suspensions, contribution increases that previously had been unreasonable became reasonable when applied over a longer time horizon. *See* Time Horizon Chart.

To determine whether the Fund’s contributing employers could withstand additional contribution increases that may now have a significant impact on solvency given the Fund’s longer time horizon, the Board of Trustees engaged SRR to provide an update to its 2010 study. In July 2015, SRR issued an opinion (document number 19.8, pages 165-325) opining on the reasonableness of the following proposed contribution rates increases for the employers listed below:

Proposed Change in Contribution Rates					
Employer Name	2015	2016	2017	2018	2019
ArcBest Corporation [*]	0.0%	0.0%	0.0%	2.5%	2.5%
YRC Worldwide, Inc. [**]	0.0%	0.0%	0.0%	0.0%	2.5%
Grupo Bimbo, S.A.B. de C.V,	4.0%	4.0%	4.0%	4.0%	4.0%
The Kroger Co.	4.0%	4.0%	4.0%	4.0%	4.0%
SpartanNash Company	4.0%	4.0%	4.0%	4.0%	4.0%
Dean Foods Company	4.0%	4.0%	4.0%	4.0%	4.0%
Deutsche Post AG					
Air Express International USA Inc.	4.0%	4.0%	4.0%	4.0%	4.0%
DHL Express Inc.	0.0%	0.0%	0.0%	2.5%	2.5%
Standard Forwarding LLC	8.0%	8.0%	8.0%	6.0%	4.0%
SuperValu, Inc.	4.0%	4.0%	4.0%	4.0%	4.0%
Roundy's, Inc.	4.0%	4.0%	4.0%	4.0%	4.0%
Kellogg Company	4.0%	4.0%	4.0%	4.0%	4.0%

[*] An NMFA Employer currently subject to the "cap" of $342 per week placed on NMFA contribution rate increases.

[**] An Employer currently subject to the Distressed Employer Schedule (which does not require contribution increases).

SRR concluded, on the basis of information available concerning the Employers listed above, that it is reasonable to expect those entities to sustain the indicated contribution rate increases, with the exception of the increases shown for YRC beginning in 2019. However, with respect to YRC, SRR also noted that, because SRR based its conclusion solely upon the financial statements of the publically traded Employers it was asked to analyze in its July 2015 report, its report did not take into account any potential ability of YRC to absorb the proposed pension contribution rate increases by means of reducing other costs (*e.g.*, health coverage costs) in the collective bargaining process or through other negotiations.

Accordingly, the Board of Trustees determined to accept the recommendations and conclusions of SRR, except that the Board of Trustees concluded that YRC will likely have the ability to absorb the rate increase shown above by means of reducing other costs in collective bargaining or through other negotiations. Therefore, the Board of Trustees determined, on the basis of information currently available, that the future rate increases showing in the chart above, including the increase in 2019 of 2.5% for YRC, are reasonable. Further, the Board of Trustees has determined that for Employers currently subject to the $342 and $348 weekly rates and YRC (whose contribution rates are presently frozen), the proposed suspension plan will contain additional compounded annual contribution rate increases of 2.5% subsequent to 2018 (2019 in the case of YRC) until 2028, at which point those employers whose contribution rates are currently frozen will increase their contributions at the compounded annual rate of 3.0% indefinitely. In addition, the Board of Trustees has determined that, under the plan of benefit suspensions, these same rate increases will apply to those Employers whose rates are currently below the rehabilitation plan maximum rates of $342 and $348 per week.

Similarly, prior to the enactment of MPRA at the end of 2014, the Fund's actuary advised that in light of the Fund's projected insolvency, even if the Contributing Employers that were subject to the rate caps approved in 2010 were later required to continue to increase their contributions at the rate of 4% per year (which the Rehabilitation Plan would have required prior to the rate caps), there would not be sufficient time prior to the projected insolvency for those rate increases to have a material positive impact on the Fund's financial condition. However, the Fund's actuary has reported that because implementation of the proposed MPRA suspension plan would eliminate the projected insolvency, some measures that had little or no positive impact on the Fund's financial condition when it was projected to be insolvent in a short timeframe—such as the future contribution rate increases for the "capped Employers" described above—now have a material positive impact. In addition, the July 2015 SRR report (in conjunction with YRC's likely ability to cover pension increases by reductions in other employee compensation costs in the collective bargaining process, if necessary) indicates that, based on currently available information, it is not unreasonable to expect those Employers to pay the increased rates described above in the future.

The Board of Trustees has also determined, based on their experience in negotiating collective bargaining agreements that include contribution obligations to the Fund (and in particular, the experience of the Employee Trustees, all of whom are present or former principal officers of Teamster Local Unions), that, regardless of the Employer size and financial strength, the pension contribution rates required under the Fund's rehabilitation plan have grown to such an extent that requiring additional rate increases significantly in excess of those already required (including the anticipated future contribution rate increases described above) would create an unreasonable risk that Contributing Employers would seek to negotiate withdrawals from the Fund at a substantially increased rate, and that an increased number of bargaining units would cease their efforts to negotiate agreements requiring contributions to the Fund. The Board of Trustees has concluded that these risks of increased Employer withdrawals and declining contribution revenue would in large part result from a perception that the Fund's demands for increased contributions would be absorbing too much of the limited amounts of Employer funds available in the collective bargaining process to cover employee compensation.

The Board of Trustees bases this conclusion in part on their understanding that contribution rate increases required of Contributing Employers in the past have been a factor in the loss of Contributing Employers. For example, Hostess Brands, Inc., a former Contributing Employer that employed 2,800 Fund participants prior to its shutdown in 2012, failed to pay any of the pension contribution obligations it had accrued during July 2011. This created a delinquency of approximately $1.9 million owed by Hostess to the Fund, and the company informed the Fund in August of 2011 that it was experiencing severe financial difficulties and would not be making any further contributions to the Fund until it implemented a planned overall debt restructuring. Hostess claimed that one of the principal causes of its financial distress was the amount of pension contributions it owed each month to various multiemployer pension plans, with the Pension Fund at or near the top of that list. Hostess incurred a total contribution delinquency of approximately $6 million to the Fund in 2011 before the Board of Trustees determined that Hostess' participation in the Fund should be terminated in November 2011. In early 2012, Hostess filed bankruptcy, subsequently ceased all operations, and began liquidating its assets.

Similarly, Allied Automotive Group ("Allied"), another Contributing Employer, entered bankruptcy in 2012, claiming that its pension contribution obligations contributed significantly to its financial problems. Allied employed 600 active participants prior to its bankruptcy. Like Hostess, Allied is undergoing a liquidation of its assets. In both these bankruptcies the liquidations are expected to yield little or no payment on the Fund's claims for withdrawal liability (withdraw liability assessments of $584 million in the case of Hostess and $968 million in the case of Allied).

For these reasons, the Board of Trustees has concluded that, in conjunction with the plan of benefit suspensions, the contribution rate increases that SRR opined would be manageable for the large Contributing Employers represent rate increases that will put the Fund on the path to solvency without increasing employer attrition.

.04 <u>Other factors considered</u>. If the plan sponsor considered any other factors, then the application must discuss how and why that factor was taken into account in the plan sponsor's determination that all reasonable measures have been taken to avoid insolvency.

All of the factors considered by the Trustees have been discussed above.

Tab A

Application Under ERISA Section 305(e)(9)(C)(i) and IRC Section 432(e)(9)(C)(i) for the Central States, Southeast and Southwest Areas Pension Plan – Additional Information

EIN 36-6044243/PN 001

EXHIBIT I

Past Experience for Critical Assumptions (Dollar Amounts, Other Than Contribution Rates, in Thousands)

Year	Total Contributions	Total Contribution Base Units (Weeks)	Average Weekly Contribution Rate	Withdrawal Liability Payments	Rate of Return on Plan Assets
2005	$1,279,175	7,943,640	$161.03	$82,833	10.30%
2006	1,358,334	7,722,988	175.88	47,343	14.50%
2007*	1,440,300	7,548,736	190.80	6,187,750	6.22%
2008*	849,544	4,828,876	175.93	88,358	-29.82%
2009**	588,569	3,687,164	159.63	86,584	27.49%
2010**	502,886	3,029,520	166.00	119,415	14.42%
2011**	545,533	3,369,263	161.91	173,227	-0.28%
2012	568,878	3,386,344	167.99	188,828	13.56%
2013	571,104	3,231,436	176.73	153,928	19.04%
2014	582,359	3,182,920	182.96	232,836	6.86%
Average Trend From 2005 to 2014		-9.7%	+1.4%		_%
Average Trend From 2011 to 2014		-1.9%	+4.2%		_%

*Reflects the withdrawal of UPS effective December 31, 2007.
**Reflects the cessation and resumption of contributions from YRCW.

Based on the total contribution base units for each year, as shown above, the average annual rate of decrease in total contribution base units during the 2005-2014 period is 9.7%. The average annual rate of decrease in total contribution base units during the period from 2011-2014 (following resumption of YRCW contributions) is 1.9%.

If the significant decline in total contribution base units due to the withdrawal of UPS as of December 31, 2007 were disregarded, the average annual rate of decrease in total contribution base units during the 2005-2014 period is 6.4% excluding UPS. If YRCW were also removed from the data, the average annual rate of decrease in total contribution base units for the period is 6.2%.

For 2007, UPS contributed $563.2 million for 2.3 million base units (average of $245 per week). Excluding UPS, the average contribution rate increase over the 2005-2014 period would be 2.5%, instead of 1.4%. If YRCW were also excluded, the average contribution rate increase over the 2005-2014 period would be 6.1%. YRCW contributed $288.1 million for 1.4 million base units (average of $204 per week) in 2005 and $52.1 million for 0.7 million base units (average of $70 per week) in 2014.