Central States, Southeast and Southwest Areas Pension Plan
Item #8

Does the application include the plan sponsor's determination of projected insolvency that includes the documentation set forth in section 5 of the revenue procedure.
See Section 3.03.

The required determination and documentation are provided in the attached documents 8.1 and 8.2 and the documents referenced therein.

Section 3.03 Board of Trustees' Determination of Projected Insolvency

Pursuant to Internal Revenue Code § 432(e)(9)(C)(ii), the Board of Trustees has determined that the Plan is projected to become insolvent unless benefits are suspended, even though all reasonable measures have been taken to avoid insolvency.

As part of its certification that the Plan is in "critical and declining" status for the plan year beginning January 1, 2015, the Plan's actuary determined that the Plan is projected to become insolvent in the year 2026.

The Plan's actuary reached this conclusion even though the Board of Trustees has taken all reasonable measures to avoid insolvency of the Plan. Those reasonable measures are described in the following documentation required by section 5 of Rev. Proc. 2015-34:

- A detailed description of measures taken in order to avoid insolvency over the 10-year period immediately preceding the plan year in which this application is being submitted. Section 5.01. *See* document number 18.

- The information concerning "Plan factors" required by Section 5.02 of Rev. Proc. 2015-34. *See* document numbers 19.1 through 19.8.

- Descriptions of how each of the factors identified in document numbers 19.1 through 19.8 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. Section 5.03. *See* document number 20.

- A description of how any other factors were taken into account in the plan sponsor's determination that all reasonable measures have been taken to avoid insolvency. Section 5.04. *See* document number 20.

Attached as document number 8.2 are the Summary of Trustees' Study and Deliberations Concerning MPRA and Potential MPRA Suspension Plans at the September 16, 2015 Meeting and the September 16, 2015 Findings and Determinations Relating to the Proposed MPRA Suspension Plan (including Tab A - Summary of Trustees' Study and Deliberations Concerning MPRA and a Potential MPRA Suspension Plan and Tab B – Actuarial reviews presented to the Trustees between 2008 and 2014 in connection with the Trustees' formulation of the rehabilitation plan and updates to that plan).

SOURCE: THOMAS C. NYHAN
MARK ANGERAME
JAMES P. CONDON

SPECIAL MEETING OF THE PENSION BOARD MEETING CONCERNING MPRA
SEPTEMBER 16, 2015

SUMMARY OF TRUSTEES' STUDY AND DELIBERATIONS CONCERNING MPRA AND POTENTIAL MPRA SUSPENSION PLANS AT THE SEPTEMBER 16, 2015 MEETING

On September 16, 2015 a Meeting was held to discuss MPRA suspension options. The following individuals were in attendance at the Meeting:

Employee Trustees	Employer Trustees
Charles A. Whobrey	Arthur Bunte, Jr.
Marvin Kropp	Gary F. Caldwell
George Westley	Greg R. May
William Lichtenwald (via phone)	Ronald DeStefano

Pension Fund Staff	Groom Law Group	Segal Consulting
Thomas Nyhan	Gary Ford	Steve Rabinowitz
Mark Angerame	Lars Golumbic	Dan Ciner
James Condon		
Robert Coco		
John Franczyk		
Peter Priede		
Fernando Rodriguez		

Retiree Representative & Advisors
Sue Mauren
Pamela Nissen
Peter Rosen

Independent Special Counsel
Hon. David Coar

1. Thomas Nyhan began the Meeting by indicating that the first order of business would be to review the legal opinions underpinning the suspension plan that the Trustees have been considering and formulating. Gary Ford of the Groom Law Group then reviewed those opinions and this review included a discussion of the following issues and topics:

a) With regard to "Tier 1" benefits (*i.e.,* benefits earned with Employers that have failed to pay their withdrawal liability which MPRA directs are to be subject to maximum suspensions), Mr. Ford discussed the meaning of a "failure to pay withdrawal liability" under MPRA and the use of contributions made by each

Employer on behalf of each participant as the basis of allocating benefits to Tier 1 and to each of the MPRA Tiers.

b) With regard to "Tier 2" benefits (all other benefits, *i.e.,* those not allocated to one of the other Tiers) and "Tier 3" benefits (benefits earned with UPS by participants whose Central States benefits have been guaranteed by UPS), Mr. Ford discussed whether MPRA commands that Tier 2 benefits be reduced to any specific level, and whether, and to what extent, any distinctions in the level of suspensions should be made between Tier 2 and Tier 3 benefits.

c) Mr. Ford also discussed issues relating to: (a) the type of notice of the change in the future accrual rate (from 1.0% to 0.75%) that should be provided in connection with the proposed suspension plan, (b) the application to the Plan of the concept of a "credited year of service" as used in ERISA sec. 4022A with regard to the calculation of PBGC benefit guarantees, (c) parties that may have standing to challenge a suspension plan, (d) whether "critical and declining" plans are compelled to propose a suspension plan and to file an application seeking approval of the plan and (e) the application of the statutory age-based limitations on suspensions.

2. Steve Rabinowitz then presented data concerning the following topics relating to the three MPRA Tiers:

a) The number of participants and beneficiaries allocated to each Tier, and the number of participants with benefits allocated to more than one Tier.

b) The suspension amounts (expressed as a percentage of reduction from current benefit entitlements) to be incurred by benefits and participants allocated to each Tier, including the average percentage of benefit reductions for each Tier and the distribution of percentage reductions within each Tier (*e.g.,* the percentage of Tier 2 benefits that will experience no reductions, the percentage of Tier 2 benefits that will be reduced by 10%, by 20% etc.).

c) There then followed a discussion among the Trustees concerning the average and maximum benefit reductions to be incurred under the suspension plan. The Trustees also reviewed and discussed the factors that will determine the amount of benefit reduction for various participants, including:

   i) The Tiers to which all or any portion of the participant's benefit have been assigned.

   ii) The status of the participant (retiree, active or terminated with fewer than 20 years of Contributory Service Credit).

   iii) The amount of contributions made on the participant's behalf.

   iv) The age of the participant and whether he has received a disability-based pension from Central States.

   v) Whether the Participant's current benefit entitlement is below the 110% of the PBGC guarantee amount.

SUMMARY OF TRUSTEES' STUDY AND DELIBERATIONS CONCERNING MPRA AND POTENTIAL MPRA SUSPENSION PLANS AT THE SEPTEMBER 16, 2015 MEETING

3. The Trustees then discussed the future accrual rate of 0.75% of contributions under the proposed suspension plan (reduced from the current accrual rate of 1.0%) and noted the following:

a) All classes of Participants are reliant upon the continued support for the Fund by active participants. Under the current benefit accrual rate of 1.0%, the Fund's actuary has advised that $0.50 of every contribution dollar must be allocated towards the satisfaction of the Fund's legacy costs, as opposed to paying the normal cost of the benefit earned by participant on whose behalf the contribution has been made.

b) The reduction in the accrual rate to from 1.0% to 0.75% is somewhat offset by the contribution rate increases, including rate increase for Employers whose rates are presently frozen, that are assumed under the proposed suspension plan.

c) At the current NMFA contribution rate of $342 per week, a participant will accrue an additional $133.80 each year towards his monthly benefit upon retirement under the suspension plan benefit accrual rate of 0.75%.

d) At the average current contribution rate of $220 per week (excluding the Distressed Employer rate paid by YRC), a participant will accrue an additional $85.80 per year towards his monthly benefit upon retirement under the suspension plan benefit accrual rate of 0.75%.

e) The 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 Fund by the active participants.

4. Sue Mauren, the Retiree Representative, then stated as follows:

   a) She has participated either personally or through her counsel in all the MPRA Meetings held by the Trustees since her appointment.

   b) She and her counsel have also participated in numerous meetings and phone conferences with the Fund's Staff.

   c) She has made extensive efforts to communicate with retirees and terminated participants via e-mail, her website, and other means.

   d) She has vigorously advocated for the interests of retirees and terminated participants, and she recognizes the hardship that will result from any level of benefit reduction incurred by these groups.

   e) However, she also recognizes -- based on advice received from her legal and actuarial advisors (which she anticipates will soon be confirmed in a formal report) -- that the consequences for these groups will be even more severe if a suspension plan is not put in place, and the Fund is allowed to slide into insolvency.

   f) In order to mitigate the hardship caused by the proposed suspension plan, she has also advocated a relaxation of the Fund' restricted reemployment rules, and asked that the relaxed rules be given immediate effect; the

Trustee have agreed to the relaxation of the prohibited reemployment rules, but have decided not to give them immediate effect -- and she appreciates that the Trustees have rational reasons to delay the effective date of the new liberalized rules.

g) Based upon her communications with retirees and terminated participants, the following issues are of the highest concern among these participants:
   i. What is required to qualify for the protection of disability-based pensions? Will receipt of social security disability payments suffice?
   ii. What groups besides those with disability-based pensions and those aged 75-80 (or older) will be protected (in whole or in part) in the suspension process?

h) She recognizes that when protections are expanded beyond the groups of participants that are protected from suspensions by the law, the expanded protection offered to one group of participants tends to result in the imposition of more severe suspensions on other groups of participants. Therefore, she agrees that the Trustees have chosen a wise course in creating a rule concerning "caps" on the maximum percentage reduction in current benefits that will be applicable to a wide range of participants.

i) She also recognizes that retaining the support of actives for the Fund is important to all the participants who rely on the Fund, and she has tried to communicate this to the retirees and terminated participants whom she represents.

SUMMARY OF TRUSTEES' STUDY AND DELIBERATIONS CONCERNING MPRA AND POTENTIAL MPRA SUSPENSION PLANS AT THE SEPTEMBER 16, 2015 MEETING

The Trustees and Fund Staff then thanked Sue Mauren and acknowledged that her assistance and input was invaluable in formulating the proposed suspension plan.

* *

ACTION OF THE PENSION BOARD MEETING – SEPTEMBER 16, 2015

1. Thomas Nyhan then discussed the attached *Proposed Findings and Determinations Relating to the Proposed Suspension Plan* ("*Findings and Determinations*"), including Tab A to those *Findings and Determinations* (*Summary of Trustees Study and Deliberations concerning MPRA and a Potential Suspension Plan*) and recommended that the Trustees approve and adopt those *Findings and Determinations* (which had been distributed to the Trustees for their review via e-mail in draft form on September 11, 2015), subject to any final changes which Staff may propose to those *Findings and Determinations* after giving notice to the Trustees via e-mail.

WHEREUPON, following a full discussion, a motion was made, seconded and unanimously supported to approve and adopt the *Findings and Determinations*.

2. Mr. Nyhan also recommended that the Trustees approve the proposed suspension plan described in Section II of the attached *Findings and Determinations*.

WHEREUPON, following a full discussion, a motion was made, seconded and unanimously supported to approve this suspension plan.

3. Finally, Mr. Nyhan recommended that the Trustees (a) approve the filing with the Department of Treasury on September 25, 2016 of an application for approval of the above-referenced proposed suspension plan and (b) authorize Trustee Arthur Bunte to sign,

on behalf of the full Board of Trustees, the documents required to complete the application to be filed with the Department of Treasury.

WHEREUPON, following a full discussion, a motion was made, seconded and unanimously supported to approve the filing of an application for approval of the suspension plan with the Department of the Treasury on September 25, 2015 and to authorize Trustee Bunte to sign, on behalf of the full Board of Trustees, the documents required to complete the filing of the application.

SOURCE: THOMAS C. NYHAN
MARK ANGERAME
JAMES P. CONDON

SPECIAL MEETING OF THE PENSION BOARD CONCERNING MPRA
SEPTEMBER 16, 2015

FINDINGS AND DETERMINATIONS RELATING TO THE PROPOSED MPRA SUSPENSION PLAN

I. INTRODUCTION.

The Trustees have indicated that they wish to request approval from the United States Department of the Treasury ("Treasury") for the plan of benefit suspensions described in section II below, pursuant to the Multiemployer Pension Reform Act of 2014 ("MPRA"). Beginning in December 2014, the Trustees have held a series of 11 meetings to discuss options under MPRA and to receive advice from legal counsel, actuaries and other advisers concerning these options ("MPRA Meetings"); the Fund's MPRA retiree's representative, and/or her legal advisers, have also participated in most of those meetings. The topics discussed in the MPRA Meetings are summarized in Tab A (*Summary of Trustees' Study and Deliberations Concerning MPRA and a Potential Suspension Plan*) attached hereto and that summary is incorporated herein.

On the basis of the MPRA Meetings -- and on the basis of the Trustees' general experience with the Pension Fund, with the bargaining units and Contributing Employers that participate in the Fund and with the industries in which those bargaining units and Employers function -- the Trustees have made various determinations and findings that have led them to conclude that the suspension plan outlined in section II below complies with MPRA and is in fact fair, equitable and in the best interests of the participants and beneficiaries of the Pension Fund.

FINDINGS AND DETERMINATIONS RELATING TO THE PROPOSED MPRA SUSPENSION PLAN

The purpose of this Item is to set forth those determinations and findings that support the MPRA suspension plan set forth in Section II below and to request that the Trustees expressly approve and adopt those determinations and findings.

All capitalized terms used in this Item that refer to types of Pension Fund benefits or to conditions and requirements relating to those benefits (*e.g.*, Contributory Service Pension, Contribution-Based Pension, Contributory Service Credit, Service Credit, Covered Service, Contributing Employer etc.) are defined terms as used in the Fund's Plan Document.

II. DESCRIPTION OF PROPOSED SUSPENSION PLAN.

A. Overview of Benefit Suspensions.

The Board of Trustees proposes the following reduction of benefits, which will remain in effect indefinitely.

Generally, under the proposed suspension plan the amount of a participant's suspension is based upon three main factors, subject to certain protections described below. The first factor concerns the "Tier" (or Tiers) to which a participant's benefits are attributable. Second, the amount of contributions made to the Plan on a participant's behalf. Third, whether the participant is an active participant, a terminated participant, or a retiree as of July 1, 2016.

Additionally, as described below, participants with at least 20 years of Contributory Service Credit (and their beneficiaries in pay status) as of July 1, 2016, will receive lesser suspensions than other participants. Also, the suspensions are affected by both the age of

the participant upon retirement and whether the participant elected a joint and survivor form of benefit upon retirement.

B. Contribution Tiers.

1. MPRA establishes three "Tiers" of benefits under the Plan, and establishes different conditions for the reductions that are applied to the benefits attributable to each Tier. ERISA § 305(e)(9)(D)(vii). The Tiers are defined as follows:

a) **Tier 1** consists of benefits attributable to contributions made by an employer that withdrew from the Plan on or before July 1, 2016, but failed to pay (or is delinquent with respect to paying) the full amount of its withdrawal liability under law or an agreement with the Plan.

b) **Tier 2** consists of all benefits attributable to contributions not assigned to Tier 1 or Tier 3.

c) **Tier 3** consists of benefits attributable to contributions made by an employer that (i) has withdrawn from the Plan in a complete withdrawal in which the employer paid the full amount of the employer's withdrawal liability under law or an agreement with the Plan, and also (ii) pursuant to a collective bargaining agreement, has agreed to provide benefits to participants and beneficiaries of the Plan under a separate, single-employer-sponsored plan, in an amount equal to any reduction in the amount of benefits for such participants and beneficiaries as a result of the financial status of the Plan.

2. The only benefits assigned to Tier 3 are those attributable to contributions made by United Parcel Service, Inc. and its controlled group ("UPS") for participants that are part of the Transfer Group under an agreement between UPS and the Plan dated September 29, 2007 (generally those participants who were active participants with UPS or whose last employer prior to becoming a terminated participant was UPS as of that date). Participants who retired prior to that date are not part of Tier 3, even if they worked for UPS, because the pension benefits of those participants are not protected by UPS.

3. MPRA requires that benefits attributable to Tier 1 be reduced to the maximum extent permissible. ERISA § 305(e)(9)(D)(vii)(I). In general, the amount of Tier 1 benefits after the reduction will be determined by multiplying 110% of the PBGC guarantee amount (described below) by the participant's percentage of total contributions in Tier 1. In addition, reductions to Tier 1 benefits will be limited by the disability and age-based protections described under MPRA Limitations on Benefit Reductions set forth below.

4. Benefits that are attributable to Tier 2 or Tier 3 contributions (determined based on the participant's percentage of their total contributions that was from Tier 2 and Tier 3, respectively) generally will be reduced in accordance with the structure outlined below under General Benefit Reduction Provisions, subject to the MPRA Limitations on Benefit Reductions below.

5. For benefits attributable to Tier 2 contributions, the benefit reduction to participants with at least 20 years of Contributory Service Credit as of July 1, 2016 will not be greater than 50% of the amount that would otherwise have been payable with respect

to such contributions before this reduction (prior to application of the age 75-80 protection described below).

6. For benefits attributable to Tier 3 contributions, the benefit reduction to participants with at least 20 years of Contributory Service Credit as of July 1, 2016 will not be greater than 40% of the amount that would otherwise have been payable with respect to such contributions before this reduction (prior to application of the age 75-80 protection described below).

C. MPRA Limitations on Benefit Reductions.

1. 110% PBGC Guarantee Protection.

a) Under MPRA, a participant's pension cannot be reduced below 110% of the amount that the PBGC would guarantee if the Plan were to become insolvent. The calculation of the PBGC guarantee considers both the years of service that have been worked and rate of benefit accrual that the Plan has credited. ERISA sec. 4022A.

b) The maximum monthly benefit that the PBGC will guarantee is $35.75 for each year of service that has been earned. Thus, for a participant with 30 years of service, the maximum PBGC guarantee is $1,072.50 per month. 110% of this amount is $1,179.75.

c) The PBGC formula generally does not guarantee all benefits that have been earned. For example, in order for a participant with 30 years of service to receive the maximum monthly PBGC benefit of $1,072.50, the benefit payable from the Plan would have to be higher than this amount. Also

participants with benefits from the Plan that are below the PBGC maximum guarantee would generally receive less than their full benefits under the PBGC guarantee formula.

d) To calculate the PBGC guarantee amount, it is first necessary to calculate the rate of monthly benefit accrual that the Plan has provided. This is equal to the monthly benefit payable from the Plan, divided by the years of credited service that have been earned. The amount of the guarantee is then equal to 100% of the first $11 of the monthly benefit accrual rate, plus 75% of the next $33 of the monthly benefit accrual rate, times the years of credited service. There is no limit to the total years of service that are credited for calculating the guaranteed benefit.

e) The guaranteed monthly benefit, therefore, is limited to $35.75 per month (($11 x 100%) + ($33 x 75%) = $35.75) times a participant's year of credited service. For example, if a participant has 30 years of service, the maximum benefit guaranteed by the PBGC is $35.75 x 30 = $1,072.50.

f) If the application of the General Benefit Reduction Provisions outlined below for benefits attributable to Tier 2 and Tier 3 contributions would result in a benefit that is below 110% of the PBGC guarantee for a particular participant, then that participant’s benefit would not be reduced below 110% of the PBGC guarantee. The years of service used in the PBGC guarantee amount (which is the number of years listed the individualized estimate section of this notice) may differ from the number of years of Contributory Service Credit

and/or Service Credit due to different definitions for those terms under the Plan.

2. Disability Protection.

Disability benefits under the Plan cannot be reduced under MPRA. Additionally, if a participant receiving a disability benefit under the terms of the Plan converts to a retirement pension under the Plan, that participant's benefits cannot be reduced below the amount of the disability benefit received prior to the conversion.

3. Age Protection.

a) MPRA provides that if a participant is 80 or older as of the end of the month containing the effective date of the benefit reduction, in this case July 31, 2016, the participant will not be subject to any reduction. All benefits payable to participants who meet this condition are fully protected from benefit reductions.

b) Pension benefit reductions for participants who are at least 75 but less than 80 as of July 31, 2016 are determined by the number of months remaining until the participant reaches 80 divided by 60 months. For example, if a participant is exactly 78 years old as of July 31, 2016, there are still 24 months remaining until the participant reaches 80 years of age. Dividing 24 months by 60 months results in a fraction equal to 0.4.

c) So if, for example, the maximum amount of benefit reduction that could apply to a 78-year old participant (after taking into account the General Reduction Provisions described below, the 110% PBGC Guarantee Protection and the

Disability Protection) is $500 per month, then the age-based protection would limit this maximum reduction to $200 per month (0.4 x $500). If the general reduction provisions described below would otherwise result in a greater benefit reduction, that amount would be overridden so that the actual reduction amount applied to this participant would be $200 per month.

d) In the case of the surviving spouse of a participant who is deceased as of July 1, 2016, the surviving spouse's age as of July 31, 2016 is used to determine whether the age-based protection applies to the benefit. However, if a participant is not deceased as of July 1, 2016, the participant's age as of July 31, 2016 will be used to determine the age-based protection for a joint and survivor. As has always been the case, regardless of the effect of the reduction, neither the participant nor spouse may change a Joint and Survivor Option (JSO) election that has already been made.

e) If a benefit has been split in a divorce in accordance with a Qualified Domestic Relations Order ("QDRO"), the application of the age-based protections to the alternate payee's benefit depends on the type of QDRO. For a shared interest QDRO in which the alternate payee receives a portion of each benefit payment, but the participant retains the right to choose the time and form of the payments, it is the participant's age as of July 31, 2016 that will determine the age-based protections. However, for a separate interest QDRO where the alternate payee has a right to receive benefits at a

different time and in a different form from the participant, the alternate payee's age as of July 31, 2016 will determine the age-based protections.

D. General Benefit Reduction Provisions (Tier 2 and Tier 3 Contributions Only).

1. The following general benefit reduction provisions apply only to benefits attributable to Tier 2 or Tier 3 contributions.

a) Except as provided below, under the benefit reductions that the Trustees have proposed, a plan amendment will take effect on July 1, 2016 that will reduce participants' monthly pension benefits to 1% of the Tier 2 and Tier 3 contributions that have been made on their behalf as of that date, adjusted for any early retirement and JSO benefit adjustments as described below.

- For example, if a participant has a plan benefit of $1,000 per month on July 1, 2016, and 1% of the total contributions made on that participant's behalf is $800, then the $1,000 benefit will be reduced by $200 to $800 effective July 1, 2016.

b) For terminated participants with less than 20 years of Contributory Service Credit who do not have a Benefit Commencement Date on or before October 1, 2015, benefits as of July 1, 2016 will be 0.5% of the total Tier 2 and Tier 3 contributions made on their behalf and adjusted for any early retirement and JSO as described below.

- A participant will be in "terminated" status for purposes of the suspension plan if, as of July 1, 2016, any of the following is true:

- The participant (a) has a Year of Employment under the Plan during any year ending on or before December 31, 2014, and (b) earned no Contributory Service Credit during 2014;
- The participant (a) has a Year of Employment under the Plan during any year ending on or before December 31, 2015, and (b) earned no Contributory Service Credit during 2015; or
- The participant (a) has earned or earns an Hour of Service while employed with a Contributing Employer (or any predecessor or successor entity) that at any time on or after October 1, 2015 incurs a Rehabilitation Plan Withdrawal, and (b) has either (i) earned the last year of Contributory Service Credit on or before October 1, 2015 while a member of a Bargaining Unit (or any predecessor or successor Bargaining Unit) ultimately incurring such Rehabilitation Plan Withdrawal or (ii) earned the last year of Contributory Service Credit on or before July 1, 2016 while a member of a Bargaining Unit (or any predecessor or successor Bargaining Unit) ultimately incurring such Rehabilitation Plan Withdrawal. This provision shall not apply to Rehabilitation Plan Withdrawals occurring after July 1, 2016 unless the Bargaining Unit, on or before July 1, 2016, ratifies or otherwise agrees to a Collective Bargaining Agreement (or other agreement) which permits the withdrawal

of the Bargaining Unit in whole or in part from the Plan (regardless of when the withdrawal in fact occurs).

c) As already provided under the Plan, benefits are reduced for each month that the age of retirement precedes age 65. As applied here, in the event that a participant retired with less than 20 years of Service Credit at retirement, the 1% (or 0.5% as the case may be) of total contribution monthly benefit will be reduced by 0.5% for each month that the age of the participant at retirement precedes age 65. This reduction applies down to age 57, with participants who retired prior to age 57 treated as having retired at age 57 for this purpose.

   - For example, a participant who retired at exactly age 57 or earlier would have the 1% of contributions benefit reduced by 48% (0.5% x 96 months). If 1% of the contributions made on that participant's behalf is $1,000, the monthly benefit will be reduced to $520 (reducing $1,000 by 48%).

d) As already provided under the Plan, benefits are reduced for each month that the age of retirement precedes age 62 if the participant had at least 20 years of Service Credit at retirement. As applied here, if a participant had at least 20 years of Service Credit at retirement, the 0.5% per month reduction applies to the 1% of total contribution monthly benefit for each month that the age at retirement precedes age 62 instead of age 65.

- For example, a participant with 20 or more years of Service Credit who retired at exactly age 57 or earlier would have the 1% of contributions benefit reduced by 30% (0.5% x 60 months). If 1% of the contributions made on that participant's behalf is $1,000 per month, the monthly benefit will be reduced to $700 (reducing $1,000 by 30%).

e) Under the terms of the Plan's Rehabilitation Plan, a participant subject to an adjustable benefit reduction will have the 1% (or 0.5% as the case may be) of contributions benefit reduced by the percentage listed in the Rehabilitation Plan.

f) In addition to any reduction for early retirement, the 1% or 0.5% of contribution monthly benefit will also be adjusted to reflect any adjustment factors for election of a JSO in accordance with the terms of the Plan in effect on October 1, 2015.

E. <u>Restricted Reemployment Changes.</u>

1. The following changes are effective July 1, 2016, apply only to those participants whose benefits are, in fact, reduced under this application (not including reductions to future benefit accruals), and are contingent upon approval of the application as provided under MPRA. In all other circumstances, the existing (pre-MPRA suspension) restricted reemployment rules in the Plan continue to apply.

2. For a participant with a Benefit Commencement Date on or before October 1, 2015, the participant shall not be subject to **any** restricted reemployment rules effective

July 1, 2016 provided that prior to October 1, 2015 the participant has surrendered and severed any and all aspects of the employment relationship, including any seniority rights, with any Contributing Employers.

3. For a participant whose Benefit Commencement Date is after October 1, 2015 and who is at least 62 but less than 65 on the Benefit Commencement Date, and is performing Covered Service immediately prior to the Benefit Commencement Date, the participant must avoid reemployment in a Core Teamster Industry (as defined in the Plan), and with any Contributing Employer for whom the participant worked during the one year period immediately prior to his retirement and, prior to retirement, must have surrendered and severed all aspects of the employment relationship, including any seniority rights, with any such Contributing Employer(s). Once such participant turns 65, the rules in the next paragraph apply.

4. For a participant whose Benefit Commencement Date is after October 1, 2015 who has reached age 65 (regardless of age at time of retirement), the participant shall not be subject to **any** restricted reemployment rules as long as the participant has previously surrendered and severed all aspects of the employment relationship, including any seniority rights, with any Contributing Employers. The only exception is that a participant whose last year of Contributory Service Credit was earned while employed by a labor organization, or other Contributing Employer with whom the participant did not have seniority rights under a collective bargaining agreement, will not be eligible for this “No Restrictions” rule unless the participant has first spent one continuous post-retirement year

without any restricted reemployment under the existing (pre-MPRA suspension) restricted reemployment rules.

F. Reduction of Early Retirement Subsidies for Contribution-Based Pension.

1. Currently, the Contribution-Based Pension (section 4.02 of the Plan) is reduced by 0.5% for each month the age of the participant on his retirement date is less than 62 if the participant has at least 20 years of Service Credit (the reduction occurs from age 65 if the participant has less than 20 years of Service Credit). However, if the participant is subject to the Default Schedule, Rehabilitation Plan Withdrawal, or Distressed Employer Schedule, the Contribution-Based Pension payable at age 65 is reduced to an actuarially equivalent benefit in accordance with the terms of the Plan.

2. Effective July 1, 2021 (five years from the effective date of the reductions), the Contribution-Based Pension (section 4.02 of the Plan) will be reduced by 0.5% for each month the age of the participant on his retirement date is less than 63 if the participant has at least 20 years of Service Credit (the reduction occurs from age 65 if the participant has less than 20 years of Service Credit).

3. Effective July 1, 2023, the Contribution-Based Pension (section 4.02 of the Plan) will be reduced by 0.5% for each month the age of the participant on his retirement date is less than 64 if the participant has at least 20 years of Service Credit (the reduction occurs from age 65 if the participant has less than 20 years of Service Credit).

4. Effective July 1, 2025, the Contribution-Based Pension (section 4.02 of the Plan) will be reduced by 0.5% for each month the age of the participant on his retirement

date is less than 65 for all participants regardless of whether the participant has at least 20 years of Service Credit.

5. Thus, for example, if a participant who has at least 20 years of Service Credit retires on or after July 1, 2021 (and before July 1, 2023) at age 62, the participant's benefit would be reduced by 6% (12 months x 0.5% per month) as compared to currently when there would be no reduction. If a participant retires on or after July 1, 2023 (and before July 1, 2025) at age 62, the participant's benefit would be reduced by 12% (24 months x 0.5% per month) as compared to currently when there would be no reduction. If a participant retires on or after July 1, 2025 at age 62, the participant's benefit would be reduced by 18% (36 months x 0.5% per month) as compared to currently when there would be no reduction.

6. Regardless of these changes, if a participant is subject to the Default Schedule, Rehabilitation Plan Withdrawal, or Distressed Employer Schedule as defined in the Rehabilitation Plan, the participant's benefit will be reduced based on age using the actuarial equivalence table in the Rehabilitation Plan.

G. Reduction of Future Benefit Accrual Rate.

1. At present, the Accrued Benefit (section 1.01) of a participant who is eligible for a Contribution-Based Pension includes 1% of all contributions made on the participant's behalf on and after January 1, 2004. Effective for contributions attributable to a participant's service on and after July 1, 2016, the Accrued Benefit will be 0.75% of all contributions made on the participant's behalf if the suspension is approved by Treasury and implemented on July 1, 2016.

2. Thus, for example, if a participant had $10,000 in contributions made on his behalf prior to July 1, 2016, the monthly Accrued Benefit increased by $100 ($10,000 x 1%). If $10,000 in contributions are made on the participant's behalf on and after July 1, 2016, the monthly Accrued Benefit would increase by $75 ($10,000 x 0.75%).

H. Other Considerations.

1. In determining the benefit amount after the reduction, only contributions made to this Plan are considered and any service (including Service Credit and Contributory Service Credit) with another plan used for reciprocity or other purposes is disregarded except for a transfer to the Plan pursuant to ERISA section 4235. No reciprocal pensions will be allowed for a Benefit Commencement Date on or after July 1, 2016.

2. The following will not be considered as contributions for purposes of applying the 1% (or 0.5% as the case may be) of contributions benefit in determining the amount of the reduction:

- Self-payments that are received by the Plan after September 30, 2015.
- Contributions for periods prior to a Break in Service.
- Contributions for periods prior to becoming a Participant.

3. A participant, beneficiary, or alternate payee must still satisfy the vesting rules and other rules contained in the Plan to qualify for a benefit, and no benefit may be created or increased as a result of the suspension plan.

4. No restorations of adjustable benefits that have been eliminated under the Fund's rehabilitation plan will be recognized under the suspension plan, unless the

conditions for establishing the restoration of benefits have been fully satisfied as of October 1, 2015.

5. All terms of the current Plan Document not expressly altered or modified by the suspension plan rules stated above shall remain in effect.

6. With respect to contribution rate increases, the suspension plan contains (a) the current rehabilitation plan contribution rate increases – and (b) with respect to employers currently subject to the $342 and $348 weekly rates and YRC, Inc. (whose contribution rates are presently not subject to rate increases), the suspension plan contains continuing compounded annual rate increases of 2.5% each year until 2028, at which point continuing compounded annual rate increases of 3.0% are required indefinitely. These rates also apply to the maximum rate required under the rehabilitation plan for Employers with currently lower rates (*i.e.*, rates below the current maximum rates of $342 and $348 per week) and currently making annual increases. The increases applicable to Contributing Employers currently at the $342 and $348 per week rates begin on August 1, 2018, and for YRC, Inc. on August 1, 2019.

III. <u>MEASURES TAKEN BY THE TRUSTEES TO AVOID INSOLVENCY.</u>

A. <u>History of contribution rate increases over the last ten years.</u>

1. From 2005 to 2014, the average rate at which current Contributing Employers have contributed to the Pension Fund has increased 83.2% (a 57.9% increase after adjustment for inflation), from a rate of $120.42 in January 2005 to a rate of $ 220.63 in December 2014; these figures exclude rates applicable to YRC, which presents a special case under the rehabilitation plan's Distressed Employer Schedule (*see* ¶¶ 9-12

below), and rates applicable to United Parcel Services, Inc., which withdrew from the Fund in 2007. Fourteen percent of the Fund's active participants (or 8,700 full-time equivalent participants out of a total active participant population of 61,000 in 2014) currently have contributions made to the Fund on their behalf at the maximum contribution rate currently required under the Fund's rehabilitation plan ($342 or $348 per week, depending on which of the national labor agreements discussed below is applicable). These "top rate" participants are all covered by the National Master Freight Agreement ("NMFA," with a rate of $342 per week), the National Master Auto Transport Agreement ("NMATA," with a rate of $348 per week) or local agreements that mirror the contribution rates under those agreements. Since 2004, the NMFA and NMATA pension contribution rates have increased by 100% (69% after adjustment for inflation).

2. In November 2005, the Trustees approved a communication to all participating Local Unions and Contributing Employers notifying them that renewals of all collective bargaining agreements that expired in 2006 would be acceptable to the Fund only if they included compounded contribution rate increases of 7% per year for the duration of each such renewal agreement.

3. The Trustees then approved a similar communication to Local Unions and Contributing Employers in November 2006 with respect to renewals of collective bargaining agreements expiring in 2007, except that compounded *8%* annual rate increases were required for 2007 renewals.

4. In addition, the parties to the major national contracts (NMFA, NMATA, and National Master UPS Agreements) reallocated employee benefit plan contribution rate

increases from health plan contributions to the Pension Fund from 2004 through 2007. The reallocations made during the 2004 through 2007 period provided, as of August 2007, and this provided an additional $500 million in revenue per year to the Pension Fund.

5. The Pension Protection act of 2006 ("PPA") generally became effective on January 1, 2008, and in March 2008, following the actuary's certification that the Fund was in critical status under the PPA, the Trustees approved a rehabilitation plan. Under the 2008 PPA Zone certification and rehabilitation plan, although the Fund was not at that time projected to become insolvent, it was not projected to emerge from critical status. The rehabilitation plan contained a Primary Schedule that maintained the current pension benefit levels for all bargaining units that adopted it, and generally required that all Contributing Employers and bargaining units agree to 5 years of compounded 8% annual contribution rate increases, two years of 6% increases and then 4% annual increases indefinitely thereafter.

6. The Trustees also approved a Default Schedule under the rehabilitation plan calling for compounded annual rate increases of 4% into the indefinite future, but which would eliminate all PPA "adjustable benefits".

7. As of May 2015, 26 bargaining units representing 259 active participants (out of a total active participant population of approximately 65,000) were under the Default Schedule. All other actives, except for those employed by YRC, Inc. and its affiliates (*see* ¶¶ 10-12 below) were under the Primary Schedule.

8. In 2009 the Fund was certified not only to be in critical status under the PPA, but for the first time, was projected to become insolvent. Insolvency was projected at that time to occur in the year 2022.

9. YRC, Inc. ("YRC") is one of the major Contributing Employers (with approximately 14,000 active participants). In February 2011, following the severe financial decline and pension contribution delinquency of YRC, the Trustees approved the application of a special "Distressed Employer Schedule" to YRC under the rehabilitation plan.

10. The Distressed Employer Schedule allowed YRC to continue to contribute to the Pension Fund at a reduced contribution rate ($70 per week, 25% of the previously agreed rate of $280 per week, as specified in YRC's 2010 and 2014 collective bargaining agreements) and without contribution rate increases. However, this schedule imposed benefit reductions on the YRC bargaining unit approximately equivalent to the Default Schedule.

11. The YRC bargaining unit also agreed to defer wage increases and made other wage concessions under the 2010 and 2014 collective bargaining agreements applicable to YRC.

12. The Trustees approved the Distressed Employer Schedule and applied it to YRC because they determined, on the basis of financial and actuarial analysis presented to them, that (a) YRC would likely incur a business failure and liquidate in bankruptcy (with minimal or no recovery of withdrawal liability by the Fund) unless the Trustees approved the application of the Distressed Employer Schedule to that Employer, and (b) the Fund

was better off financially with YRC's continued participation in the Fund -- even at reduced contribution rates and subject to a Contribution Deferral Agreement under which the Fund would only receive interest payments on approximately $109 million in deferred contribution obligations for a number of years (apart from receipt of the proceeds from sales of certain properties given as collateral to secure the deferred contribution obligations) -- than under a scenario in which the Fund insisted on higher contribution rates that resulted in the dissolution of YRC.

13. As part of the 2010 rehabilitation plan update process, in September 2010 the Fund engaged Stout Risius and Ross ("SRR"), a consulting firm with business valuation expertise, to study the ability of the Fund's Contributing Employers to continue to absorb contribution rate increases. In November 2010, SRR reported to the Trustees that a number of the Fund's larger, publicly traded Employers -- whose pension contribution rates already were (or soon would be) at $342 per week under the National Master Freight Agreement ("NMFA") and $348 per week under the National Master Auto Transporter's Agreement ("NMATA") -- could not reasonably be expected to absorb additional contribution rate increases; accordingly, in November 2010, the Trustees approved an amendment to the rehabilitation plan that froze the top NMFA and NMATA rates indicated above. For other Employers, the $342 per week rate became the maximum rate necessary to be in compliance with the Primary Schedule without the need for additional rate increases.

14. On average, since 2010, approximately 8,200 active participants of the Fund have worked under the NMFA or NMATA (or agreements that follow the pension's rates

established under those agreements) or approximately 15% of total actives. The average non-frozen rate paid during the 2010-2014 period was approximately $ 220 per week (exclusive of the Distress Employer Contribution rate paid by YRC).

15. In July 2015, SRR provided an update to its 2010 study and was asked its opinion concerning 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%
SuperValue, 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%
Associated Wholesale Grocers, Inc.	6.0%	4.0%	4.0%	4.0%	3.5%

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

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

16. In its July 2015 report 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 its July 2015 report -- its report did not take account of 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.

17. Accordingly, the Trustees have determined to accept the recommendations and conclusions of SRR, except that the 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 Trustees have determined, on the basis of information currently available, that the future rate increases shown in Paragraph 15 above, including the increase in 2019 of 2.5% for YRC, are reasonable. Further, as indicated in Paragraph II.H.6. above, the Trustees have 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 contains 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 Trustees have determined that under the

suspension plan, these same “capped” rate increases will apply to those Employers whose rates are currently below the rehabilitation plan maximum rates of $342 and $348 per week.

18. Prior to the enactment of MPRA, which provided the Fund with the option to avoid its projected insolvency under a duly approved suspension plan, various hypothetical changes to the Fund’s benefits and contribution rate structure would have little effect on the Fund’s financial condition. This was due to the fact that the Fund’s currently projected insolvency in 2026 limited the amount of time during which changes of this nature could be accumulated to have a positive effect. For example, at the November 14, 2014 Board Meeting the Fund’s actuary presented a report containing a table that showed the impact on insolvency of the measures listed below:

FINDINGS AND DETERMINATIONS RELATING TO THE PROPOSED MPRA SUSPENSION PLAN

	Estimated year and month of insolvency and approximate number of months insolvency is forestalled/(accelerated)			
	Attrition Assumed to Vary by Change		Ignores Impact of Change on Attrition	
Current Rehabilitation Plan	2/26		2/26	
Hypothetical Changes to Primary Schedule Benefits:				
1. 1% benefit unreduced at age 65 effective 1/1/2015	4/26	2	4/26	1
2. 1% benefit unreduced at age 65 effective 1/1/2017	3/26	1	3/26	1
3. Future contribution increases not subject to benefit accruals	2/26	0	2/26	0
4. Actuarial equivalent reduction from unreduced age (see page…)	3/26	1	3/26	1
5. Maximum Red Zone cuts effective 1/1/2020	11/26	-3	3/26	1
6. Maximum Red Zone cuts effective 1/1/2015	10/25	-4	7/26	5
7. Future benefit accruals limited to $100/year effective 1/1/2015	3/26	1	3/26	1
8. Total benefit capped at higher of $3,000 or current active 1/1/2015	3/26	1	3/26	1
9. Benefit freeze effective 1/1/2015	1/26	-1	6/26	4
10. Maximum Red Zone cuts plus benefit freeze 1/1/2015	1/16	-1	11/26	9
11. All Withdrawals are Rehabilitation Plan Withdrawals	3/26	1	3/26	1
12. Minimum retirement age of 65 for future Rehabilitation Plan Withdrawals effective 1/1/2015	2/26	0	2/26	0
13. Minimum retirement age of 58 effective 1/1/2015	3/26	1	3/26	1
14. Minimum retirement age of 59 effective 1/1/2015	4/26	2	4/26	2
15. Minimum retirement age of 60 effective 1/1/2015	5/26	3	5/26	3
16. Maximum retirement age of 58 effective 1/1/2015, 59 effective 1/1/2017, and 60 effective 1/1/2019	4/26	2	4/26	2
17. Maximum Red Zone cuts to current and future terminated participants effective 1/1/2015	3/26	1	3/26	1
Mass withdrawal effective 12/31/2014; 20% of contributions continue as withdrawal liability payments	3/25	-11	3/25	-11

As this table indicates, even if the estimated impact on "attrition" (loss of employers, participants and contribution revenue) is disregarded, none of the listed measures would forestall insolvency by more than few months.

19. 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 who were subject to the rate caps approved in 2010 were later required to continue to increase their contributions at the compounded rate of 4% per year (which the Rehabilitation Plan would have required prior to the rate caps), there would not have been 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 the Fund was under projections that assumed an insolvency (such as the future contribution rate increases described above) can now be presumed to 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 in the future described above.

20. As noted above, 2009 was the first year in which the Fund was projected to become insolvent in a later year (the 2009 projection showed 2022 as the year in which insolvency would occur). The Trustees' decision in 2010 to place upper limits or caps on

the amount by which contributions would be required to increase under the rehabilitation plan was designed to avoid Employer business failures; as such it was part of the Trustees' effort to fulfill their obligations under the PPA to take "reasonable measures…to forestall possible insolvency," pursuant to ERISA § 305(e)(A)(ii).

21. The Trustees have also determined, based on their experience in negotiating collective bargaining agreements that include contribution obligations to the Pension 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 Pension Fund's rehabilitation plan have grown to such an extent that requiring additional rate increases significantly in excess of those already required (or the anticipated future contribution rate increases described above; *see* ¶ 17 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 Trustees have 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.

22. The likelihood of severe adverse consequences resulting from additional contribution rate increases beyond those outlined in these findings comes into sharper

focus in light of the burden of unfunded vested benefits. The Fund's actuary estimates that 50% of each contribution dollar currently contributed to the Fund must be allocated to legacy costs, as opposed to paying the normal cost of the pension accrual of the active participant whose behalf the contribution was made.

23. The findings of the Trustees in Paragraphs 21-22 above are corroborated by the trends shown in a June 10, 2015 News Release by the Bureau of Labor Statistics ("BLS") entitled *Employer Costs for Employee Compensation*. Page 22 of that report indicates that in the unionized sector of the "service producing industries," which include transportation and warehousing -- industries in which a high percentage of the Fund's active participants are engaged -- an average of $4.23 per hour of total employee compensation (or 9% of total compensation) is absorbed by retirement benefits. On the other hand, this same BLS study indicates that the non-unionized sector of the service producing industries have retirement benefit costs of $0.93 per hour (3.2% of total compensation). Further, although the average union employee (across all industries) enjoys higher wages than comparable non-union workers, in recent years non-union wages have grown more rapidly than union wages. *See* George L. Long, "Differences Between Union and Non-Union Compensation," *Monthly Labor Review* (April 2013) (between 2001 and 2011 non-union wages grew at a rate of 28% faster than union wages). Therefore, 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.

24. The discrepancy between the unionized and non-unionized pension costs and the problems created by that discrepancy are even more pronounced in the case of

the Central States Pension Fund. For example, the Fund currently has 4,000 active participants who are working under the NMFA (or under contracts that mirror the NMFA wage rates and benefits). Over the last ten years, pension contributions under the NMFA have increased by approximately 60%, (after inflation) 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 with the non-union trucking industry in which annual pension costs average between $1,000 and $3,000 per employee.

B. The Fund's withdrawal liability collection program.

1. The Fund has diligently pursued the collection of withdrawal liability, pursuant to the Multiemployer Pension Plan Amendment Act of 1980 ("MPPA") and the Trustees' fiduciary obligations under ERISA. *See, e.g., Central States Pension Fund v. Georgia Pacific, LLC,* 639 F.3d 757, 760 (7th Cir. 2011) ("[T]he Central States Plan has been a uniquely aggressive seeker of withdrawal liability payments").

2. For example, since withdrawal liability was created under MPPAA in 1980, the Pension Fund has collected approximately 45% of the amount of withdrawal liability that has been assessed (this figure *excludes* the extraordinary lump sum withdrawal liability payment of $6.1 billion from United Parcel Service, Inc. in December 2007). This is a significant achievement in light of the fact that during this period a high percentage of withdrawals from the Fund involved Employer bankruptcies. Further, since 2007 nearly all of the Fund's withdrawal liability assessments have failed to fully amortize due to the

twenty year limitation on withdrawal liability payment schedules mandated under ERISA sec. 4219(c)(1)(B). Indeed, since 2007, the Fund has issued over 300 withdrawal liability assessments in which the statutory "cap" on the payment schedule has limited the Employers' obligations -- resulting in approximately $500 million in assessed withdrawal liability that will not be collected.

3. It should be noted that the Fund's experience in collecting 45% of the face amount of the withdrawal liability referenced above has been measured from the inception of the Fund's withdrawal liability program in 1980; a shorter period (the last ten years) was used as a basis for the withdrawal liability collection assumption used in the actuarial projections relating to the suspension plan. In the early period of the Fund's withdrawal liability program, there tended to be more withdrawals by employers that were solvent and could pay their withdrawal liability; over time many of the Fund's Employers with greater financial strength have left the Fund. In addition, as noted above, beginning in 2007 the collection of the face amount of many withdrawal liability assessments has been restricted by the statutory 20 year limitation on withdrawal liability payment schedules.

C. Pre-Pension Protection Act (Pre-2008) history of benefit accruals.

1. In the years prior to 2008 (when the PPA's multiemployer plan provisions became effective) the Trustees approved an adjustment in the Fund's Contribution-Based Pension / Accrued Benefit formula that reduced this benefit from 2% of contributions to 1% of contributions [meaning that, for example, after the Plan Amendment, a participant who had $5,000 contributed to the Fund by his Employer during a single year, could expect his monthly lifetime pension payment to increase by $50 as a result of contributions made on

his behalf during that year (1% of $5,000 = $50); under this example, prior to this Amendment that became effective on January 1, 2004, the "2% of contributions" Contribution-Based Pension formula would have resulted in a $100 increase in the participant's monthly lifetime pension payment (2% of $5,000 = $100)].

2. Another Plan Amendment that became effective on January 1, 2004 froze the amount of the early retirement / "and-out" pensions based upon the years of Service Credit earned as of the date the Amendment became effective on January 1, 2004. As required under the anti-cutback rules (IRC 411(d)(d)(6)(B); ERISA § 204(g)) this amendment also protected participants' accrual of Contributory Service Credit towards early retirement or "and-out" Contributory Service Pensions (*e.g.,* "25-and-out" and "30-and-out" pensions), and allowed participants to grow in to eligibility for those benefits by means of gaining additional years of Contributory Service Credit in the future. *See, e.g., Bellas v. CBS, Inc.,* 221 F.3d 517 (3rd Cir. 2000) (the anti-cutback rules protect participants' right to "grow into" a benefit subsidy by satisfying the plan's pre-amendment eligibility requirements). For example, if a participant had 20 years of Contributory Service Credit earned towards a "25-and-out" early retirement pension as of January 1, 2004 which, prior to the Amendment, would yield a life time monthly pension benefit payment of $2,500 upon achievement of 25 years of Contributory Service Credit, the 2004 Amendment allowed the participant to continue to earn Service Credit towards eligibility for the 25-and-out pension. However, the *amount* of this pension would be calculated by multiplying the full pre-amendment value of the 25-and-out benefit ($2,500) by a fraction formed by dividing the years of Contributory Service Credit earned as of January 1, 2004

(20) by the total number of years to qualify the and-out benefit (25). Thus in the example described above, the effect of the 2004 Plan amendment is to reduce the monthly lifetime benefit derived from the "25-and-out" pension from $2,500 to $2,000 ($2,500 x 20/25 = $2,000).

3. Effective as of January 1, 2004 the Trustees also froze the various "Classes," of Contributory Service Pensions, meaning, with limited exceptions, that bargaining units could no longer qualify for a higher Benefit Class by entering into a collective bargaining agreement calling for increased pension contributions ("bargaining-up"). The "bargaining-up" rules in effect prior to this change permitted a participant to jump to a whole new benefit class -- and thus make a significant increase in his ultimate benefit entitlement -- after having had only a few weeks of contribution made on his behalf at the rate specified for the new Classes.

4. Under the benefit modifications that the Trustees approved in November 2003, the Trustees also eliminated prospectively the ability of participants to make self-contributions. By means of incremental self-contributions, many participants previously were able to gain just enough Contributory Service Credit to enable them to improve their pension benefits significantly. In this sense, self-contributions were a very costly benefit because the value of the benefits gained by the participants through making the self-contributions almost always greatly exceeded the value of the self-contributions to the Plan by the participants.

5. In November 2003, the Trustees took the measures described in Paragraphs 1 - 4 above, and committed to the program of mandated contribution rate increases

generally described in Sec. III.A. above, after reaching a deadlock between the Employee and Employer Trustees concerning the proper measures to take in response to the deteriorating financial condition of the Fund (which coincided with the general economic and stock market decline in 2000, 2001 and 2002).

6. This deadlock was resolved under a November 18, 2003 Memorandum and Order issued by U.S. District Court Judge James Moran, who had jurisdiction of this matter pursuant to a 1982 consent decree entered between the Pension Fund and the U.S. Department of Labor. *Chao v. Fitzsimmons,* 2003 WL 2272324, Case No. 78-C-342 (N.D.IL. Nov. 18, 2003). Judge Moran held in his Memorandum and Order that without the measures to control benefits and increase contributions described above, the Pension Fund would likely incur a statutory funding deficiency under ERISA, and would be in violation of key requirements of the applicable consent decree. *Id.* at *2. In its November 18, 2003 Memorandum and Order the Court also described the financial difficulties then facing the Pension Fund:

> The Court has learned [through the reports of the Independent Special Counsel appointed by the Court pursuant to the consent decree] that the unfavorable economic climate that has prevailed for the past several years has taken its toll on the economic health of the Funds. *The Pension Fund, despite the independent professional investment management structure required by its consent decree*, fell well short of its assumed investment return in 2000, 2001 and 2002. It also has been hurt by the liquidation of Consolidated Freightways [a major industry Contributing Employer that began liquidating in bankruptcy in September 2002] and other experience losses. The trustees have been advised that, absent adequate corrective measures, the Pension Fund will

> begin to experience annual Funding Deficiencies as early as 2004.

Id. at *1 (emphasis added).

See also Solis v. Fitzsimmons, Memorandum, No. 78-C-342 (N.D.IL. June 21, 2011)(Judge Milton Shadur, to whom the consent decree matter has been transferred, noting that the Independent Special Counsel's reports "*reflect Board of Trustees actions that have been fully sensitive and response to the last several years' economic difficulties confronting the entire country*")(emphasis added).

7. The Trustees have determined that the contribution rate increases and benefit reductions described above in Section III.A. & B., and ultimately mandated under Judge Moran's November 18, 2003 Memorandum and Order, consisted of all the reasonable measures that could have been taken at that time to combat the further deterioration of the Fund's financial condition.

D. In July 2005 the Fund was granted an amortization extension.

1. Despite the measures taken to control benefits and to increase contribution revenue that began in January 2004, the Fund's actuary advised the Trustees that these measures would not be sufficient to completely eliminate the prospect that the Fund would soon incur a statutory funding deficiency.

2. For plan / calendar 2004, the actuary estimated that funding deficiency would have been $1.3 billion, and large funding deficiencies for subsequent years were also projected. The Trustees determined that the imposition of this liability, plus associated excise taxes, on the Fund's Contributing Employers would have caused additional

business failures among those Employers and would have accelerated the deterioration on the Fund's own financial condition.

3. As a result, in January 2004, the Fund filed a request with the Internal Revenue Service for a ten (10) year extension of the period for amortizing liabilities described in § 412(b)(2)(B) of the Internal Revenue Code and § 302(b)(2)(B) of ERISA.

4. On July 13, 2005 the Service issued a letter granting the Fund's request for an amortization extension, subject to the ability of the Fund to satisfy certain funding targets (while also noting that the funding improvement targets may be modified if the Fund could not satisfy them due to "unforeseen circumstances beyond control of the Fund").

5. In the wake of severe economic crisis and stock market decline that occurred in 2008 (in which the Fund, like almost all investors, incurred significant investment losses), it became apparent that the Fund would not be able to satisfy the funding target conditions of the amortization extension.

6. As a result in February 2009, the Fund filed a request with the Service for modification of the funding target conditions.

E. Reductions of adjustable benefits under the PPA (IRC § 432(e)(8)) and other measures to forestall insolvency under the Fund's rehabilitation plan.

1. As noted, the PPA became effective in January 2008, and that statute provided the Trustee with additional tools to help address the Pension Fund's financial difficulties.

2. The Trustees have approved and annually updated a rehabilitation plan each year beginning with 2008, as required of all multiemployer pension funds certified to be in critical status under the PPA.

3. As authorized under the PPA [IRC § 432 (e)(8)], the Fund's rehabilitation plan has provided for the elimination of "adjustable benefits" (essentially any benefits *other than* those already in pay status prior to 2008, disability benefits in pay status at any time, and the accrued benefits (*i.e.,* Contribution-Based Pensions) payable at age 65). The following events trigger a loss of adjustable benefits under the rehabilitation plan:

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 (under which bargaining units that voluntarily withdraw from the Fund, or are complicit in a withdrawal, incur the elimination of all adjustable benefits).

4. 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.

5. In 2008 and 2009, the Trustees directed the Fund's Staff to research potential regulatory or legislative solutions to the Fund's financial challenges, and, where appropriate, to communicate with federal government agencies and officials concerning such proposed solutions.

6. On May 27, 2010, the Fund's Executive Director and General Counsel, Thomas Nyhan, testified before the U.S. Senate Committee on Health, Education Labor and Pensions concerning a bill (S.3157) that had been proposed by Senator Casey (D-PA) as a means to provide additional federal funding to the PBGC, so that the agency could financially support a partition of the "orphan'' liabilities of struggling multiemployer pension plans, including the Central States Fund; a similar bill (H.R. 3936) had been introduced in the House of Representative by Congressman Pomeroy. However, this proposed legislation did not gain sufficient support in Congress and was not brought to a vote in either house.

7. As noted above, in 2009, the Fund for the first time was certified to be in critical status under the PPA and was also projected to become insolvent in 2022.

8. As an additional part of the effort to forestall this projected insolvency, under a 2010 amendment to the rehabilitation plan, the Trustees approved a rule establishing age 57 as the minimum retirement age under the Plan, and this rule was made effective on June 1, 2011. Prior to this amendment, there were minimum service requirements for various types of pensions, and reductions in benefit amounts for pre-age 65 retirements for those who did not qualify for early retirement pension, but there was not a minimum retirement age.

9. In formulating the rehabilitation plan and in the process of annually updating that plan, the Trustees considered a more expansive rule that would have eliminated *all* the adjustable benefits of *all* active participants, but as noted above, 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.

10. In developing the proposed suspension plan, the Trustees have also considered the elimination of all PPA adjustable benefits accrued by terminated participants who have 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 Trustees have built into their proposed suspension plan of less than 1% of pre-suspension benefits. The Trustees have 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 the PPA adjustable benefits of terminated participant who have less than 20 years of Service Credit.

F. <u>Measures undertaken to retain or attract Contributing Employers.</u>

1. As explained above, one of the measures taken by the Trustees to retain Contributing Employers was to place "caps" on the contribution increases required under the rehabilitation plan. *See* ¶¶ III.A.13 – 17 above. That is, the caps were set on the basis of advice received from an expert financial consultant at a level judged to be reasonable in

light of the Contributing Employers' financial condition. Therefore, the caps on contribution rate increases were designed to assure that Employers contribute to the Fund at a level that is as high as possible without creating unreasonable risks of increased employer attrition.

2. In addition, in October 2011, the PBGC approved an application submitted by the Fund for approval of the use of an alternative method of determining Employer withdrawal liability.

3. Under this alternative method, a current Contributing Employer can effectively limit its future exposure to withdrawal liability by paying liability in a lump sum and then continuing to contribute to the Fund as a "New Employer".

4. An Employer that is not currently contributing to the Fund, and does not owe any outstanding withdrawal liability or other obligations to the Fund, can also qualify as a New Employer and become eligible for the alternative withdrawal liability method.

5. Under this alternative (or "hybrid") method approved by the PBGC, the New Employers' withdrawal liability is to be determined based on the benefits accrued by each New Employer's employees, plus a proportionate share of any underfunding that develops among the New Employers as a whole (the "New Employer Pool"). However, because the New Employer Pool is fully funded (in fact it is approximately 200% funded), and current contribution rates are more than sufficient to fund current benefits, the New Employers have a very low risk of incurring liability in the future.

6. The hybrid method helps to retain existing Employers and to attract new Contributing Employers because it offers a means of relieving concerns about potential

growth in exposure to withdrawal liability. Further, the Fund will not enter an agreement resolving a Contributing Employer's withdrawal liability and deeming the Employer to be a New Employer under the hybrid method unless the Employer commits to continue to contribute to the Fund for an extended period (usually 5-10 years) and at a guaranteed level of participation.

7. Approximately 80 Employers have qualified as New Employers under the hybrid method to date and these Employers have paid approximately $130 million in withdrawal liability, while continuing to contribute to the Fund.

G. Impact on the Fund's solvency of subsidized and ancillary benefits available to active participants.

1. The Fund has, as noted above, for some time offered benefits that include early retirement subsidies *e.g.,* "25-and-out" and "30-and-out" Contributory Service Credit Pensions.

2. Although, as indicated in the discussion of the benefit modification that became effective on January 1, 2004 (*see* ¶ III.C. above), the Trustees have acted to limit the cost of subsidized early retirement benefits, there are still retired Fund participants in pay status who are receiving some subsidized early retirement benefits.

3. 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.

4. 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 early retirement subsidized benefits that are currently being paid to participants who have already retired and are in pay status; the Fund's actuary estimates that as of January 1, 2015, the latter benefits comprised approximately 16% of the Fund's total actuarial accrued liability of $35.1 billion.

H. Compensation levels of active participants relative to employees in the participants' industries generally.

1. As indicated above (¶ III.A.), the retirement benefit costs in the unionized sector of the service industries generally are significantly higher than in the non-unionized sector of those industries ($4.23 per hour for unionized retirement benefits, as opposed to $0.93 for non-unionized). Moreover, as is also discussed above, this discrepancy is even more pronounced in the case of the Fund: Fund participants working under the NMFA have pension contributions made on their behalf at the rate of approximately $10 per hour, which on average is more than 20% of their total compensation.

2. This large allotment of total compensation to retiree benefits naturally tends to suppress wage growth for the Fund's participants, thus intensifying for them the impact of the general trend discussed above (¶ III.A. 23) towards more rapid wage growth among non-unionized workers than unionized workers.

3. 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%) in

their accrual rates, and the other benefit modifications that the Trustees instituted in 2004 (discussed above at III.C.).

4. 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 contributed to the Fund must be dedicated to paying unfunded pension obligations, the Trustees have determined (based on their 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 (see ¶¶ III.A. 16-17 above) would be likely to (a) cause a net decline in support for the Fund among active participants and (b) to 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.

I. Competitive and other factors facing Contributing Employers.

1. The competitive pressures and financial constraints faced by the Fund's Contributing Employers have been addressed above. As noted in those discussions, the Trustees have been guided by the advice of SRR, an expert financial consultant, in their effort to determine the levels of contribution rate increases that Contributing Employers can reasonably sustain.

2. Further, the Trustees have 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.

3. Although the SRR studies have focused on relatively large, publicly traded Contributing Employers, the Fund's smaller Contributing Employers do not appear to be any more capable of absorbing unstrained contribution rate increases.

4. For example, between 2010 and 2014 the Fund experienced a total of approximately 260 *involuntary* withdrawals resulting from Contributing Employer bankruptcies. Ninety-eight percent of the 2010 – 2014 Employer bankruptcies involved Employers with fewer than 50 active Pension Fund participants on a full-time equivalent ("FTE") basis prior to the contribution withdrawals, while 92% of the Fund's total Employer population employed on average 50 or fewer active participants during the same period.

5. These figures indicate that the Funds' smaller Contributing Employers are under the same level of financial stress as the larger Employers (and perhaps a slightly higher level of stress given that the small Employers experienced 98% of the Employer bankruptcies between 2010 and 2014, but comprised only 92% of the total Employer population).

6. As discussed above (¶¶ III.A. 17-19), over the last ten years -- prior to the enactment of MPRA -- the Trustees considered, but rejected, (a) the option of requiring contribution rate increases at even higher levels than have been mandated to date under the Fund's rehabilitation plan, and, (b) the option of imposing additional benefit reductions. However, based on the financial and actuarial advice described above, and based upon

the Trustees' own experience with the bargaining units and Contributing Employers that participate in the Fund, the Trustees determined that any such additional contribution rate increases or benefit reductions would likely result in a net loss of active participants and of contribution revenue, thus accelerating the Fund's insolvency.

J. The impact of past and anticipated contributions increases under the Plan on Employer attrition and retention levels.

1. As explained in Paragraph III.A. above, the Trustees have mandated substantial contribution increases in the past, and they have concluded that it would be reasonable to expect Employers to be able to sustain certain additional future contribution rate increases, and included those increases in their proposed suspension plan.

2. In 1980 there were approximately 12,000 Employers that contributed to the Fund but in July 2015 there were approximately 1,800 Contributing Employers.

3. The Trustees believe that contribution rate increases required of Contributing Employers in the past have was a factor in the loss of Contributing Employers.

4. For example, Hostess Brands, Inc., a former Contributing Employer that employed approximately 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 Pension 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 Pension 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 the list of plans that Hostess believed was dragging it down. Hostess incurred a total contribution delinquency of approximately $6 million to the Pension Fund in 2011 before the Trustees determined that Hostess' participation in the Fund should be terminated in November 2011. In early 2012, Hostess then filed bankruptcy, and subsequently ceased all operations and began liquidating its assets.

5. Similarly, Allied Automotive Group ("Allied"), another Contributing Employer, entered bankruptcy in 2012, and claimed that its pension contribution obligations contributed significantly to its financial problems. Allied employed approximately 600 active participants prior to its bankruptcy. Like Hostess, Allied is undergoing a liquidation of its assets, and 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 approximately $584 million in the case of Hostess and approximately $968 million in the case of Allied).

6. More broadly, deregulation of the trucking industry, which began in 1980, prompted a sharp decline in all segments of the unionized trucking industry, and exposed trucking Employers to intense rate and route competition. This enabled non-union trucking Employers that pay lower wages and have lower pension and health costs to flourish at the expense of the unionized trucking industry.

7. As noted in IRS publication entitled "Trucking Industry Overview" (MSB 04-1107-075) (www.irs.gov/Business/Trucking-industry-overview-history-of-trucking):

> In the decade after deregulation [resulting from the Motor Carrier Act of 1980] the competition in trucking was fierce. There were not only hundreds of new companies, but also the formerly gentlemanly manner in which the big players dealt with each other became a battle to the death. Ten years after trucking was deregulated, one third of the 100 largest trucking companies were out of business, casualties of the fierce competition.
>
> It became increasingly difficult for the trucking companies to operate with union drivers. Their compensation is usually 35 percent more than non-union drivers. To reduce operating costs, new corporations were formed to operate with non-union drivers or independent contractors.

8. Further, deregulation has intensified competition for qualified drivers, with many drivers (particularly those who are younger) attracted to non-union carriers where -- even if the total compensation is less than in the unionized sector -- they can receive a larger percentage of their total compensation in the form of cash wages. At the same time, as explained above, the Fund's participants have seen increasing percentages of their total compensation devoted to pension contributions, while at the same time their actual pension accruals, measured on a percentage of contributions basis, have decreased significantly.

9. Therefore, although growth in the Fund's contribution requirements has been a factor in the loss of some Contributing Employers, more broadly deregulation has exposed Contributing Employers to competition from employers with lower pension costs. This has been significant cause of the decline in the number of Contributing Employers. As indicated above, the Trustees have employed expert financial advisors to help assure that

the mandated contribution rate increases are at the highest level that is reasonable and sustainable.

K. <u>The Trustees have taken all reasonable measures to avoid insolvency.</u>

1. Because since 2009 the Fund has been in critical status and has been projected to become insolvent, the Trustees duty has been "forestall [the] projected insolvency" ERISA § 305(e)(9).

2. As discussed in the preceding Paragraphs of this Section III, the Trustees over the course of a number of years implemented measures to improve the Fund's financial condition and to prevent insolvency.

3. Prior to the enactment of MPRA, the Trustees have engaged professional, financial and actuarial advisors in an effort to improve the Fund's financial condition, and the Trustees, with the assistance of these advisors, considered taking a number of additional measures (such as more drastic contribution rate increases and sharper benefit reductions). However, the Trustees rejected those measures because they were deemed on balance to be counter-productive and unreasonable. [*See, e.g.,* Actuarial reviews presented to the Trustees between 2008 and 2014 in connection with the Trustees' formulation of the rehabilitation plan and updates to that plan, Tab B hereto.]

4. Specifically, as part of the process of formulating and updating the rehabilitation plan, the Trustees considered the possibility of requiring additional increases in the contribution rates, additional decreases in benefit accrual rates, and eliminations of adjustable benefits, beyond those than are reflected in the rehabilitation plan as currently formulated.

5. In doing so, the Trustees asked the Funds' actuary to model how such additional changes might reasonably be expected to postpone or accelerate the projected date of insolvency. These requests pre-dated MPRA.

6. The Fund's actuary prepared actuarial reviews and sensitivity analyses in response to these requests (copies included as Tab B.) The actuary's sensitivity analyses accounted for the risk that the possible additional changes in question (*e.g.,* additional reduction in benefit accruals) might change behaviors (*e.g.,* accelerated attrition of bargaining units). In each case, the actuary's analyses showed that the additional changes could be expected, at best, to postpone projected insolvency by a matter of months and, at worst, to accelerate projected insolvency date by a year or more).

7. Based on the actuary's sensitivity analyses, Trustees concluded that all of the additional changes they had considered would likely do more harm than good in terms of their effect on the projected insolvency date.

8. The availability of benefit suspensions under MPRA affects this balance because, with the elimination of the projected insolvency, some changes can continue to contribute to the Fund's actuarial soundness for a much longer period. As a result, in connection with their deliberations concerning a MPRA suspension plan, Trustees asked the actuary to update its modeling of possible additional changes to contribution and accrual rates and adjustable benefits. The Trustees and the actuary concluded that, while those changes had been unlikely to materially contribute to forestalling insolvency when a near-term insolvency was projected, certain of the additional changes would contribute to

the Fund's actuarial soundness over the longer term if projected insolvency is eliminated. Changes in this category include:

- Reduction in future accrual rate to 0.75% of employer contributions;
- Additional contribution rate increases (projected to go into effect starting in 2018).

9. Accordingly, the Trustees have determined, based on the updated projections of the actuary and currently available information concerning the financial condition of the Fund's Contributing Employers, that the suspension plan should include the future contribution rate increases beginning in 2018 and the reduction in the rate of future benefit accruals.

10. Therefore, in light of the findings and considerations set forth herein, the Trustees have determined that they have taken all reasonable measures to prevent the Fund from becoming insolvent.

IV. <u>THE PLAN IS PROJECTED TO BECOME INSOLVENT UNLESS THE PROPOSED BENEFIT SUSPENSION IS IMPLEMENTED.</u>

1. Based upon the actuarial analysis and projections prepared by the Fund's actuary to be included with the Fund's application filed with the U.S. Department of the Treasury, the Trustees have determined that unless the suspension plan described in Par. II. above is implemented, the Fund is projected to become insolvent.

2. Further, based on the actuary's projection and analysis, the Trustees determined that the benefit suspensions set forth in Paragraph II above are not materially *greater* than is necessary to avoid the projection of insolvency that would result in the absence of implementation of those suspensions.

3. Among the assumptions used by the Fund's actuary in these projections and analyses is that Contributing Employers will provide future pension contribution rate increases as described in Paragraphs III.A.15 – 19 above.

V. SELECTION AND APPLICATION OF FACTORS RELATING TO THE EQUITABLE DISTRIBUTION OF SUSPENSIONS.

A. Rationale for the use of the "1% of contributions" formula in the suspension plan.

1. The Trustees have selected the "1% of contributions" formula described above as a basic feature of the proposed suspension plan. Under this formula, subject to requirements and limitations of MPRA, benefits allocated to Tiers 2 and 3 and accrued by active and retired participants, as well as benefits in those Tiers accrued by terminated participants with 20 or more years of Contributory Service Credit, will generally be limited to a lifetime post-suspension monthly benefit equal to 1% of all contributions made on behalf of each participant (before any reduction for early retirement or JSO).

2. The Trustees have determined that the "1% of contributions" formula is equitable because it embodies the fundamental fairness of allowing each participant to receive benefits from the Fund in proportion to the revenue that was contributed to the Fund as a result of his Covered Service under the Plan Document.

3. In addition, since January 1, 2004, a "percent of contributions" benefit has been the most significant benefit accrued by the Fund's active participants, and it also is a major component of the pensions currently being paid to retirees. *See* § 4.03 of the Plan Document. (85% of the total benefits currently accrued by active participants are attributable to the Contribution-Based Pension / "1%-2% of contributions" formula, while

17% of the total actuarial liability is attributable to this Contribution-Based Pension formula.)

4. Therefore, the Trustees have selected the "1% of contributions," approach and applied it in the manner described above. They have determined that this formula is fundamentally fair and will cause the least disruption or frustration of the participants' expectations.

5. Further, the "1% of contributions" suspension formula, like the current Contribution-Based Pension which it mimics, is not a subsidized benefit (as compared to the early retirement / "and-out" benefits that the Fund is also currently obliged to pay). And § 305(e)(9)(D)(vi)(V) of ERISA (as amended by MPRA) provides that in deciding how to equitably distribute suspensions the Trustees may consider the "[e]xtent to which participant or beneficiary is receiving a *subsidized* benefit." (Emphasis added.) For example, there are 8,684 Fund participants who (a) retired ten years ago or more with subsidized early retirement "and-out" / Contributory Service Pensions, (b) have received monthly pensions payments of $3,000 or more since commencing their retirements and (c) who to date have received total pension payments with a dollar value 6 times in excess of the total Employer Contributions paid to the Fund on their behalf while they were in active status under the Plan.

6. Basing the benefit suspension on the "1% of contributions" formula results in greater benefit preservation for retired participants with smaller, unsubsidized normal retirement benefits, compared to those who retired early with larger, subsidized benefits. Under ERISA § 305(e)(9)(D)(vi)(III) – (IV), it was equitable and appropriate for the

Trustees to consider "amount of benefit" and "type of benefit" in fashioning a suspension that applies the "1% of contributions" formula (subject to the rule discussed below prohibiting post-suspension benefit amounts that are more than fixed percentages below the pre-suspension benefit entitlements).

7. The subsidized early retirement benefits that many retirees are currently receiving are the result of past benefit increases that were added to the Plan over a period of many years. In some cases, these provisions resulted in large benefit increases for participants who only worked in covered employment for a short time after they were adopted. As discussed above, the "1% of contributions" formula does not include any subsidized benefits, which means that the benefit suspensions will prospectively eliminate these past benefit improvements. ERISA § 305(e)(9)(D)(vi)(VII) provides that an equitable distribution of the suspensions may consider the past history of benefit increases and reductions. Additionally, these subsidized benefits have already been largely phased out for active participants, which has resulted in a large discrepancy between active and retiree benefits. Under ERISA § 305(e)(9)(D)(vi)(IX), this is a factor that may be considered in determining whether the distribution of the suspension is equitable.

A. Rationale for distinguishing between retirees, actives and terminated participants with twenty or more years of Contributory Service Credit (on the one hand), and terminated participants with fewer than twenty years of Contributory Service Credit (on the other).

1. As explained above, the Trustees have determined that, subject to the requirements and limitations of MPRA, terminated participants with benefits allocated to Tiers 2 and 3, and with *fewer* than 20 years of Contributory Service Credit, will receive

post-suspension monthly benefits equal to 0.5% (rather than 1.0%) of the total contributions paid to the Fund on their behalf.

2. First, it is appropriate to make a distinction between suspensions to be applied to retirees and active participants, as opposed to the general class of terminated participants. With respect to *retirees,* ERISA subsections 305(e)(9)(D)(vi)(I) – (II) permit the Trustees to take into account age, life expectancy and length of time in pay status in resolving issues concerning the equitable distribution of benefits. All of these factors support an application of relatively more favorable suspension rules to *retired* participants, and this is what the Trustees have done with respect the "1% of contributions" formula.

3. With respect to the suspension rules to be applied to *active* participants, the Trustees were mindful that the Fund and *all* of its participants (actives, retirees and terminated participants) and beneficiaries must rely upon the *active* participants to continue to support the Fund and to negotiate collective bargaining agreements requiring contributions to the Fund. Section 305(e)(9)(D)(vi)(X) of ERISA indicates that the Trustees may consider the following factor in determining how to equitably distribute suspensions:

> [The] [e]xtent to which *active participants* are reasonably likely to withdraw support for the plans, accelerating Employer withdrawals from the plan and increasing the risk of additional benefit reductions in and out of pay status.

(Emphasis added.) Accordingly, the Trustees have determined that all active participants, subject to the statutory limitations and requirements relating to suspensions, should be treated *at least as favorably* as any other class of participant with respect to the benefits that are payable after the suspensions are implemented, and should in general therefore

have their basic suspension amounts determined based upon the "1% of contributions" formula.

4. However, the Trustees have also determined that a distinction should be made between terminated participants who have earned 20 or more years of Contributory Service Credit under the Plan and those with less than 20 years of Contributory Service Credit.

5. Based on data presented by the Fund's Staff, the Trustees have determined that (a) the average age at which terminated participants in Tiers 2 and 3 who have *fewer than* 20 years of Contributory Service Credit last performed Covered Service under the Plan was 39.2 years, and the average current age of these participants is 51.4 years; and (b) in contrast, terminated participants with *20* years *or more* of Contributory Service Credit last performed Covered Service under the Plan when they were (on average) 49.6 years old, and their average current age is 57.5 years.

6. The Trustees have determined that the fact that the terminated participants with 20 or more years of Contributory Service are, on average, older than those with fewer years of Contributory Service indicates that these "20+" terminated participants are nearer to retirement and more likely to be reliant on their accrued benefit under the Plan than terminated participants with less Contributory Service Credit.

7. Similarly, ERISA § 305(e)(9)(D)(vi)(I) provides that the Trustees may take account of "age and life expectancy" as a factor in resolving the equitable distribution, and § 305(e)(9)(D)(vi)(VII) provides that "years to retirement" may also be considered. Although the statute specifically mentions "years to retirement" for active participants, the

same concept applies to terminated participants in the exact same manner. In this case, the Trustees determined that preserving greater benefits for terminated participants with 20 or more years of Contributory Service Credit (compared to those with fewer than 20 years) was justified consistent with this "age and life expectancy" and "years to retirement" statutory equitable factor, because the "20+" terminated participants are older, and therefore have fewer remaining working years, and are likely to be more reliant on retirement benefits from the Plan. In addition, because the terminated participants with fewer than 20 years of Contributory Service Credit are significantly younger, they are more likely to be currently employed and less likely to be dependent on benefits under the Plan.

B. Rationale for placing a cap on the maximum percentage by which any suspended participant's current benefit may be reduced and for the application of that cap.

1. As indicated above, the Trustees have determined (again, subject to the express requirements and limitations MPRA), that with respect to participants with at least 20 years of Contributory Service Credit, a cap should be placed on the amount by which Tier 2 or Tier 3 pre-suspension benefits are suspended under the proposed suspension plan. These caps are 50% in the case of Tier 2 and 40% in the case of Tier 3.

2. The effect of this "maximum suspension" rule is to reduce the burden and hardship that might otherwise be experienced by some individual participants with long service.

3. As noted above, there are a number of participants who have retired with relatively large ($3,000 - $4,000 per month) "and-out" pension who are currently receiving benefits that are disproportionately large in relation to the amount of Employer

Contributions paid to the Fund on their behalf. At the same time, the Trustees have determined that it is appropriate to supplement the "percent of contributions" suspension formula with a "cap" on the maximum benefit suspensions that can result under that formula so as to avoid disproportionately large suspensions and undue hardship. Therefore, the Trustees have determined that, in view of the expectations and reliance interest of these participants, the severity of their suspensions should be mitigated by capping them at 50% (in the case of Tier 2 benefits) and 40% (in the case of Tier 3 benefits).

4. The Trustees also have determined that these caps on the maximum amount by which benefits are suspended should only be applied to participants with twenty or more than of Contributory Service Credit, because (for the reasons set forth above) participants with fewer than twenty years of Contributory Service Credit have a less significant reliance interest in these benefits.

5. For illustrative purposes, consider a hypothetical recently retired participant (*i.e.,* with a 2015 retirement date, "Retiree 1"), who is receiving a pension benefit of $3,000 per month under the Contribution-Based Pension / "1% / 2% of contributions" formula established by the Fund's current Plan Document. Assume further that Retiree 1 would incur a reduction in his current monthly pension payment of 25% (for a post-suspension benefit of $2,250 per month), if his post-suspension benefit were to be determined *solely* on the basis of the "1% of contributions" suspension formula.

6. In addition, assume there is another Tier 2 retiree ("Retiree 2") who retired ten years ago, with more than twenty years of Contributory Service Credit and with a

subsidized "and-out" / early retirement Contributory Service Pension of $3,000 per month, and that Retiree 2 would receive a post-suspension reduction in his current benefit of 58% (to $1,260 per month), if his post-suspension benefit were to be determined *solely* on the basis of the "1% of contributions" formula.

7. In order to alleviate some of the burden on Retiree 2, and those similarly situated, the Trustees have utilized a "maximum percentage reduction" rule in the Fund's proposed suspension plan. With regard to Retirees 1 and 2 this rule has the following effect:

	Pre-Suspension Benefit	Post-Suspension Benefit after Application of "1% of contributions" rule	Final Post-Suspension Benefit of Application of the "Maximum Suspension" rule
Retiree 1 (recently retired) (Contribution-Based Pension)	$3,000	$2,281 / 25% reduction	$2,250 / 25% reduction
Retiree 2 (retired 10 years ago) (Contributory Service/ "and-out" pension)	$3,000	$1,260 / 58% reduction	$1,500 / 50% reduction

8. The "maximum percentage reduction" rule thus helps alleviate, in the words of the statute, a "*discrepancy*" that might otherwise be more severe "*between active and retiree benefits*" in a way that is consistent with ERISA § 305(e)(9)(D)(vi)(X); this is another "equitable distribution" factor that the statute permits the Trustees to consider, and which the Trustees have considered and applied.

9. In addition, the "maximum percentage reduction" and the "percent of contribution" suspension rules acting in conjunction take account of the principal types of benefits under the Plan (the early retirement / "and-out" Contributory Service Pension and the "percent of contribution" benefits / Contribution-Based Pension) in a way that attempts to minimize the frustration of expectations of those who have relied on each of those benefits types. The Trustees have determined under ERISA § 305(e)(9)(D)(vi)(IV) to take account of the "[t]ype of benefit: survivor, normal retirement, early retirement" in this manner to achieve what the Trustees have determined to be an equitable distribution of suspensions.

C. Rationale for selecting and applying reductions for age under the "1.0% / 0.5% of contributions" suspension formula.

1. As explained above, with respect to Tier 2 and 3 benefits, the proposed suspension plan generally applies age reductions of 0.5% per month for the first 60 months that a participant has retired prior to his 65th birthday (the age reductions stop at age 57 even if the participant retired at an earlier age).

2. However, as is the case under the existing Plan Document, this age reduction under the suspension plan is measured from the participant's 62nd birthday for participants that have 20 or more years of Service Credits. Further, the "20 year" exception to the age reduction rule is not applicable to participants who have lost adjustable benefits under the Fund's rehabilitation plan (and pursuant to the PPA); these latter participants will have their age reductions calculated from age 65, *regardless* of their years of Service Credit.

3. Further, the age reduction factors for these participants will be drawn from an actuarial table attached to the rehabilitation plan; that table requires more aggressive age reductions than the 0.5% per month age reduction rate applicable to participants who have *not* incurred a loss of their adjustable benefits.

4. These suspension plan rules relating to age reduction substantially follow the Fund's existing Plan Document rules relating to the Twenty Year Service Pension, as well as the rehabilitation plan rules. Therefore these rules simply take account of existing benefit types under the Plan Document and are largely consistent with the participants' current expectations. (*See* ERISA § 305 (e)(9)(D)(vi)(IV) ("type of benefits" may be considered as a factor in determining how to distribute benefits equitably).

5. Over a period of ten years these rules that currently permit non-PPA impacted participants with 20+ years of Service Credit to retire prior to age 65, while having their age reductions measured from 62, will be gradually phased out. Ten years after the suspension effective date all pre-age 65 retirements will be subject to reductions for age measured from the participant's 65th birthday. This rule honors the expectations and reliance interest of participants who are currently near to retirement in the existing benefit types.

D. <u>The Trustees have selected and applied appropriate factors in distinguishing between the maximum percentage reductions to be applied to Tier 2 benefits as opposed to Tier 3 benefits.</u>

1. Benefits that are allocated to Tier 3 under the Trustees' proposed suspension plan are guaranteed by an Employer against reduction "as a result of the financial status of the plan." (ERISA §305(e)(9)(D)(vii).

2. Because benefits in Tier 2 that are suspended are not protected by an Employer, and because, unlike Tier 1 benefits, Tier 2 benefits are not required to be reduced to the maximum extent permitted, the Trustees have determined that it would not be appropriate to reduce Tier 2 benefits to the maximum extent permitted.

3. However, in light of the 3-Tiered sequential method of applying suspensions under ERISA §305(e)(9)(D)(vii), the Trustees have determined that it would be appropriate to apply suspension rules to Tier 3 benefits that are in some respects more favorable than those applied to Tier 2 benefits.

4. As a result, for participants with at least 20 years of Contributory Service Credit, the Trustees' proposed suspension plan would suspend benefits allocated to Tier 3 by no more than 40%, while similarly situated Tier 2 benefits may be suspended by no more than 50% of their present level. This lower cap on suspension for Tier 3 benefits mitigates benefit losses for Tier 3 benefits and increases the suspensions experienced by Tier 2 participants correspondingly.

E. Rationale for reducing the future rate of benefit accrual to 0.75%

1. As indicated above, under the proposed suspension plan the Trustees have reduced the rate at which future benefits will be accrued, as of the July 1, 2016 suspension effective date, to 0.75% of Contributions (reduced from the current accrual rate of 1%).

2. The Trustees are mindful of the need to retain the continued support of active participants for the Fund, and of the burdens felt by active participants in the past as a result of benefit adjustments and other measures the Trustees were required to implement in order to protect the financial condition of the Fund. For example, even under the current

accrual rate of 1 percent of Contributions, $0.50 of every dollar contributed on behalf of active participants is allocated to the Fund's legacy costs, rather than to the payment of the normal pension costs associated with the active participant on whose behalf the contribution has been made.

3. However, with respect to the protection of previously accrued benefits, the proposed suspension plan generally places the active participants on an equal footing with retirees, and in a better position than terminated participants, except for terminated participants with 20 or more years of Contributory Service Credit (whose accrued benefits are protected to the same extent as -- not more than -- those of active participants, regardless of the amount of Contributory Service Credit earned by the active participants).

4. In light of these considerations, and in light of the requirement that a MPRA suspension plan include suspensions large enough to enable the Fund to avoid a projected insolvency (but not materially larger than is necessary to do so), the Trustees have determined that a reduction of the future accrual rate to 0.75% is necessary in order to comply with the MPRA requirements relating to the avoidance of insolvency, while still providing a rate of future benefit accrual that is still reasonably attractive. Thus the Trustees have determined an accrual rate significantly lower than 0.75% (for example, a 0.50% accrual) would risk a serious erosion of support for the Plan among active participants.

5. For example, an active participant who is 55 years old and has a pre-suspension benefit entitlement of $1,700 per month reduced to $1,150 per month after the suspension effective date, may wish to continue to work in Covered Service for an

additional ten years (*i.e.,* until age 65). If contributions are made on his behalf at the NMFA rate of $342 per week during this ten year period, each year he will add $133.38 to his monthly pension benefit upon retirement ($342 per week x 52 weeks x 0.75% = $133.38). Therefore, after ten years he will have added $1,333.80 to his initial suspended pension entitlement of $1,150 per month, for a total benefit of $2,483.80 per month (or $29,805.60 per year) on retirement at age 65. The average salary of an NMFA Teamster is approximately $50,000 per year, and so this projected pension of nearly $30,000 per year under the suspension plan would be sufficient to replace the majority of the average NMFA salary.

6. It is true that the NMFA contribution rate of $342 per week is very nearly the highest contribution rate presently paid to the Fund, and the average contribution rate (exclusive of the Distressed Employer rate paid by YRC) is $220 per week. At this contribution rate, the 0.75% accrual rule under the suspension plan will add approximately $85 to a participants monthly pension benefit for every year of Covered Service. However, in general bargaining units with lower pension contribution rates also receive lower wage packages. As a result, the lower pension amounts produced by lower contribution rates are also likely to result in reasonably attractive pensions at the 0.75% accrual rate, because the lower pensions will be replacing lower levels of pre-retirement wages.

7. In addition, because the suspension plan assumes that certain contribution rate increases will be made in the future -- including rate increases from NMFA Employers whose rates are presently capped -- the “percent of contributions” formula, when applied to the increased contribution rates, will result in higher pension accruals. Those contribution

rate increases were not factored into the illustration of the impact of the 0.75% accrual rate set forth in Paragraph 5 above, and therefore that illustration conservatively estimates the pension benefits that would be accrued in the future.

F. <u>Calculation of PBGC Guaranteed Benefits / Interpretation of the Plan in light of the "Year of Credited Service" concept.</u>

1. Participants and beneficiaries may not have their benefits reduced under a suspension plan to a level that is below 110% of the amount of the PBGC guarantee that would apply to the benefit. ERISA § 305(e)(9)(D)(i).

2. The PBGC multiemployer plan benefit guarantee formula is described in ERISA § 4022A and is summarized below:

- 100% of the first $11 of the monthly pension rate,
- plus 75% of the next $33 of the monthly rate,
- multiplied by the participants "*years of credited service".*

(Emphasis added.)

3. Section 4022A(c)(3) of ERISA defines the concept of a "year of credited service" as follows:

> (A) a year of credited service is a year in which the participant completed-
>
> (i) a full year of participation in the plan, or
> (ii) any period of service before the participation which is credited for purposes of benefit accrual as the equivalent of the full year of participation;
>
> (B) any year for which the participant Is credited for purposes of benefit accrual with a fraction of the equivalent of a full year of participation shall be counted as such in a fraction of the year of credited service; and

(C) years of credited service shall be determined by including service which may otherwise be disregarded by the plan under section 411(a)(3)(E) or title 26.

4. As noted, the Central States Pension Fund employs two principal forms of retirement benefit:

a) a Contributory Service Pension, which depends on years of Contributory Service Credit, with 40 weeks of Contributory Service Credit in a calendar year -- 35 weeks prior to 1976 -- required to earn one full year of Contributory Service Credit, while 20 weeks are currently required to earn a fraction of a year (*i.e.,* ½ year) of Contributory Service Credit; and

b) a Contribution-Based Pension, or Accrued Benefit ("percent-of-contributions") Pension, which depends on the dollar amount contributed on behalf of the participant, and thus provides credit for *all* periods during a given calendar year in which contributions are owed on behalf of a participant.

5. The Fund's Plan Document itself does not define a "year of credited service," and therefore the Trustees must interpret and apply the Plan Document in light of the "years of credited service" concept.

6. The Trustees have determined that a "year of credited service" should have the following meaning in the context of the Pension Fund's Plan Document:

a) a full year of credited service is granted to a participant for purposes of the PBGC guarantee formula for every calendar year in which a participant

earned at least 40 weeks of Contributory Service Credit (or at least 35 weeks for years prior to 1976, at which time the Plan Document defined a year of Contributory Service Credit as a plan / calendar year in which 35 weeks of Contributory Service credit is earned, rather than 40 weeks);

b) Non-Contributory Credit to which a participant may be entitled is only counted towards the "years of credited service" determination to the extent it actually increases the participant's accrued benefit under the Plan Document;

c) a fractional year of credited service (with 40 weeks -- or 35 weeks for years prior to 1976 -- as the denominator of the fraction) should be granted for all periods during each calendar year in which a participant worked in Covered Service or had contributions made on his behalf for fewer than 40 weeks (or 35 weeks, prior to 1976), but no additional fractional year of credited service should be given for periods worked in any plan / calendar year in excess of 40 weeks;

d) with respect to reciprocal pensions, participants should only be granted a year of credited service for years or periods during which contributions were actually made to the Central States Pension Fund on their behalf, and not for the combined years of service credit between the reciprocating plans that are used as the basis for determining the participants' eligibility for a particular type of Contributory Service Pension (*e.g.,* for a 30-and-out Pension); and

e) if a participant has incurred a Break-in-Service that resulted in negating pension credit earned prior to the Break-in-Service, none of the pre-Break-in-Service years should be counted as a year of credited service.

7. Therefore, the Trustees determined that although the Plan Document does not expressly address the statutory concept of a “year of credited service,” the application of that term in the context of the Plan Document as described in paragraph 6 above is a fair and reasonable interpretation.

G. Tier 1 determinations for withdrawn Employers.

1. United Parcel Service, Inc. (“UPS”) withdrew from the Pension Fund at the end of 2007 and satisfied its then existing withdrawal liability in full pursuant to an agreement with the Fund.

2. Under the terms of the IBT / UPS, Inc. Pension Plan, and the terms of various collective bargaining agreements entered between UPS and affiliates of the International Brotherhood of Teamsters, UPS has guaranteed payment of certain benefits owed by the Fund to UPS employees who (a) were active with UPS in Covered Service at the time of the UPS withdrawal from the Fund, or (b) were not retired at the time of the UPS withdrawal, but earned their last Hour of Service with the Fund (prior to the UPS withdrawal) while employed by UPS (collectively the “UPS Guarantee Group”); this commitment by UPS to the UPS Guarantee Group includes a guarantee of their Central States benefits against a reduction “as a result of the financial status of the Plan,” within the meaning of ERISA § 305 (e)(9)(D)(vii)(bb).

3. Therefore the Trustees have determined that the requirements of ERISA § 305(e)(9)(D)(vii)(I)-(III), including those setting forth the three categories or “Tiers” of benefits that may be subject to suspension, are applicable to the Fund.

4. Under these requirements setting forth the three Tiers of benefit suspensions, ERISA § 305(e)(9)(D)(vii)(I) first requires that the Fund identify those Contributing Employers that “failed to pay (or [are] delinquent with respect to paying) the full of amount of [their] withdrawal liability under section 4201(b)(1) [of ERISA] or an agreement with the [Fund].”

5. To accomplish this task, the Fund began by compiling lists of all withdrawal liability assessments approved by the Board of Trustees during each year since the Fund’s withdrawal liability program began (1981 - present).

6. These lists were organized by the year of assessment and included the following general information to the extent it is available in the Minutes of the Board of Trustees Meetings: (a) assessment approval date; (b) controlling entity of the withdrawn Employer; (c) withdrawn (formerly participating) Employer; (d) location of withdrawn Employer, (e) withdrawal date, (f) withdrawal type (*e.g.,* partial or complete); (g) assessment amount; (h) assessment payment terms; (i) reason for assessment; (j) assessment number and (k) the terms of withdrawal liability settlements approved by the Board of Trustees(collectively this data formed the “Historical Record”).

7. To the extent possible, the Fund supplemented and verified the Historical Record obtained from the Board Meeting Minutes with the Withdrawal Liability Monthly Operating Reports. These reports were produced each month from the commencement of

the Fund's withdrawal liability collection program in 1981 through December 31, 2014. Each Monthly Operating Report generally identified, for each withdrawal liability assessment that was open, unresolved or not fully paid during the month the Report was prepared, the net assessment, cash received, any applicable write-off amounts and the outstanding principal balance.

8. Other resources used to supplement or verify the Historical Record were the withdrawal liability settlement agreements maintained in the Fund's Executive Records Department, Legal Department files concerning withdrawal liability matters and the historical withdrawal Employer files maintained by the Withdrawal Liability Department (with respect to *closed* withdrawal liability matters, these historical files have generally only been retained for the period from 1996 to the present.)

9. With regard to open or unresolved withdrawal liability assessments, the Staff referred to *current* Employer withdrawal files.

10. Staff then utilized data concerning withdrawal liability collections and settlements gathered from the sources described above, and after consultation with the Fund's Legal Department and outside counsel, made the determination that each Contributing Employer that has undergone a complete withdrawal from the Fund (other than UPS) should be assigned to either Tier 1 (ERISA § 305(e)(9)(D)(vii)(I)) or Tier 2 (§ 305(e)(9)(D)(vii)(II)). In making these determinations, Staff employed the following criteria:

a) If the principal amount indicated on the face of the assessment was paid in full, the Employer was assigned to Tier 2.

b) Even if the full principal amount stated in the assessment was not paid, the Employer was assigned to Tier 2 if, after application of the statutory adjustments listed in ERISA § 4201(b)(1) (*i.e., de minimis* adjustment under § 4209, prior partial withdrawal credit under § 4026, the 20 year limitation on the withdrawal liability payment schedules under § 4219(c)(1)(B) and the § 4225 limitations), the assessment was paid in full.

c) If the Employer fully paid a stipulated amount pursuant to a withdraw liability settlement agreement that settled and satisfied the entire controlled group's liability for a complete withdrawal assessment, the Employer was also assigned to Tier 2.

d) All other withdrawn Employers were assigned to Tier 1.

I. <u>Allocation of benefits to the MPRA Tiers.</u>

1. A number of participants have earned benefits under the Plan with two or more Contributing Employers that have been assigned to different MPRA Tiers.

2. In those circumstances, it is necessary to allocate the total benefit earned by a participant between two or more Employers.

3. The Trustees have determined that a participant's total benefit should be allocated among different Contributing Employers that have been assigned to different MPRA Tiers on the basis of the contributions made by each Employer on behalf of the participant.

4. In making this determination, the Trustees have been advised that under federal pension law, contributions paid by an employer on behalf of participants in a

multiemployer pension plan form a fair basis for allocating benefits earned by the participants.

5. Moreover, the Fund has conducted testing to compare the impact of benefit allocations to Employers made on the basis of the amounts of contributions paid by each Employer to the Fund on behalf of individual participants (on the one hand), with allocations made by attempting to specifically determine, on a case-by-case basis, how much of a participant's total benefit under the Plan Document has been earned with each Employer (on the other). This testing used a random sample of 200 participants, all of whom have worked for both Tier 1 and Tier 2 employers, and therefore have some benefits that are subject to the suspension rules applicable to each of these Tiers. The testing focused on any differences produced by the two allocation methods in the suspension levels under hypothetical suspension plans that reduced Tier 1 benefits to the maximum extent (110% of the PBGC guarantee benefit, as MPRA requires), and reduced Tier 2 benefits in a range between 115% and 130% of the PBGC guarantee. At the "130%-of-PBGC-guarantee" suspension level, there was an average discrepancy of only $1.31 per month between the post-suspension benefit amounts resulting from the two methods of allocating total benefits between the Tier 1 and Tier 2 for the 200 participants in the sample.

6. In addition, the Trustees have determined that because of the way the Fund's records are maintained, it would not be a prudent, practical or reasonable expenditure of the Funds resources to attempt to allocate portions of a participant's total

benefit earned under the Plan Document to each Contributing Employer in any way other than by tracking the contributions paid by the Employer on behalf of the participant.

7. Further, the Trustees have determined that an expensive and time-consuming manually conducted, case-by-case effort to allocate benefits of particular employees would not yield more accurate results. The Plan Document rules were intended to calculate a total benefit on the basis of a participant's total work history, and those rules do not provide a mechanism to value benefits earned with individual contributing employers earned in connection with isolated segments of a participant's service history. For example, with regard to a participant who has earned a "30 and-out" Contributory Service Pension benefit over the course 30 years of Contributory Service, the early years of service of the participant looked at in isolation may appear less valuable than when considered in the context of the participant's entire service history. This issue might be resolved by allocating the requisite Contributory Service Credit evenly among all Contributing Employers for whom the participant worked over the course of his 30 years of service under the Plan on the basis of the amount of time spent working in Covered Service with each Employer. But this method would be questionable if the participant earned a total of 35 years of Contributory Service credit, and 5 of his first 30 years were earned with a Tier 1 employer. A portion of his "30 and-out" pension (5/30) might be viewed as subject to the Tier 1 rule requiring a maximum suspension, or alternatively, perhaps *no* portion of his 30-and-out pension should be subject to maximum suspensions because he earned a total of 30 years of Contributory Credit with employers outside of Tier

FINDINGS AND DETERMINATIONS RELATING TO THE PROPOSED MPRA SUSPENSION PLAN

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1. Because the answers to questions such as this are not clear under the Plan Document, the Trustees have determined that a manual, case-by-case effort to allocate parts of a total benefit earned under the Plan Document to particular Employers would not yield a more accurate result than an allocation on the basis of contributions. The Plan Document offers no clear answers to such questions because, as noted, it was only intended to indicate the value of a participant's *total* benefit and does not provide a mechanism to value benefits earned with individual Contributing Employers considered in isolation from the participant's entire career in Covered Service under the Plan Document.

8. Therefore, the Trustees concluded that the use of contributions made by the Contributing Employers on behalf of the affected participants is the most reasonable method of allocating benefits among the MPRA Tiers.

Tab A

SOURCE: THOMAS C. NYHAN
MARK ANGERAME
JAMES P. CONDON

SPECIAL MEETING OF THE PENSION BOARD MEETING CONCERNING MPRA
SEPTEMBER 16, 2015

SUMMARY OF TRUSTEES' STUDY AND DELIBERATIONS CONCERNING MPRA AND A POTENTIAL MPRA SUSPENSION PLAN

This Agenda Item is attached as Tab A to the *Findings and Determinations Relating to the Proposed MPRA Suspension Plan* ("*Finding and Determinations*"). The purpose of this *Summary of Trustees' Study and Deliberations* ("*Summary of Trustees' Study and Deliberations*") is to summarize the topics discussed at various meetings held in order to study the Multiemployer Pension Reform Act of 2014 ("MPRA") and to consider benefit suspension plan options under that statute for which the Trustees might seek approval from the U.S. Department of Treasury.

I. December 10, 2014 Meeting

On December 10, 2014, all of the Fund's Trustees met prior to a previously scheduled Trustee Subcommittee Meeting in order to discuss MPRA, which at that time had been passed by both houses of Congress but had not yet been signed into law by President Obama. The following persons were in attendance at the meeting:

Employee Trustees	Employer Trustees	Fund Staff
Charles Whobrey	Arthur Bunte, Jr.	Thomas C. Nyhan
Jerry Younger	Gary F. Caldwell	Mark Angerame
George Westley	Greg R. May	James P. Condon
Marvin Kropp	Ronald DeStefano	

Mr. Nyhan discussed the structure and purpose of various provisions of MPRA with the Trustees, with special emphasis on the benefit suspension provisions of the new law. Mr. Nyhan also outlined a number of areas related to MPRA in which the Trustees would in the future be presented with detailed legal and actuarial analysis.

II. January 13, 2015 Meeting

On January 13, 2015, during the Meeting of the full Board of Trustees of the Pension Fund held on that date, there was a discussion of options relating to MPRA. The following persons were in attendance during the portion of the Meeting that dealt with MPRA:

Employee Trustees	Employer Trustees	Independent Special Counsel
Charles A. Whobrey	Arthur Bunte, Jr.	Hon. David Coar
Jerry Younger	Gary Caldwell	
George Westley	Ronald DeStefano	Groom Law Group
Marvin Kropp	Greg May	Gary Ford
Pension Fund Staff	Segal Consulting	
Thomas C. Nyhan	Steve Rabinowitz	
Mark Angerame	Dan Ciner	
James P. Condon		
John J. Franczyk, Jr.		
Peter Priede		
Fernando Rodriguez		

1. During the MPRA-related portion of the January 13, 2015 Meeting, Gary Ford covered the following topics:

a) Procedural matters leading up to the enactment of MPRA.

b) The ramifications of the new category of "critical and declining" multiemployer plan created under MPRA.

c) The general requirements, steps and measures that a "critical and declining" plan must meet in order to invoke the benefit suspension provisions of MPRA.

d) The limitations (age-based, *etc.*) that MPRA places on any plan of benefit suspensions, and the special "three-Tiered" structure of benefit suspensions

applicable to any Central States suspension plan [*see* ERISA sec. 305(e)(9)(D)(vii).]

e) The necessity for, and role of, a retiree representative as a participant in deliberations and proceedings concerning any MPRA suspension plan.

f) Department of Treasury review of an application for approval of a suspension plan, procedural issues concerning that review and the timing of the final implementation of a suspension plan.

g) The requirements for equitable distribution of any benefit suspensions for which the Trustees may seek approval.

2. Peter Priede and Fernando Rodriguez then discussed and presented documents relating to the complexity of the data collection process needed to consider, study, apply and implement any potential MPRA benefit suspension plan in the context of Central States Pension Fund.

3. Steve Rabinowitz and Dan Ciner of Segal Consulting then made a presentation in which they discussed the relationship between delayed implementation of a suspension plan and the severity of the suspension that would be required in order to avoid a projection of insolvency, along with the following topics:

a) The percentage of total Pension Fund participants in pay status whose pension benefits would be reduced by less than 5% under any suspension plan. (Mr. Rabinowitz estimated this percentage to be approximately 52%).

b) The sensitivity of the Fund's performance under any suspension plan to future investment returns, to initial (pre-suspension) asset values, to mortality assumptions and to other factors.

c) The impact of the longer time horizons associated with the insolvency analysis of a suspension plan (as compared to a pre-suspension insolvency analysis) upon factors (such as increased contribution rates) that might influence the date of the insolvency, or succeed in eliminating a projected insolvency.

4. Thomas Nyhan then addressed the impact on the extent of any potential suspensions of any delay in Treasury's issuance of guidance concerning the requirements for approval of a suspension plan application. Mr. Nyhan and the Trustees also discussed the appointment of a MPRA retiree representative, and the following topics were addressed in that context:

a) Mr. Nyhan and the Trustees reviewed the qualifications and role under MPRA of the retiree representative.

b) The Trustees then considered a number of present or former Trustees who could serve in this capacity.

c) It was noted that Susan Mauren, a retired principal officer of Teamster Local 320, is a retiree of the Pension Fund and has significant experience in representing the interests of multiemployer plan participants.

d) A motion was then made, seconded and unanimously carried to appoint Susan Mauren as the Fund's MPRA retiree representative, subject to further

vetting of Ms. Mauren in connection with an interview to be conducted by Trustee Charles Whobrey and Thomas Nyhan and confirmation of her willingness to serve in this capacity.

[Following the interview referenced above, on January 18, 2015 Susan Mauren was offered the retiree representative position and confirmed her acceptance of that position in writing.]

III. February 3, 2015 Meeting

On February 3, 2015 there was a Meeting to discuss MPRA options attended by the following persons:

Employee Trustees
Charles Whobrey
George Westley

Employer Trustees
Arthur Bunte
Ronald DeStefano

Pension Fund Staff
Thomas Nyhan
Mark Angerame
James Condon
John Franczyk
Peter Priede
Fernando Rodriguez

Groom Law Group
Gary Ford
Lars Golumbic

Segal Consulting
Steve Rabinowitz (via Telephone)
Dan Ciner

Counsel for Retiree Representative
Pamela Nissen

1. At the February 3, 2015 Meeting, Gary Ford of the Groom Law Group discussed the following topics:

a) The history of various failed legislative efforts prior to the enactment of MPRA to assist the many troubled multiemployer plans throughout the United States by providing federal funding to protect those plans and/or to increase funding of the Pension Benefit Guarantee Corporation.

b) The new category of "critical and declining" status created under MPRA.

c) The benefit suspension options available under MPRA for critical and declining plans.

d) The substantive limitations and conditions placed on any MPRA suspension plan, and the special circumstances applicable to a Central States suspension plan, *e.g.,* the three-Tiered structure of benefits under ERISA § 305(e)(9)(D)(vii).

e) Procedural requirements concerning the approval and implementation of any suspension plan proposed by the Trustees, including the amount of time required to complete agency (U.S. Department of Treasury, "Treasury") review, and gain final approval of a benefit suspension plan.

f) Procedural matters relating to a MPRA application filed with Treasury, and potential legal challenges to a benefit suspension plan.

g) Factors that could cause an acceleration of the Fund's currently projected date of insolvency (2026).

h) Legal consequences and inferences relating to the current actuarial estimate prepared by Segal Consulting showing that, as a result of the various statutory limitations on benefit suspensions created under MPRA, and undercurrent assumptions and asset values, approximately 50% of the Fund's participants in pay status would not have their current benefits reduced at all under a MPRA suspension plan.

2. Pension Fund Staff members Peter Priede and Fernando Rodriquez then discussed the following topics:

a) Calculation of the "110% of PBGC guarantee" limit on the amount of any MPRA suspensions under ERISA § 4022A and the application of the concept of "year of credited service" under ERISA § 4022A in making those calculations.

b) The need for further analysis of the application of the MPRA "three-Tiered" provisions to Central Sates participants and calculations with respect to the application of the various MPRA limitations and analysis of the rules concerning suspensions to Qualified Domestic Relations Orders (QDROs) and other benefit types under the Plan.

3. Steve Rabinowitz and Dan Ciner of Segal Consulting then discussed (and presented schedules) concerning the following topics:

a) The impact of delays in implementing any plan of benefit suspensions (*i.e.,* delays in implementing suspensions generally will cause the average suspension amounts to grow larger, and a delay in implementation much beyond July 1, 2016 substantially increases the risk that any MPRA suspension plan will be unable to achieve the goal of avoiding projected insolvency).

b) The impact of various hypothetical changes in contribution rates, minimum retirement age, attrition rates (*i.e.,* rates of loss of active participants and declines in contribution revenue), future rates of benefit accruals and other

factors could have on the scope of the benefit suspensions required to avoid the current projection of insolvency, and the impact of the suspensions on various classes of participants.

4. The Trustees then discussed various considerations that should guide the equitable distribution of any benefit suspensions. The Trustees also directed Segal to continue to model suspension plans utilizing a wide range of hypotheticals that that will allow the Trustees to better understand the sensitivity of the scope of the suspensions to various changes in the plan design and in the underlying assumptions.

IV. February 17, 2015 Meeting

On February 17, 2015 an additional Meeting was held to discuss MPRA suspension options. The following individuals were in attendance at that meeting:

Employee Trustees
Charles A. Whobrey
George Westley

Employer Trustees
Arthur Bunte, Jr.
Ronald DeStefano

Pension Fund Staff
Thomas C. Nyhan
Mark Angerame
James P. Condon
John J. Franczyk, Jr.
Peter Priede
Fernando Rodriguez

Segal & Consulting
Steve Rabinowitz
Dan Ciner

Groom Law Group
Gary Ford
Lars Golumbic

Retiree Representative and Counsel
Sue Mauren
Peter Rosene
Pamela Nissen

Independent Special Counsel
Hon. David H. Coar

1. Gary Ford reviewed the substantive and procedural issues previously discussed at the February 3, 2015 Meeting pertaining to any MPRA plan of benefit suspensions for which the Pension Fund may seek approval from the Department of Treasury, and also addressed the following topics:

a) The extent to which MPRA imposes an affirmative legal duty upon the Trustees to seek approval of a suspension plan.

b) Issues relating to the MPRA requirement that a proposed plan of benefit suspensions be projected to avoid an insolvency of the Fund, but must not impose suspensions that are materially greater than are necessary to achieve that goal.

c) The role of a retiree representative and the scope of the Fund's obligation to pay expenses incurred by the retiree representative.

d) The extent to which the implementation of any plan of MPRA suspensions should be supported by evidence that the Trustees have taken and are continuing to take all reasonable measures to avoid a Plan insolvency.

e) Issues relating to the equitable distribution of benefit suspensions under any MPRA suspension plan for which approval and implementation might be sought, as well as the special "three-Tiered" structure of benefit suspensions applicable to the Pension Fund.

f) Issues concerning the allocation of benefits to each of the three Tiers that are applicable to the structure of any benefit suspension plan for which the Central States Trustees may seek approval.

g) The impact of U.S. Department of Treasury's guidance and request for comments concerning MPRA issued on February 12, 2015 on the form, substance and timing of any plan of benefit suspensions for which the Trustees may seek approval.

SUMMARY OF TRUSTEES' STUDY AND DELIBERATIONS CONCERNING MPRA AND A POTENTIAL MPRA SUSPENSION PLAN

2. Susan Mauren, retiree representative, then emphasized her commitment to advocate the interests of the retirees and terminated participants, and to independently communicate with this group of participants; she also urged that consideration be given to liberalizing the Fund's restricted reemployment rules for participants whose benefits are subject to suspensions.

3. Peter Priede and Fernando Rodriquez of the Pension Fund's Staff then made presentations in which they distributed and discussed schedules and other documents relating to the following topics:

a) Practical considerations related to the application of the MPRA "three-Tiered" structure of benefit suspensions to the Pension Fund's special circumstances.

b) The percentage of withdrawal liability paid by various employers, either pursuant to the withdrawal liability statute or under an agreement with the Pension Fund.

c) With reference to the three-Tiered structure of suspensions applicable to the Fund, the Staff's review of employer files in order to determine which employers have failed to pay their withdrawal liability in full either (i) pursuant to the withdrawal liability statute or (ii) pursuant to an agreement with the Fund.

d) The use of contributions paid on behalf of each participant by each employer in each of the three MPRA Tiers as a basis for allocating each participant's total benefit among the Tiers.

4. Steve Rabinowitz and Dan Ciner of Segal Consulting then distributed and discussed schedules and related documents concerning the following topics:

a) Continued analysis of the impact of a range of hypothetical benefit suspension plans on various categories of participants (retirees, actives, terminated participant) under various assumptions concerning future contribution rates, minimum retirement ages, future benefit accrual rates, and potential expansions of age protections or other limitations on suspensions mandated under MPRA.

b) The impact of hypothetical variations in a suspension plan based upon each of the 11 factors listed in MPRA that may be considered by the Trustees in the effort to equitably distribute the suspensions [*see* ERISA § 305(e)(9)(D)(vi)(I-XI)].

c) Projections concerning the long-term impact on the market value of the Fund's assets under a range of assumed suspension plans.

d) The process of determining a reasonable rate of return assumption applicable to the analysis of the projected impact on the Fund's solvency under a MPRA suspension plan.

e) The sensitivity of long-term asset values to investment returns in the initial years of implementation of any suspension plan.

f) The impact of varying the amount of any suspension based upon the percentage of withdrawal liability paid by the participant's employer.

g) The impact of a general rule (subject to statutory limitations and requirements) that would base the suspensions upon the amount of contributions paid by employers on behalf of each participant.

h) An analysis of the impact on the present value of the accrued benefits of the general population of the Fund's participants and beneficiaries under a range of suspension plan options, as compared to a scenario in which the Fund proceeds without a suspension plan, becomes insolvent in 2026 (as presently projected) without the support of the PBGC guarantee payment due to the insolvency of that agency's guarantee fund.

5. The Trustees in attendance at the February 17, 2015 Meeting expressed a preference for a general rule (applicable except where MPRA requirements and limitations are controlling) that would base each participant's post-suspension benefit on the total amount of contributions paid on behalf of each participant by Contributing Employers. The Trustees directed the actuary to continue its working in modeling suspension plans utilizing that rule.

6. Thomas Nyhan then discussed the issue of the timing of communications to participants concerning the possibility that the Trustees may seek approval of a MPRA suspension plan, and the need for additional actuarial analysis of the impact of expanding the existing limitations on suspensions built into MPRA and/or supplementing those protections with new limitations on suspensions that might be considered by the Trustees.

V. March 4, 2015 Meeting

On March 4, 2015, an additional Meeting was held to discuss MPRA suspension options. The following individuals were in attendance at that meeting:

Employee Trustees	Employer Trustees
Charles A. Whobrey	Arthur Bunte, Jr.
George Westley	Ronald DeStefano
Marvin Kropp	Gary Caldwell
	Greg May

Pension Fund Staff	Segal Consulting	Groom Law Group
Thomas C. Nyhan	Steve Rabinowitz	Gary Ford
Mark Angerame	Dan Ciner	Lars Golumbic
James P. Condon		
John J. Franczyk, Jr.	**Retiree Representative and Counsel**	
Peter Priede	Sue Mauren (Retiree Representative)	
Fernando Rodriguez	Peter Rosene (Legal Counsel)	
	Pamela Nissen (Legal Counsel)	

1. Thomas Nyhan began the Meeting by discussing Treasury's recent request for comments concerning guidance and regulations to be issued under MPRA, and issues relating to the amount of time necessary to develop and receive approval of a plan of benefit suspensions.

2. Gary Ford then reviewed a number of legal issues under MPRA that he had discussed in prior meetings, and also discussed the following topics:

   a) Whether "critical and declining" plans would be *required* to seek approval of a suspension plan.

   b) The requirements and conditions that must be met by a MPRA suspension plan, and the limitations on suspensions imposed by the statute.

   c) Efforts that may be made to secure expedited review by Treasury of any application for approval of a MPRA suspension plan, as opposed to a review

that consumes the maximum time permitted under the statute to complete such a review.

3. Steve Rabinowitz of Segal Consulting then made a presentation during which he distributed and discussed schedules and related materials concerning the following topics:

a) New modeling of suspension plans that applied post-suspension benefits based on various percentages of the total contributions received on behalf of each affected participant; the percentage of contribution used to determine post-suspension benefits varied based upon the class of the participant, *e.g.,* actives, retirees and terminated participant.

b) The sensitivity of any "point-of-no-return" analysis (meaning a determination of the point in time at which, due to the statutory limitations of benefit suspensions, it is no longer possible to project that *any* MPRA suspension plan will avoid a projected insolvency) to a variety of assumptions, *e.g.,* assumptions concerning the attrition of active participants, future contribution revenue and investment returns.

c) Modeling of hypothetical suspension plans with hypothetical contribution rate increases of 2.5% above those currently required under the rehabilitation plan and with future benefit accrual somewhat lower than provided under the current Plan Document and other hypothetical plan design changes applicable to future benefit accruals.

4. The March 4, 2015 Meeting concluded with a discussion among the Trustees and the Retiree Representative concerning (a) the paramount need for fairness in fashioning

any suspension plan, and (b) a recognition that in general exempting any class of participants in an effort to avoid undue hardship often tends to shift the hardship to other participants. The Trustees also noted the need to continue to further refine and narrow options relating to the structure of a potential suspension plan.

VI. April 14, 2015

On April 14, 2015 another Meeting to discuss MPRA suspension options was held. The following persons were in attendance at that Meeting:

Employee Trustees
Charles A. Whobrey
George Westley
Marvin Kropp
Bill Lichtenwald

Employer Trustees
Arthur Bunte, Jr. - via phone link
Gary Caldwell
Ronald DeStefano
Greg May

Retiree Representative and Counsel
Sue Mauren - via phone link
Pamela Nissen

Independent Special Counsel
Hon. David H. Coar

Pension Fund Staff
Thomas C. Nyhan
Mark Angerame
James P. Condon
John J. Franczyk, Jr.
Peter Priede
Fernando Rodriguez

Segal Consulting
Steve Rabinowitz- via phone link
Dan Ciner

Groom Law Group
Gary Ford
Sarah Zumwalt - via phone link

1. Gary Ford began the Meeting by discussing the following topics:

   a) Issues relating to the application of various hypothetical suspension formulas to each of the three MPRA Tiers that must be considered in any Central States suspension plan.

   b) Issues relating to the timing of filing an application for approval of a suspension plan and to the procedure for review of the application.

c) The methods for determining, with respect to the MPRA Tier analysis, whether an employer has failed to pay its withdrawal liability in full (either pursuant to the withdrawal liability statute or pursuant to an agreement with the Fund).

d) Interpretation of the statute with respect to the level of suspensions applied to participants and benefits allocated to each Tier.

e) The method for determining a "year of credited service" as that term is used in ERISA § 4022A (relating to the calculation of the PBGC guarantee amount) and as applied to the Central States Plan.

f) The form of notice to participants and beneficiaries of the filing of an application for approval of a suspension plan.

g) The possibility of suspensions based upon future events, *i.e.,* future contingent suspensions.

h) The point in time at which the age of a participant or beneficiary should be measured for purposes of the age-based protections under the MPRA suspension rules.

i) Procedures related to claims that an approved and implemented suspension plan has not been correctly applied to the facts and circumstances of a particular participant or beneficiary.

j) Efforts required obtaining correct addresses or other contact information for participants and beneficiaries so that notices can be delivered to them.

SUMMARY OF TRUSTEES' STUDY AND DELIBERATIONS CONCERNING MPRA AND A POTENTIAL MPRA SUSPENSION PLAN

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2. Steve Rabinowitz and Dan Ciner then distributed and discussed schedules and documents concerning the modeling of suspension plans under various assumptions, and addressed the following topics:

a) A review of the prior modeling and analyses of hypothetical suspension plans previously presented to the Trustees. Mr. Rabinowitz noted that this prior modeling included a review of hypothetical applications of the 11 factors referenced in the MPRA suspension rules [ERISA sec. 305(e)(9)(D)(vi)(I-XI)] that the Trustees may consider as part of the requirement for equitable distribution of the suspensions, an analysis of the sensitivity of insolvency projections to investment returns and other factors, and the impact of possible changes to the Rehabilitation Plan schedules concerning contribution rates and future accrual rates.

b) Further analysis of the impact under various assumptions of a general rule that bases suspensions upon percentages of the total contributions paid into the Fund on behalf of each participant.

c) New (4/14/2015) modeling that is based on updated service history, contributions etc. through December 31, 2014, updated the "Tier" analysis and other updated data concerning calculations of the maximum allowable suspensions for various participants (110% of the PBGC guarantee amount).

d) New modeling that also provides illustrations of the impact of gradually changing the retirement age rules relating to early retirements to early retirement from age 62 with 20 years of Contributory Service to age 65.

e) An analysis of the impact of expanding the age 75-80 protections mandated under MPRA and limiting the suspensions that would otherwise be imposed on other categories of participants and beneficiaries (*e.g.,* surviving spouses).

3. Peter Priede and Fernando Rodriquez then distributed and discussed various documents relating to the assembly of participant data necessary to develop and implement a suspension plan, including a two page document illustrating the complexity of calculations required to determine suspension amounts for each participant affected by a suspension plan [*e.g.,* calculation of each participant's (i) pre-suspension benefit amount; (ii) maximum allowable suspension (110% of the participant's PBGC guaranteed benefit); (iii) total benefits to be allocated to the appropriate MPRA tier (where applicable); (iv) total participant contributions (under the assumption that any suspensions would in general be based upon a percent of contribution); and (v) the effect on the participant of any applicable statutory limitations (age and disability) and of other hypothetical factors and limitations that the Trustees may wish to build into the Funds' suspension Plan.

4. The Trustees then generally indicated continued support for a suspension plan that bases post-suspension benefits upon the total amount of the contributions paid into the Fund on behalf of each participant. However, the Trustees also indicated that the fairness of this methodology would be improved by placing an overall cap on the maximum suspension

that certain participants could receive, or through other mechanisms to smooth or distribute the impact of the benefit reductions.

VII. April 15, 2015 Meeting

On the April 15, 2015 there was a Meeting held to follow-up on some of the issues discussed at the April 14 Meeting. The following persons were in attendance at the April 15 Meeting:

Employee Trustees
Charles A. Whobrey
George Westley
Bill Lichtenwald

Employer Trustees
Arthur Bunte, Jr. - via phone link
Gary Caldwell
Ronald DeStefano
Greg May

Pension Fund Staff
Thomas C. Nyhan
Mark Angerame
James P. Condon
John J. Franczyk, Jr.
Peter Priede

Independent Special Counsel
Hon. David H. Coar

At the April 15 Meeting, the Trustees in attendance discussed whether, and to what degree, the age protections mandated by MPRA should be expanded under any suspension plan they may approve, and the issue of whether the "percent-of-contribution" suspension formula should be varied based upon the status of the participant (*e.g.,* active versus terminated participant, or upon the amount of Contributory Service Credit accumulated by the participant).

VIII. May 20, 2015 Meeting

On May 20, 2015, an additional Meeting was held to consider options concerning a MPRA suspension plan. The following persons were in attendance at that Meeting:

SPECIAL MEETING OF THE PENSION BOARD MEETING CONCERNING MPRA
SEPTEMBER 16, 2015

SUMMARY OF TRUSTEES' STUDY AND DELIBERATIONS CONCERNING MPRA AND A POTENTIAL MPRA SUSPENSION PLAN

Employee Trustees
Charles A. Whobrey
George Westley
Bill Lichtenwald

Employer Trustees
Arthur Bunte, Jr.
Gary Caldwell
Ronald DeStefano
Greg May

Retiree Representative and Counsel
Sue Mauren
Pete Rosen
Pamela Nissen

Segal Consulting
Steve Rabinowitz
Dan Ciner

Pension Fund Staff
Thomas C. Nyhan
Mark Angerame
James P. Condon
John J. Franczyk, Jr.
Peter Priede
Fernando Rodriguez
Pamela Burkhardt

Groom Law Group
Gary Ford

Also in attendance via phone-link for a portion of the meeting
Bill McInturff (Public Opinion Strategies, POS)
Micah Roberts (POS)
Rick Jasculca (Jasculca Terman)

1. The Meeting began with a presentation by the representatives of POS and Jasculca Terman, who explained their efforts, through participant interviews, to ascertain the best methods of communicating with the Fund's participants and beneficiaries concerning MPRA and any suspension plan that the Trustees may approve. This presentation included a discussion of the Fund's April 6, 2015 mailing to participants concerning MPRA options and of POS's finding that the Fund's participants and beneficiaries were best reached by direct mailings.

2. Pamela Burkhardt then discussed the most frequently asked questions posed by participants in response to the Fund's April 6, mailing and the Fund's efforts to respond to those questions through post-card acknowledgements and the special MPRA website it has established.

3. Gary Ford then reviewed the Groom Law Group's request for guidance recently submitted to Treasury.

4. Steve Rabinowitz and Dan Ciner then distributed and discussed additional suspension plan scenarios and covered the following tropics:

a) A review of the prior modeling of suspension scenarios, which included an analysis of (i) the impact of hypothetical applications of the 11 "equitable distribution factors" listed in MPRA as considerations that the Trustees may apply in fashioning an equitable distribution of suspensions, (ii) the impact of various assumptions (*e.g.,* investment return assumptions) upon any proposed suspension plan and the ability of the plan to avoid a projected insolvency, and (iii) illustrations of the impact of a general rule in which benefits would be suspended by providing post-suspension benefits based on 1.0% of contributions for active and retired participants and 0.5% of contributions for certain terminated participants.

b) A review of new (5/20/2015) modeling that includes (i) updated Tier allocation data provided by the Fund's Staff, (ii) updated assumptions concerning future contribution rate increases for certain employers whose contribution rates are presently capped or frozen under the Rehabilitation Plan, (iii) reduction of the future benefit accrual rate from 1.0% of contributions to 0.75%, and (iv) gradual changes (over a five year period) in the age at which the early retirement subsidy would be available (from age 62 to 65).

c) The fact that the new (5/20/2015) modeling includes several additional changes from the prior modeling:

- 0.5%-of-contributions suspension applies to terminated participants and fewer than 20 years of Contributory Service Credit as of the effective date of the suspensions;
- Extended age protection phase-in only applies to participants with at least 20 years of Contributory Service Credit (not below age 70); and
- A cap on the maximum percentage of benefit suspension for non-Tier I benefits for participants with at least 20 years of Contributory Service Credit.

5. The Trustees then tentatively indicated their preference for a suspension plan that would generally base non-Tier 1 benefits upon a formula that would give each participant a mostly pension benefit equivalent to 1% of the total contributions paid to the Fund on his benefit, except that terminated participants with fewer than twenty years of Contributory Service Credit would receive a mostly benefit based up on 0.5% of contributions.

6. The Trustees also noted that some participants who are not impacted by the Tier 1 statutory requirement for maximum benefit reductions currently have benefits that are relatively high in comparison to the amount of contributions paid to the Fund on their behalf. The Trustees noted that this usually occurs due to the historical existence of "cliff" benefits under the Fund's Plan Document, and those of many other multiemployer plans. (Under a cliff benefit, a participant may be able to qualify for an improved benefit class even though he has had only a few weeks of contributions made at the rate required for the new and improved class.) The Trustees generally indicated that in order to reduce the potentially

disproportionate impact of the "percent-of-contributions" suspension formula on recipients of "cliff" benefits (and on others who might be subjected to severe benefit reductions under the "percent-of-contribution" formula), they are inclined to include in the suspension plan a "cap" or limit on the maximum percentage by which any pension benefit would be reduced. The Trustees also discussed the possibility of making distinctions in the amount of protection afforded by the cap on benefit reductions based upon whether the benefits in questions have been assigned to Tier 2 or Tier 3.

IX. July 14, 2015 Meeting

On July 14, 2015 an additional Meeting was held to discuss MPRA suspension options. The following individuals were in attendance at the Meeting:

Employee Trustees	Employer Trustees	Independent Special Counsel
Charles A. Whobrey	Arthur Bunte, Jr.	Judge David Coar
Marvin Kropp	Gary F. Caldwell	
George Westley	Greg R. May	Retiree Representative & Advisors
William Lichtenwald	Ronald DeStefano	Sue Mauren (via Phone)
		Pamela Nissen
Pension Fund Staff	Groom Law Group	Peter Rosen
Thomas Nyhan	Gary Ford	Jay Egelberg (Actuary)
Mark Angerame	Lars Golumbic	
James Condon		
John Franczyk	Stout Risius Ross	Segal Consulting
Fernando Rodriguez	Scott Livine (via phone)	Steve Rabinowitz
		Dan Ciner

1. Scott Levine of the financial consulting firm Stout Risius and Ross began the Meeting (as it relates to MPRA issues) by discussing a report that he had prepared concerning the reasonableness of the contribution rate increases that are either currently scheduled under the Fund's rehabilitation plan, or have been proposed as potential future requirement under the rehabilitation plan schedules. Mr. Levine noted that all the Employers

selected for this study were publicly traded companies, for which a significant amount of financial data is readily available.

2. Gary Ford then discussed the guidance concerning MPRA suspension plans issued by Treasury in mid-June 2015 and he reviewed the following topics concerning that guidance.

a) The consequence of filing or submitting an application for approval of a suspension plan (and accompanying notices) that complies with Treasury's Temporary Regulations but which turns out to be inconsistent with the Final Regulations issued by Treasury.

b) The types of certifications to be provided by the plan sponsor and/or by the plans actuary in support of MPRA application.

c) Factors to be considered by the Trustees in the process of certifying that they have taken all reasonable measures to avoid insolvency.

d) The extent to which the Trustees can create suspension plan rules that vary suspensions based on the occurrence or non-occurrence of future events.

e) The length of time or period over which the avoidance of insolvency should be measured.

f) The test or standard for determining whether a suspension plan has satisfied the requirement of avoiding insolvency, while not providing for benefit suspensions that are materially greater than necessary to meet that requirement.

g) The data that must be presented in a MPRA application relating to the issue of whether a plan sponsor has taken all reasonable measures to avoid insolvency.

h) The standards, methods, and factors to be considered in order to demonstrate that the benefit suspensions have been equitably distributed.

i) Information relating to each individual participant's pre-suspension benefits and the estimated impact of the suspension plan on him that must be included in the notice to participants concerning the Fund's filing of a MPRA suspension plan application with Treasury.

j) Information concerning the participant vote and the ballot relating to that vote that must be included in a MPRA notice.

k) Issues that Fund counsel would like to clarify in discussions with Treasury, or with special Master Feinberg who has been appointed to assist Treasury with the process of reviewing MPRA suspension plan applications.

3. Thomas Nyhan then addressed the time constraints the Fund is under, especially in consideration of the need to have a final MPRA notice to the printer well in advance of any targeted mailing date of the notice.

4. Fernando Rodriquez then discussed the results of his research concerning the differences in age and other factors between terminated participants with more than twenty years of Contributory Service Credit and those with fewer than twenty years of Contributory Service Credit.

SUMMARY OF TRUSTEES' STUDY AND DELIBERATIONS CONCERNING MPRA AND A POTENTIAL MPRA SUSPENSION PLAN

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5. Steve Rabinowitz of Segal Consulting then discussed issues related to the actuarial analysis of the proposed suspension plan being considered by the Trustees, and his presentation included a discussion of the following topics:

a) A review of the factors considered by the Trustees in tentatively proposing a suspension plan including:

   i) additional hypothetical suspension models showing the impact of the "equitable distribution" factors listed in MPRA;

   ii) The impact of increased contribution rates from employers who are not currently subject to rate increases under the rehabilitation plan.

   iii) differentiations in suspension levels to be made between terminated participants (both those already in that status and those who will become terminated participant in the future) with more than twenty years of Contributory Service Credit and those with fewer than twenty years of Contributory Service Credit.

b) The stochastic and deterministic projections prepared by Segal concerning the impact of the various proposed suspension plans on the Fund's solvency/insolvency.

c) The selection by the actuary of assumptions concerning rates of return on the Fund's investments.

d) The impact and application of the "Goldilocks" rule under MPRA, which requires that a suspension plan must be sufficient to avoid an insolvency,

but must not require benefit suspensions that are materially greater than is necessary to achieve that goal.

e) The potential impact of the date used to determine the initial value of Fund's assets upon the amount or level of suspensions required under a suspension plan in order to satisfy the "Goldilocks" rule.

f) Potential distinctions to be made between "Tier 2" benefits (earned with Contributing Employers that have paid their withdrawal liability in full) and "Tier3" benefits (earned by UPS participants whose Pension Fund benefits have been guaranteed by UPS).

6. The Trustees then discussed the following issues and topics:

a) Whether spousal survivor benefits should be protected, (if so, to what extent)?

b) Whether all terminated participants with fewer than twenty years of Contributory Service Credit should incur a complete elimination of all the adjustable benefits under PPA?

c) The potential impact upon the suspension plan of a withdrawal by Kroger Co. from the Fund.

d) Whether, and to what extent, distinctions should be made between suspensions applicable to Tier 2 as opposed to Tier 3 benefits?

e) Whether and how to apply age reduction factors with respect to suspended participants who retire with 20 years or more of Service Credit (*i.e.,* under the Plan Document at present, ordinarily a participant with twenty years or

more of Service Credit at retirement would be subject to a reduction of 0.5% for every month between his Retirement Date and his 62nd birthday; for participants with less than twenty years of Service Credit this reduction for age is measured from the date on which the participant would turn 65).

f) The nature of any changes in the prohibited reemployment rules that should be made in conjunction with a rescue/suspension plan.

7. Sue Mauren, MPRA Retiree Representative, then made a presentation to the Board in which she addressed the following topics:

a) The volume of correspondence from participants she has received, reviewed (with the assistance of her advisors) and, where feasible responded to. [Ms. Mauren indicated that she has received approximately 2,400 such e-mails and 1,300 hard copy letters]

b) The difficulties involved in responding directly to each of these participant communications because many of them seek information about the contents of the Fund's rescue plan, but Trustees have not yet resolved those plan design issues.

c) Sue Mauren's effort to provide as much information as possible to the participants by establishing and issuing a website for correspondence explaining her role, her selection of independent legal and actuarial advisors to assist her and her participation in the Trustees' study and discussions concerning MPRA options.

d) The issues relating to a potential rescue plan about which the participants are most concerned. (Ms. Mauren indicated that these issued include questions about the scope of the protection of disability-based pensions, the impact of any rescue plan on surviving spouse benefits, the possibility of liberalizing the Fund's current restricted reemployment rules, and concerns about the ability of participants to pay for retiree health coverage.)

e) The lack of understanding among some participants concerning the causes of the Fund's current financial condition and the reasons why the Trustees are now considering a MPRA rescue plan.

f) Ms. Mauren's own strong conviction that any rescue plan should be accompanied by a significant liberalization of the Fund's restricted reemployment rules.

X. August 18, 2015

On August 18, 2015, an additional meeting was held to discuss MPRA suspension options. The following individuals were in attendance at that meeting:

Employee Trustees
Charles A. Whobrey
Marvin Kropp
George Westley
William Lichtenwald

Employer Trustees
Arthur Bunte, Jr.
Gary F. Caldwell
Greg R. May

Independent Special Counsel
Judge David Coar

Retiree Representative & Advisors
Sue Mauren (via Phone)
Pamela Nissen
Peter Rosene

Pension Fund Staff
Thomas Nyhan
Mark Angerame
James Condon
John Franczyk
Peter Priede
Fernando Rodriguez

Groom Law Group
Gary Ford
Lars Golumbic

Segal Consulting
Steve Rabinowitz
Dan Ciner

SUMMARY OF TRUSTEES' STUDY AND DELIBERATIONS CONCERNING MPRA AND A POTENTIAL MPRA SUSPENSION PLAN

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1. Thomas Nyhan began the August 18th Meeting with a discussion of the following topics:

a) The impact on the suspension plan of the issues relating to the timing of the suspension plan effective date and the treatment of terminated participants raised in the Groom Law Group's recent letter to Treasury/Special Master Feinberg.

b) Timing and logistical issues related to finalization of a suspension plan, to the preparation of an application for approval of a suspension plan and the submission of notices concerning the application to participants, beneficiaries, employers and participating Local Unions.

c) Factors impacting the beginning value of the assets of the Fund to be used in actuarial projections supporting the application.

d) Measures to be taken to maintain the confidentiality of the form of suspension plan prior to formal filing the application approval of the plan.

5. Gary Ford and James Condon then described the form of the suspension plan that Staff believed, based on prior meetings and discussions, the Trustees wished to approve. A document (substantially in the form indicated in Section II of the *Findings and Determinations* to which this *Summary of Trustees' Study and Deliberations* is attached as Tab A) describing the proposed suspension plan was distributed to the Trustees at the 8/18/2015 meeting.

7. Steve Rabinowitz then presented a report dated 8/18/2015 entitled *Potential Benefit Suspension Scenarios and Other Considerations.* This report was based upon the

proposed suspension plan as outlined and described by Messrs. Ford and Condon at the August 18th Meeting. Mr. Rabinowitz's 8/18 report described the updated modeling as follows:

Results of Updating Modeling

The following table summarizes variations on a suspension to 1.0% of total contributions made on a participant's behalf (0.05% for terminated participants with less than 20 years of service), reduced for early retirement and joint and survivor benefits. Each suspension scenario shown in the table is projected to enable the Plan to avoid insolvency based on the test included in the proposed regulations.

#	Suspension Scenario (Maximum Suspension for Tier 1)	Potential Caps on Suspension for Participants with 20 Years of Service (Tier 2 Cap / Tier 3 Cap)	
		6/1/16 Effective Date	7/1/16 Effective Date
1	1.0% of contributions; 0.50% of contributions for current terminated participants with less than 20 years of service	48% / 39%	50% / 40%
2	1.0% of contributions; 0.50% of contributions for all current and future terminated participants with less than 20 years of service at retirement	48% / 38%	49% / 39%

Approximately 32,000 participants with Tier 2 Benefits would have their suspension limited by a 50% cap. Approximately 7,500 participants with Tier 3 benefits would have their suspension limited by a 40% cap.

8. The Trustees then discussed the proposed suspension plan, and tentatively approved that suspension plan as described by Counsel and Staff at the 8/18/15 Meeting, and to authorize Staff, Fund counsel and advisors to seek approval of that plan from the

Department of the Treasury, subject to further review of the document describing the plan which was distributed at the Meeting.

9. Gary Ford then discussed the type of information that must be included in any application for approval of a suspension plan, including the requirement that the application provide a description of the various categories of participants impacted by the plan, the extent of the impact of the plan upon each such category, and a description of the measures (short of benefit suspensions) that the Trustees have taken to avoid insolvency.

10. Fernando Rodriguez then described the measures that have been taken by the Pension Fund's Staff, in conjunction with the Fund's actuary, to verify (through testing and audits) (a) the accuracy of the calculation of the pre-suspension benefit for each participant and beneficiary, and (b) the accuracy of the calculation of the impact of the proposed suspension plan upon these same individuals.

11. James Condon then discussed a proposed amendment to the Fund's restricted reemployment that would narrow the scope of the job classifications that would be deemed restricted for participants who are subject to suspensions under the proposed suspension plan. The Trustees also reviewed a document (substantially in the form indicated in Section II of the *Findings and Determinations* to which this *Summary of Trustees' Study and Deliberations* is attached as Tab A) provided to them by Staff at the meeting describing the proposed amendment to the restricted reemployment rules. The Trustees tentatively approved those revised rules, subject to possible modification of the amendment after the Trustees have completed a more thorough review of the written description of the amendment provided to them at the 8/18 meeting.

SUMMARY OF TRUSTEES' STUDY AND DELIBERATIONS CONCERNING MPRA AND A POTENTIAL MPRA SUSPENSION PLAN

12. Thomas Nyhan then discussed additional factors bearing upon the timing of the filing of an application for approval of a suspension plan, including additional issues relating to asset valuation and to the logistics of preparing, printing and mailing the required notices and finalizing the application.

Tab B

Central States, Southeast and Southwest Areas Pension Plan
Range of Schedules for Rehabilitation Plan
February 21, 2008

Schedule Type		Benefits/Contributions	Annual Rate Increases to Emergence	Daily Rate at Emergence	Funded Ratio at Emergence	No. Actives at Emergence	Year of Emergence
A>10	Alternative: More Than 10 Years	Current Benefits; 8% for 5 years, 6% for 3 years and 4% thereafter	8%/6%/4%	$145	95%	55,593	2028
A10a	Alternative: 10 Years	Current Benefits; Solve for contributions to emerge 2021	17%	$397	87%	38,289	2021
A10b	Alternative: 10 Years	1% at 65 after 2 years; Solve for contributions to emerge 2021	16%	$355	87%	37,889	2021
A10c	Alternative: 10 Years	1% at 65 after 2 years; Maximum red zone benefit cuts after 5 years; Solve for contributions to emerge 2021	8%	$140	91%	17,695	2021
D>10	Default: More Than 10 Years	Immediate maximum red zone benefits cuts; Solve for contributions to emerge same year as A>10	4.2% (+1.6% for classes 14 & below)	$117	95%	16,665	2028
D10	Default: 10 Years	Immediate maximum red zone benefit cuts; Solve for contributions to emerge 2021	15% (+1.6% for classes 14 & below)	$317	91%	12,161	2021

1. All projections based on January 1, 2007 valuation (adjusted for UPS withdrawal and benefit liability transfer) and no future actuarial gains or losses except as noted otherwise below
2. Assets are based on unaudited December 31, 2007 financials, projected based on the following assumptions:
   a. Annual contribution rate increases on rates including reallocations and benefits as shown above
   b. Industry activity (including active participant population decline) and withdrawal liability assumptions as shown on next page
   c. Annual investment return of 8.0% per year on a market value basis
   d. Expenses increase 2% per year
   e. 50% of participants are covered by Master Freight and NATA 5-year contracts; all other contracts are evenly distributed over an average contract period of 4 years and all contracts have uniformly distributed expiration dates during the year; the recently ratified Master Freight agreement with YRC Worldwide is reflected
   f. Surcharges are collected beginning May 1, 2008 on contracts expiring in 2008 (other than Master Freight) and 2009 until their assumed mid-year new contract dates
3. All schedules assume maximum benefit cuts for participants not in pay status whose last employer will withdraw voluntarily in the future

CENTRAL STATES, SOUTHEAST AND SOUTHWEST AREAS PENSION PLAN

Rehabilitation Plan Review

October 12, 2010

This document has been prepared by Segal for the benefit of the Board of Trustees of the Central States, Southeast and Southwest Areas Pension Plan and is not complete without the presentation provided at the October 12, 2010 Board of Trustees meeting and any accompanying document. This document should not be shared, copied or quoted, in whole or in part, without the consent of Segal, except to the extent otherwise required by law.

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Projections of Plan Solvency – Hypothetical YRCW Benefit Scenarios (Assuming No Other Rehabilitation Plan Changes)

YRCW Resumes	Month/Year of Insolvency
YRCW resumes contributions on January 1, 2011 in accordance with Primary Schedule*	12/2026
YRCW resumes contributions on June 1, 2011 at reduced contribution and benefit levels **	6/2024

* Segal is unable to ascertain the reasonableness of this assumption.

** Assumes $70/week contribution rate until March 31, 2015 followed by annual increases of 8% for 5 years, 6% for 3 years and 4% thereafter; Also assumes Default Schedule benefit reductions and a 0.1%-of-contributions benefit multiplier.

YRCW Bankruptcy	Month/Year of Insolvency
No adjustable benefit cuts and benefits commence immediately upon retirement (YRCW participants eligible to retire upon bankruptcy on January 1, 2011 are assumed to retire immediately)*	3/2023
Default Schedule benefit cuts and benefits commence immediately upon retirement (YRCW participants eligible to retire upon bankruptcy on January 1, 2011 are assumed to retire immediately)*	5/2023
Maximum Red Zone adjustable benefit cuts and retirement benefits do not commence until age 65 for YRCW participants	3/2024

* YRCW participants eligible to retire upon bankruptcy are assumed to retire immediately if at least age 48 with 20 years of Contributory Credit or age 50 with 5 years of vesting service on January 1, 2011. Otherwise, they are assumed to retire in accordance with the regular retirement assumptions for inactive vested participants.

Review of Rehabilitation Plan Benefit Levels
(Varying Attrition Assumptions to Reflect Hypothetical Changes)

	Estimated year of insolvency and approximate number of months insolvency is forestalled/(accelerated)			
	YRCW Resumes		YRCW Bankrupt*	
Current Rehabilitation Plan	2026		2023	
Hypothetical Changes to Primary Schedule Benefits:				
1. 1% benefit unreduced at age 65 effective 1/1/2011	2027	8	2023	4
2. 1% benefit unreduced at age 65 effective 1/1/2013	2027	6	2023	2
3. Future contribution increases not subject to benefit accruals	2027	3	2023	0
4. Minimum retirement age 57 and actuarial equivalent reduction from unreduced age (see page 5)	2027	7	2023	9
5. Maximum Red Zone cuts effective effective 1/1/2016	2026	-5	2023	0
6. Maximum Red Zone cuts effective 1/1/2011	2026	-4	2024	13
7. Benefit freeze effective 1/1/2011	2026	-4	2023	-1
8. Maximum Red Zone cuts plus benefit freeze 1/1/2011	2026	-5	2024	12
Mass withdrawal effective 12/31/2010; 25% of contributions continue as withdrawal liability payments	2022			

Hypothetical	Active Attrition Assumption – Primary Schedule Participants		
	1st 5 years	2nd 5 years	11+ years
1, 2, 3, 4	4%	4%	2%
	Additional Attrition At Effective Date of Changes		
5, 6	16%	6%	0%
7	2%	16%	16%
8	18%	22%	20%

* Except for hypothetical 4, assumes no change to current Rehabilitation Plan specific to YRCW and each hypothetical change applies uniformly to YRCW, if applicable, and all other participants.

Note: The active attrition assumption for items 1 through 4 above was used in the projections for the Rehabilitation Plan adopted by the Trustees on March 26, 2008. Does that assumption remain reasonable for the contribution rate increases in the current Primary Schedule?

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Review of Rehabilitation Plan Benefit Levels
(Ignoring Impact of Hypothetical Changes on Assumed Attrition – For Illustrative Purposes Only)

	Estimated year of insolvency and approximate number of months insolvency is forestalled/(accelerated)			
	YRCW Resumes		YRCW Bankrupt*	
Current Rehabilitation Plan	2026		2023	
Hypothetical Changes to Primary Schedule Benefits:				
1. 1% benefit unreduced at age 65 effective 1/1/2011	2027	8	2023	4
2. 1% benefit unreduced at age 65 effective 1/1/2013	2027	6	2023	2
3. Future contribution increases not subject to benefit accruals	2027	3	2023	0
4. Minimum retirement age 57 and actuarial equivalent reduction from unreduced age (see page 5)	2027	7	2023	9
5. Maximum Red Zone cuts effective 1/1/2016	2028	22	2023	6
6. Maximum Red Zone cuts effective 1/1/2011	2032	65	2026	38
7. Benefit freeze effective 1/1/2011	2029	33	2023	6
8. Maximum Red Zone cuts plus benefit freeze effective 1/1/2011	2039	147	2026	44
Mass withdrawal effective 12/31/2010; 25% of contributions continue as withdrawal liability payments	2022			

Hypothetical	Active Attrition Assumption – Primary Schedule Participants		
	1st 5 years	2nd 5 years	11+ years
All	4%	4%	2%

* Except for hypothetical 4, assumes no change to current Rehabilitation Plan specific to YRCW and each hypothetical change applies uniformly to YRCW, if applicable, and all other participants.

Note: The active attrition assumption for items 1 through 4 above was used in the projections for the Rehabilitation Plan adopted by the Trustees on March 26, 2008. Does that assumption remain reasonable for the contribution rate increases in the current Primary Schedule?

Assuming no additional attrition for all the above hypothetical changes is not reasonable. This chart was provided for illustrative purposes only.

Review of Rehabilitation Plan Benefit Levels
Comparison of Pages 2 and 3 – For Illustrative Purposes Only

	Estimated year of insolvency and approximate number of months insolvency is forestalled/(accelerated)							
	YRCW Resumes				YRCW Bankrupt			
Attrition	Ignores Impact of Change on Attrition		Attrition Assumed to Vary by Change		Ignores Impact of Change on Attrition		Attrition Assumed to Vary by Change	
Current Rehabilitation Plan	2026		2026		2023		2023	
Hypothetical Changes to Primary Schedule Benefits:								
1. 1% benefit unreduced at age 65 effective 1/1/2011	2027	8	2027	8	2023	4	2023	4
2. 1% benefit unreduced at age 65 effective 1/1/2013	2027	6	2027	6	2023	2	2023	2
3. Future contribution increases not subject to benefit accruals	2027	3	2027	3	2023	0	2023	0
4. Minimum retirement age 57 and actuarial equivalent reduction from unreduced age	2027	7	2027	7	2023	9	2023	9
5. Maximum Red Zone cuts effective 1/1/2016	2028	22	2026	-5	2023	6	2023	0
6. Maximum Red Zone cuts effective 1/1/2011	2032	65	2026	-4	2026	38	2024	13
7. Benefit freeze effective 1/1/2011	2029	33	2026	-4	2023	6	2023	-1
8. Maximum Red Zone cuts plus benefit freeze effective 1/1/2011	2039	147	2026	-5	2026	44	2024	12
Mass withdrawal effective 12/31/2010; 25% of contributions continue as withdrawal liability payments	2022							

See footnote, comments and other information on pages 2 and 3

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Other Considerations

- The Rehabilitation Plan hypothetical changes on the previous page are based on the current contribution schedules (e.g., 8%/6%/4% increases under Primary Schedule). If contribution increases in the Primary Schedule were 8% per year for all years and benefits were not changed:

  - Insolvency would be delayed by 23 months if YRCW Resumes and 5 months if YRCW becomes bankrupt assuming the attrition rate increases by ½% per year for each 1% increase in the current contribution increase schedules under the Primary Schedule

  - There would be no change in projected insolvency if the attrition rate increases by 1% per year for each 1% increase in the current contribution increase schedules under the Primary Schedule

  - Insolvency would be accelerated if the attrition rate increases by more than 1% per year for each 1% increase in the current contribution increase schedules under the Primary Schedule

- A possible change to the Rehabilitation Plan is to apply Rehabilitation Plan Withdrawal benefit cuts for all employer withdrawals.

- Another possible change to the Rehabilitation Plan is to use actuarial equivalent early retirement reductions in the Default Schedule rather than 6% per year. Sample reductions for early retirement are as follows:

	Reduction from Age 62		Reduction from Age 65	
Age	6%	Actuarial Equiv.	6%	Actuarial Equiv.
65	-	-	100%	100%
64	-	-	94%	90%
63	-	-	88%	81%
62	100%	100%	82%	74%
61	94%	91%	76%	67%
60	88%	82%	70%	61%
59	82%	75%	64%	55%
58	76%	68%	58%	50%
57	70%	62%	52%	46%

- If the Funding Standard Account amortization extension is considered retroactively null and void, the amount of contributions needed for the accumulated deficiency as of December 31, 2006 is $1.11 billion. With interest at 7.5% to June 30, 2010, the amount would be $1.43 billion.

These projections have been prepared by The Segal Company for the benefit of the Board of Trustees of Central States, Southeast and Southwest Areas Pension Plan to assist in the Rehabilitation Plan update process. The projection results shown in this report may not be applicable for other purposes.

Actuarial Basis

The actuarial assumptions and methods, participant data, and plan of benefits are as used for the January 1, 2010 actuarial valuation of the Central States, Southeast and Southwest Areas Pension Plan dated September 14, 2010 except as noted below.

Additional assumptions are as follows:

> For "YRCW Resumes", YRCW resumes contributions on January 1, 2011 in accordance with the current Primary Schedule. Note that Segal is unable to ascertain the reasonableness of this assumption.

> For "YRCW Bankrupt", YRCW declares bankruptcy in 2010, withdraws from the plan but no withdrawal liability payments are collectible. YRCW participants eligible to retire upon bankruptcy are assumed to retire immediately if at least age 48 with 20 years of Contributory Credit or age 50 with 5 years of vesting service January 1, 2011. Otherwise, they are assumed to retire in accordance with the regular retirement assumptions for inactive vested participants.

> Plan collects $53,931,624 of receivable contributions in 2011

> Annual investment returns under the Trustees' assumption are 8% on a market value basis, generating projected investment gains in the future.

> Expenses increase 2% per year from current assumption

> For Classes 15 and above, annual contribution rate increases on rates including reallocations equivalent to 8% for 5 years, 6% for 3 years and 4% thereafter (as described in the Rehabilitation Plan), assuming contracts covering 12.5% of participants were effective beginning in 2006, 12.5% in 2007, 62.5% in 2008 (includes Master Freight contract), and 12.5% in 2009

> For Classes 14 and below, annual contribution rate increases on rates including reallocations of 4%

> Unless noted otherwise in the data used for the 2010 actuarial valuation, Classes 15 and above are assumed to elect the Primary Schedule and Classes 14 and below are assumed to elect the Default Schedule

> Updates to benefit provisions under the Primary Schedule are assumed to take place starting January 1, 2011 (unless noted otherwise).

> Benefits are assumed to commence at age 65 if maximum Red Zone cuts apply

> Hypothetical changes are assumed to apply to both current active and current inactive vested participants

- The annual population decline assumptions are as follows:

Hypothetical	Active Attrition Assumption – All Active Participants		
	1st 5 years	2nd 5 years	11+ years
1, 2, 3,4	4%	4%	2%
	Additional Attrition At Effective Date of Changes for Primary Schedule Participants		
5,6	16%	6%	0%
7	2%	16%	16%
8	18%	22%	20%

  After changes are effective, the additional attrition is assumed to apply to 12.5% of the Primary Schedule participants in the first year, an additional 12.5% in the next year, an additional 62.5% the next year, and the remaining 12.5% in the fourth year.

  Under all hypothetical changes, in addition to the active attrition assumption for all active participants, the attrition assumption in the projection is increased by 16% per year for first 5 years and 6% per year for next 5 years that the Default Schedule is effective.

- 15% of the attrition for Classes 15 and above is attributable to voluntary employer withdrawals (Rehabilitation Plan Withdrawals)
- 25% of the population decline are assumed to result in withdrawal liability payments. The projected withdrawal liability payments reflect that units have declined by 4% in prior years and are assumed payable in annual installments over 20 years starting in the year following the decline, with minimum annual payments of $40 million.
- Under the mass withdrawal projection in this report:
  - Maximum adjustable benefit cuts are assumed effective December 31, 2010
  - 100% of existing withdrawal liability payments plus 25% of the contribution level in 2010 (adjusted to reflect that contribution base units have declined by 4% in prior years) are assumed to be paid in perpetuity as withdrawal liability assessments
- Benefits for active and inactive vested participants will be paid in the form of a Qualified 50% Joint and Survivor benefit for married participants and a single life annuity (with 5-years guaranteed) for single participants with 80% of participants not currently in pay status assumed married.
- Unless stated otherwise, there are no future actuarial gains or losses

Caveat Regarding Projections

Projections, by their nature, are not a guarantee of future results. The projections are intended to serve as estimates of future financial outcomes that are based on the information available at the time the projections were completed, and the agreed-upon assumptions and methodologies described herein. Emerging results may differ significantly if the actual experience proves to be different from these assumptions or if alternative methodologies are used. Actual experience may differ due to such variables as demographic experience, the economy, stock market performance and the regulatory environment.

These projections were completed under the supervision of Daniel V. Ciner, MAAA, Enrolled Actuary.

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CENTRAL STATES, SOUTHEAST AND SOUTHWEST AREAS PENSION PLAN

Rehabilitation Plan Review

November 8, 2011

This document has been prepared by Segal for the benefit of the Board of Trustees of the Central States, Southeast and Southwest Areas Pension Plan and is not complete without the presentation provided at the November 8, 2011 Board of Trustees meeting and any accompanying document. This document should not be shared, copied or quoted, in whole or in part, without the consent of Segal, except to the extent otherwise required by law.

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Tab A

Review of Rehabilitation Plan Benefit Levels (Varying Attrition Assumptions to Reflect Hypothetical Changes)

	Estimated year and month of insolvency and approximate number of months insolvency is forestalled/(accelerated)	
Current Rehabilitation Plan	7/23	
Hypothetical Changes to Primary Schedule Benefits:		
1. 1% benefit unreduced at age 65 effective 1/1/2012	8/23	1
2. 1% benefit unreduced at age 65 effective 1/1/2014	8/23	1
3. Future contribution increases not subject to benefit accruals	7/23	0
4. Actuarial equivalent reduction from unreduced age (see page 5)	7/23	0
5. Maximum Red Zone cuts effective 1/1/2017	5/23	-2
6. Maximum Red Zone cuts effective 1/1/2012	11/22	-8
7. Benefit freeze effective 1/1/2012	4/23	-3
8. Maximum Red Zone cuts plus benefit freeze 1/1/2012	11/22	-8
9. All Withdrawals are Rehabilitation Plan Withdrawals	8/23	1
Mass withdrawal effective 12/31/2011; 25% of contributions continue as withdrawal liability payments	12/21	-19

Hypothetical	Active Attrition Assumption – Primary Schedule Participants		
	1st 5 years	Next 4 years	10+ years
1, 2, 3, 4, 9	4%	4%	2%
	Additional Attrition At Effective Date of Changes		
	1st 5 years	2nd 5 years	11+ years
5, 6	16%	6%	0%
7	2%	16%	16%
8	18%	22%	20%

Notes: (1) This report does not reflect approval of the hybrid withdrawal liability allocation method adopted by the Trustees to help retention of employers and provide lump sum withdrawal liability payments. (2) The active attrition assumption for items 1 through 4 and 9 above was used in the projections for the Rehabilitation Plan adopted by the Trustees on March 26, 2008. Does that assumption remain reasonable for the contribution rate increases in the current Primary Schedule?

Projected insolvency for current Rehabilitation Plan is 12/24 if investment return for 2011 is 7.50% rather than the assumed 0%.

Review of Rehabilitation Plan Benefit Levels (Ignoring Impact of Hypothetical Changes on Assumed Attrition – For Illustrative Purposes Only)

	Estimated year and month of insolvency and approximate number of months insolvency is forestalled/(accelerated)	
Current Rehabilitation Plan	7/23	
Hypothetical Changes to Primary Schedule Benefits:		
1. 1% benefit unreduced at age 65 effective 1/1/2012	8/23	1
2. 1% benefit unreduced at age 65 effective 1/1/2014	8/23	1
3. Future contribution increases not subject to benefit accruals	7/23	0
4. Actuarial equivalent reduction from unreduced age (see page 5)	7/23	0
5. Maximum Red Zone cuts effective 1/1/2017	7/23	0
6. Maximum Red Zone cuts effective 1/1/2012	3/24	8
7. Benefit freeze effective 1/1/2012	12/23	5
8. Maximum Red Zone cuts plus benefit freeze 1/1/2012	7/24	12
9. All Withdrawals are Rehabilitation Plan Withdrawals	8/23	1
Mass withdrawal effective 12/31/2011; 25% of contributions continue as withdrawal liability payments	12/21	-19

Hypothetical	Active Attrition Assumption – Primary Schedule Participants		
	1st 5 years	Next 4 years	10+ years
All	4%	4%	2%
	Additional Attrition At Effective Date of Changes		
	1st 5 years	2nd 5 years	11+ years
All	0%	0%	0%

Notes: (1) This report does not reflect approval of the hybrid withdrawal liability allocation method adopted by the Trustees to help retention of employers and provide lump sum withdrawal liability payments. (2) The active attrition assumption for items 1 through 4 and 9 above was used in the projections for the Rehabilitation Plan adopted by the Trustees on March 26, 2008. Does that assumption remain reasonable for the contribution rate increases in the current Primary Schedule?

Assuming no additional attrition for all the above hypothetical changes is not reasonable. This chart was provided for illustrative purposes only.

Review of Rehabilitation Plan Benefit Levels
Comparison of Pages 1 and 2 – For Illustrative Purposes Only

	Estimated year and month of insolvency and approximate number of months insolvency is forestalled/(accelerated)			
	Attrition Assumed to Vary by Change		Ignores Impact of Change on Attrition	
Current Rehabilitation Plan	7/23		7/23	
Hypothetical Changes to Primary Schedule Benefits:				
1. 1% benefit unreduced at age 65 effective 1/1/2012	8/23	1	8/23	1
2. 1% benefit unreduced at age 65 effective 1/1/2014	8/23	1	8/23	1
3. Future contribution increases not subject to benefit accruals	7/23	0	7/23	0
4. Actuarial equivalent reduction from unreduced age (see page 5)	7/23	0	7/23	0
5. Maximum Red Zone cuts effective 1/1/2017	5/23	-2	7/23	0
6. Maximum Red Zone cuts effective 1/1/2012	11/22	-8	3/24	8
7. Benefit freeze effective 1/1/2012	4/23	-3	12/23	5
8. Maximum Red Zone cuts plus benefit freeze 1/1/2012	11/22	-8	7/24	12
9. All Withdrawals are Rehabilitation Plan Withdrawals	8/23	1	8/23	1
Mass withdrawal effective 12/31/2011; 25% of contributions continue as withdrawal liability payments	12/21	-19	12/21	-19

See footnote, comments and other information on pages 1 and 2.

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Review of Rehabilitation Plan Contribution Rate Levels

Rehabilitation Plan hypothetical changes on the previous pages are based on the current contribution schedules (e.g., 8%/6%/4% increases under Primary Schedule). If contribution increases in the Primary Schedule were 8% per year for all years and benefits were not changed:

- Insolvency would be delayed by 2 months assuming the attrition rate increases by ½% per year for each 1% increase in the current contribution increase schedules under the Primary Schedule
- There would be no change in projected insolvency if the attrition rate increases by 1% per year for each 1% increase in the current contribution increase schedules under the Primary Schedule
- Insolvency would be accelerated more if the attrition rate increases by more than 1% per year for each 1% increase in the current contribution increase schedules under the Primary Schedule

These projections have been prepared by The Segal Company for the benefit of the Board of Trustees of Central States, Southeast and Southwest Areas Pension Plan to assist in the Rehabilitation Plan update process. The projection results shown in this report may not be applicable for other purposes.

Sample actuarial equivalent reductions for early retirement are as follows:

Age	Reduction from Age 62		Reduction from Age 65	
	6%	Actuarial Equiv.	6%	Actuarial Equiv.
65	-	-	100%	100%
64	-	-	94%	90%
63	-	-	88%	81%
62	100%	100%	82%	74%
61	94%	91%	76%	67%
60	88%	82%	70%	61%
59	82%	75%	64%	55%
58	76%	68%	58%	50%
57	70%	62%	52%	46%

Actuarial Basis of Projections

Except as described below, the assumptions, methods, participant data, and benefit provisions used for this report are as described in the Actuarial Valuation and Review as of January 1, 2011.

Additional assumptions are as follows:

- Annual investment returns are 0% on a market value basis in 2011 and 7.5% in each year thereafter.
- Projected contributions, benefit payments, and administrative expenses for 2011 are as shown in the Central States Funds Financial and Analytical Information as of September 30, 2011.
- Expenses increase 2% per year from current assumption.
- All options for benefit reductions assumed to be effective January 1, 2012, except as otherwise noted.
- Unless noted otherwise in the data used for the 2011 actuarial valuation, Classes 15 and above (other than YRCW) are assumed to elect the Primary Schedule and Classes 14 and below (other than YRCW) are assumed to elect the Default Schedule. YRCW is assumed to remain on the Distressed Employer Schedule.
- For Classes 15 and above, annual contribution rate increases on rates including reallocations are equivalent to 8% for 5 years, 6% for 3 years and 4% thereafter (per the Rehabilitation Plan) subject to a limit of $348 per week for each participant covered by the National Automobile Transporter Agreement and $342 per week for all other participants. The contribution rate increases for YRCW do not begin until 2015.

- For Classes 14 and below, annual contribution rate increases on rates including reallocations are 4%.
- The annual active attrition assumption is 4% for the first 9 years and 2% thereafter. In addition, the attrition assumption in the projection is increased by 16% per year for first 5 years and 6% per year for next 5 years for participants under the Default Schedule.
- Similar to prior year projections, additional attrition is assumed to apply in the first contract year that hypothetical changes are effective. 12.5% of the Primary Schedule participants are assumed to have a contract year in 2011 and every 4 years thereafter, 62.5% in 2012 and every 4 years thereafter, 12.5% in 2013 and every 4 years thereafter, and 12.5% in 2014 and every 4 years thereafter. Does this assumption remain reasonable?
- 15% of the attrition for Classes 15 and above is attributable to voluntary employer withdrawals (Rehabilitation Plan Withdrawals).
- For purposes of Scenario 9, 4% of active participants retire or terminate each year due to employer withdrawals. For the current inactive vested participants, the percentage of participants subject to Rehabilitation Plan Withdrawal cuts will be equal to the resulting percentage assumption for the active participants.
- 25% of future population declines are assumed to result in withdrawal liability payments. The projected withdrawal liability payments reflect the assumption that units have declined by 4% in prior years and are assumed payable in annual installments over 20 years starting in the year following the decline, with minimum annual payments of $80 million.
- YRCW will make the following deferred contributions and interest payments:

Plan Year	Amount
2012	$6.9 million
2013	$6.9 million
2014	$6.9 million
2015	$93.4375 million

- Under the mass withdrawal projection in this report:
  - Maximum adjustable benefit cuts are assumed effective December 31, 2011
  - 100% of existing withdrawal liability payments plus 25% of the contribution level in 2011 (adjusted to reflect that contribution base units have declined by 4% in prior years) are assumed to be paid in perpetuity as withdrawal liability assessments
- Unless stated otherwise, there are no future gains or losses.
- This report does not reflect approval of the hybrid withdrawal liability allocation method.

Caveat Regarding Projections

Projections, by their nature, are not a guarantee of future results. The projections are intended to serve as estimates of future financial outcomes that are based on the information available at the time the projections were completed, and the agreed-upon assumptions and methodologies described herein. Emerging results may differ significantly if the actual experience proves to be different from these assumptions or if alternative methodologies are used. Actual experience may differ due to such variables as demographic experience, the economy, stock market performance and the regulatory environment.

These projections were completed under the supervision of Daniel V. Ciner, MAAA, Enrolled Actuary.

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Appendix

Central States, Southeast and Southwest Areas Pension Plan
Review of Potential Benefits for YRCW Participants

The Segal Company has prepared these projections for the benefit of the Board of Trustees of Central States, Southeast and Southwest Areas Pension Plan ("Plan") to assist in a review of how certain possible benefit levels for YRCW participants would impact Plan insolvency. The projections reflect the changes to the Rehabilitation Plan (2010 Update) adopted by the Trustees on December 8, 2010. Note that the projection results shown in this report may not be applicable for other purposes.

Projection Results

The projections indicate that the Plan is expected to become insolvent during **2025** if:

- YRCW resumes contributions at a **$70/week contribution rate** commencing June 1, 2011, until March 31, 2015, followed by annual increases of 8% for 5 years, 6% for 3 years and 4% thereafter;
- **Default Schedule adjustable benefit reductions** are applied to YRCW participants not in retired status as of January 1, 2011; and
- The benefit accrual multiplier for future service of YRCW participants is lowered to **0.1% of contributions**.

The impact of possible changes to the benefits of YRCW participants on the projected insolvency of the Plan are as follows:

- If the Default Schedule cuts are not made to non-retired YRCW participants – insolvency is projected to occur 2 months sooner.
- If the 1.0%-of-contributions benefit multiplier is maintained – projected insolvency is 1 month sooner.
- If Default Schedule cuts are also applied to YRCW participants who retired from July 2009 through December 2010 – projected insolvency is 2 months later.

Note that the projected impact of the above variations differs based on different points of insolvency. For example, the effect of a 1.0%-of-contributions multiplier (rather than 0.1%) would be greater if the point of insolvency is later.

Actuarial Basis

The actuarial assumptions and methods, participant data, and plan of benefits are as used for the January 1, 2010 actuarial valuation of the Central States, Southeast and Southwest Areas Pension Plan, dated September 14, 2010, except as noted below.

Rehabilitation Plan changes are as follows:

Primary Schedule

- Effective for retirements on or after July 1, 2011, participants will not be granted a retirement date prior to age 57.
- As of June 1, 2011, contributions will be limited to $348 per week for each participant covered by the National Automobile Transporter Agreement and $342 per week for all other participants.

Default Schedule

- Effective for retirements on or after July 1, 2011, the early retirement reductions in the Default Schedule are based on actuarially equivalent factors rather than 6% per year.

Additional assumptions are as follows:

- The January 1, 2011 valuation data were used to identify YRCW participants who retired during 2010; accordingly, the number of active YRCW participants of 16,062 in the 2010 valuation data is reduced by 1,199 retirements during 2010, resulting in an assumed YRCW active population of 14,863 as of January 1, 2011.
- The impact of Default Schedule benefit reductions on YRCW participants who retired prior to January 1, 2011 was estimated
- As previously assumed, the Plan will collect $53,931,624 of receivable YRCW contributions in 2011
- The market value of assets as of December 31, 2010 is $19,852,163,000 based on preliminary financial information
- Annual investment returns under the Trustees' assumption are 8% on a market value basis starting in 2011, generating projected investment gains in the future
- Expenses increase 2% per year from current assumption
- For Classes 15 and above other than YRCW, annual contribution rate increases on rates including reallocations equivalent to 8% for 5 years, 6% for 3 years and 4% thereafter subject to any limits (such as those described in the updated Rehabilitation Plan), assuming contracts covering 12.5% of participants were effective beginning in 2006, 12.5% in 2007, 62.5% in 2008 (includes Master Freight contract), and 12.5% in 2009
- For Classes 14 and below, annual contribution rate increases on rates including reallocations of 4%

- Unless noted otherwise in the data used for the 2010 actuarial valuation, Classes 15 and above (other than YRCW) are assumed to elect the Primary Schedule and Classes 14 and below are assumed to elect the Default Schedule
- The annual active attrition assumption is 4% for the first 10 years and 2% thereafter. In addition, the attrition assumption in the projection is increased by 16% per year for first 5 years and 6% per year for next 5 years for participants under the Default Schedule (other than YRCW).
- 15% of the attrition for Classes 15 and above is attributable to voluntary employer withdrawals (Rehabilitation Plan Withdrawals)
- 25% of the population decline is assumed to result in withdrawal liability payments. The projected withdrawal liability payments reflect that units have declined by 4% in prior years and are assumed payable in annual installments over 20 years starting in the year following the decline, with minimum annual payments of $40 million.
- Benefits for active and inactive vested participants will be paid in the form of a Qualified 50% Joint and Survivor benefit for married participants and a single life annuity (with 5-years guaranteed) for single participants with 80% of participants not currently in pay status assumed married.
- Unless stated otherwise, there are no future actuarial gains or losses

Caveat Regarding Projections

Projections, by their nature, are not a guarantee of future results. The projections are intended to serve as estimates of future financial outcomes that are based on the information available at the time the projections were completed, and the agreed-upon assumptions and methodologies described herein. Emerging results may differ significantly if the actual experience proves to be different from these assumptions or if alternative methodologies are used. Actual experience may differ due to such variables as demographic experience, the economy, stock market performance and the regulatory environment.

These projections were completed under the supervision of Daniel V. Ciner, MAAA, Enrolled Actuary.

March 7, 2011

This document has been prepared by Segal for the benefit of the Board of Trustees of the Central States, Southeast and Southwest Areas Pension Plan and is not complete without any referenced documents. This document should not be shared, copied or quoted, in whole or in part, without the consent of Segal, except to the extent otherwise required by law.

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Central States, Southeast and Southwest Areas Pension Plan
Rehabilitation Plan 2010 Update Projections

The Segal Company has prepared these projections for the benefit of the Board of Trustees of Central States, Southeast and Southwest Areas Pension Plan ("Plan") to estimate the degree that the 2010 Rehabilitation Plan update could forestall insolvency. The projections reflect the changes to the Rehabilitation Plan (2010 Update) adopted by the Trustees on December 8, 2010. Note that the projection results shown in this report may not be applicable for other purposes.

Projection Results

The projections indicate that, based on the original Rehabilitation Plan (before the update), the Plan is expected to become insolvent during 2023 under a YRCW resumes scenario and 2022 under a YRCW bankrupt scenario. This reflects the higher attrition rates noted below in accordance with the Trustees' assumption that certain employers with the highest contribution rates would not continue meeting the contribution increase requirements that were part of the original Rehabilitation Plan. The updated Rehabilitation Plan, (including the cap on required contribution increases that the Trustees assume will avoid the additional attrition from withdrawal of these employers), delays insolvency by approximately 13 months if YRCW resumes and 10 months under YRCW bankruptcy. The cash flow details underlying the projected insolvency are shown on pages 4-7 of this report.

Actuarial Basis

The actuarial assumptions and methods, participant data, and plan of benefits are as used for the January 1, 2010 actuarial valuation of the Central States, Southeast and Southwest Areas Pension Plan, dated September 14, 2010, except as noted below.

Rehabilitation Plan changes are as follows:

Primary Schedule

- Effective for retirements on or after July 1, 2011, participants will not be granted a retirement date prior to age 57.
- As of June 1, 2011, contributions will be limited to $348 per week for each participant covered by the National Automobile Transporter Agreement and $342 per week for all other participants.

Default Schedule

- Effective for retirements on or after July 1, 2011, the early retirement reductions in the Default Schedule are based on actuarially equivalent factors rather than 6% per year. Sample reductions are as follows:

Age	Reduction
65	100%
64	90%
63	81%
62	74%
61	67%
60	61%
59	55%
58	50%
57	46%

Additional assumptions are as follows:

- YRCW Resumes: Reflects illustrative $70/week contribution rate commencing June 1, 2011, until March 31, 2015, followed by annual increases of 8% for 5 years, 6% for 3 years and 4% thereafter; Also reflects illustrative Default Schedule benefit reductions and a 0.1%-of-contributions benefit multiplier.
- YRCW Bankrupt: YRCW declares bankruptcy effective January 1, 2011 and withdraws from the plan in 2011; but no withdrawal liability payments are collectible. YRCW participants eligible to retire upon bankruptcy are assumed to retire immediately, if at least age 48 with 20 years of Contributory Credit or at least age 50 with 5 years of vesting service as of January 1, 2011. Otherwise, they are assumed to retire in accordance with the regular retirement assumptions for inactive vested participants. However, under the 2010 Rehabililtation Plan update projections, retirement is assumed no earlier than age 57 with an actuarially reduced benefit.
- Plan collects $53,931,624 of receivable contributions in 2011
- Annual investment returns under the Trustees' assumption are 8% on a market value basis, generating projected investment gains in the future
- Expenses increase 2% per year from current assumption
- For Classes 15 and above, annual contribution rate increases on rates including reallocations equivalent to 8% for 5 years, 6% for 3 years and 4% thereafter subject to any limits (such as those described in the updated Rehabilitation Plan), assuming contracts covering 12.5% of participants were effective beginning in 2006, 12.5% in 2007, 62.5% in 2008 (includes Master Freight contract), and 12.5% in 2009
- For Classes 14 and below, annual contribution rate increases on rates including reallocations of 4%
- Unless noted otherwise in the data used for the 2010 actuarial valuation, Classes 15 and above are assumed to elect the Primary Schedule and Classes 14 and below are assumed to elect the Default Schedule

- The annual active attrition assumption is 4% for the first 10 years and 2% thereafter. In addition, the attrition assumption in the projection is increased by 16% per year for first 5 years and 6% per year for next 5 years for participants under the Default Schedule. However, Car Haul and ABF are assumed to withdraw on January 1, 2011 under the original Rehabilitation Plan projection due to their inability to continue meeting the annual contribution increase requirements.
- 15% of the attrition for Classes 15 and above is attributable to voluntary employer withdrawals (Rehabilitation Plan Withdrawals)
- 25% of the population decline is assumed to result in withdrawal liability payments. The projected withdrawal liability payments reflect that units have declined by 4% in prior years and are assumed payable in annual installments over 20 years starting in the year following the decline, with minimum annual payments of $40 million.
- Benefits for active and inactive vested participants will be paid in the form of a Qualified 50% Joint and Survivor benefit for married participants and a single life annuity (with 5-years guaranteed) for single participants with 80% of participants not currently in pay status assumed married.
- Unless stated otherwise, there are no future actuarial gains or losses

Caveat Regarding Projections

Projections, by their nature, are not a guarantee of future results. The projections are intended to serve as estimates of future financial outcomes that are based on the information available at the time the projections were completed, and the agreed-upon assumptions and methodologies described herein. Emerging results may differ significantly if the actual experience proves to be different from these assumptions or if alternative methodologies are used. Actual experience may differ due to such variables as demographic experience, the economy, stock market performance and the regulatory environment.

These projections were completed under the supervision of Daniel V. Ciner, MAAA, Enrolled Actuary.

January 24, 2011

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Projection of Plan Solvency – Original Rehabilitation Plan YRCW Resumes Scenario

Projected Assets ($ Millions)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1. Market value as of January 1	$19,488	$18,683	$17,768	$16,775	$15,717	$14,579	$13,347	$12,016	$10,596	$9,056	$7,400	$5,611	$3,689	$1,621
2. Income statement (market value basis)														
(a) Contributions	561	542	533	548	560	574	588	597	607	616	624	639	653	493
(b) Investment income	1,468	1,402	1,329	1,250	1,165	1,074	976	870	756	633	500	358	204	46
(c) Benefit payments	2,798	2,822	2,817	2,816	2,824	2,840	2,853	2,845	2,859	2,861	2,869	2,873	2,879	2,126
(d) Administrative expenses	37	37	38	39	40	40	41	42	43	44	44	45	46	35
(e) Net change	(805)	(915)	(993)	(1,058)	(1,138)	(1,232)	(1,331)	(1,420)	(1,539)	(1,656)	(1,789)	(1,922)	(2,068)	(1,621)
3. Market value as of December 31	18,683	17,768	16,775	15,717	14,579	13,347	12,016	10,596	9,056	7,400	5,611	3,689	1,621	0

Projection of Plan Solvency –
Original Rehabilitation Plan
YRCW Bankrupt Scenario

Projected Assets ($ Millions)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1. Market value as of January 1	$19,488	$18,677	$17,567	$16,354	$15,078	$13,727	$12,292	$10,763	$9,140	$7,393	$5,535	$3,542	$1,412
2. Income statement (market value basis)													
(a) Contributions	561	523	488	505	518	532	543	551	558	565	571	582	373
(b) Investment income	1,468	1,394	1,305	1,209	1,108	1,001	887	765	636	497	349	191	35
(c) Benefit payments	2,804	2,989	2,968	2,951	2,938	2,927	2,918	2,897	2,898	2,876	2,868	2,858	1,791
(d) Administrative expenses	37	37	38	39	40	40	41	42	43	44	44	45	29
(e) Net change	(811)	(1,110)	(1,213)	(1,276)	(1,351)	(1,435)	(1,529)	(1,623)	(1,747)	(1,858)	(1,993)	(2,130)	(1,412)
3. Market value as of December 31	18,677	17,567	16,354	15,078	13,727	12,292	10,763	9,140	7,393	5,535	3,542	1,412	0

Projection of Plan Solvency – Rehabilitation Plan 2010 Update YRCW Resumes Scenario

Projected Assets ($ Millions)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
1. Market value as of January 1	$19,488	$18,685	$17,891	$17,034	$16,124	$15,125	$14,028	$12,846	$11,592	$10,246	$8,779	$7,183	$5,472	$3,650	$1,701
2. Income statement (market value basis)															
(a) Contributions	561	658	660	674	686	701	720	727	733	739	744	755	764	771	630
(b) Investment income	1,468	1,407	1,343	1,275	1,202	1,121	1,034	940	840	732	614	487	351	206	53
(c) Benefit payments	2,796	2,822	2,822	2,820	2,848	2,879	2,894	2,879	2,876	2,894	2,909	2,907	2,891	2,878	2,346
(d) Administrative expenses	37	37	38	39	40	40	41	42	43	44	44	45	46	47	39
(e) Net change	(803)	(795)	(857)	(910)	(1,000)	(1,097)	(1,182)	(1,254)	(1,346)	(1,467)	(1,596)	(1,711)	(1,822)	(1,949)	(1,701)
3. Market value as of December 31	18,685	17,891	17,034	16,124	15,125	14,028	12,846	11,592	10,246	8,779	7,183	5,472	3,650	1,701	0

Projection of Plan Solvency –
Rehabilitation Plan 2010 Update
YRCW Bankrupt Scenario

Projected Assets ($ Millions)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1. Market value as of January 1	$19,488	$18,679	$17,758	$16,756	$15,695	$14,532	$13,238	$11,844	$10,362	$8,774	$7,043	$5,166	$3,156	$1,015
2. Income statement (market value basis)														
(a) Contributions	561	609	593	603	610	618	622	624	625	624	623	627	631	287
(b) Investment income	1,468	1,401	1,327	1,248	1,163	1,068	965	854	736	608	470	320	160	18
(c) Benefit payments	2,802	2,895	2,885	2,873	2,896	2,939	2,940	2,917	2,906	2,920	2,924	2,911	2,886	1,299
(d) Administrative expenses	37	37	38	39	40	40	41	42	43	44	44	45	46	21
(e) Net change	(809)	(921)	(1,002)	(1,061)	(1,163)	(1,293)	(1,394)	(1,481)	(1,588)	(1,731)	(1,877)	(2,010)	(2,141)	(1,015)
3. Market value as of December 31	18,679	17,758	16,756	15,695	14,532	13,238	11,844	10,362	8,774	7,043	5,166	3,156	1,015	0

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Central States, Southeast and Southwest Areas Pension Plan
Review of Changing Minimum Retirement Age to 58 or 60

These projections have been prepared by The Segal Company at the request of the Board of Trustees of Central States, Southeast and Southwest Areas Pension Plan to provide information regarding the estimated impact on fund insolvency of changing the minimum retirement age from 57 to 58 or 60. The projection results shown in this report may not be applicable for other purposes.

Projection Results

Based on the current Rehabilitation Plan and the actuarial basis described below, the Plan is projected to become insolvent in July 2023. Changing the minimum retirement age from 57 to 58 for all non-retired participants would delay projected insolvency by less than 1 month. Changing the minimum retirement age from 57 to 60 would delay projected insolvency by approximately 3 months.

Actuarial Basis of Projections

Except as described below, the assumptions, methods, participant data, and benefit provisions used for this report are as described in the Actuarial Valuation and Review as of January 1, 2011.

Additional assumptions are as follows:

- Annual investment returns are 0% on a market value basis in 2011 and 7.5% in each year thereafter.
- Projected contributions, benefit payments, and administrative expenses for 2011 are as shown in the Central States Funds Financial and Analytical Information as of September 30, 2011.
- Expenses increase 2% per year from current assumption.
- The minimum retirement age is assumed to change effective January 1, 2012.
- Unless noted otherwise in the data used for the 2011 actuarial valuation, Classes 15 and above (other than YRCW) are assumed to elect the Primary Schedule and Classes 14 and below (other than YRCW) are assumed to elect the Default Schedule. YRCW is assumed to remain on the Distressed Employer Schedule.
- For Classes 15 and above, annual contribution rate increases on rates including reallocations are equivalent to 8% for 5 years, 6% for 3 years and 4% thereafter (per the Rehabilitation Plan) subject to a limit of $348 per week for each participant covered by the National Automobile Transporter Agreement and $342 per week for all other participants. The contribution rate increases for YRCW do not begin until 2015.
- For Classes 14 and below, annual contribution rate increases on rates including reallocations are 4%.

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- The annual active attrition assumption is 4% for the first 9 years and 2% thereafter. In addition, the attrition assumption in the projection is increased by 16% per year for first 5 years and 6% per year for next 5 years for participants under the Default Schedule.
- 15% of the attrition for Classes 15 and above is attributable to voluntary employer withdrawals (Rehabilitation Plan Withdrawals).
- 25% of future population declines are assumed to result in withdrawal liability payments. The projected withdrawal liability payments reflect the assumption that units have declined by 4% in prior years and are assumed payable in annual installments over 20 years starting in the year following the decline, with minimum annual payments of $80 million.
- YRCW will make the following deferred contributions and interest payments:

Plan Year	Amount
2012	$6.9 million
2013	$6.9 million
2014	$6.9 million
2015	$93.4375 million

- Unless stated otherwise, there are no future gains or losses.
- This report does not reflect approval of the hybrid withdrawal liability allocation method.

Caveat Regarding Projections

Projections, by their nature, are not a guarantee of future results. The projections are intended to serve as estimates of future financial outcomes that are based on the information available at the time the projections were completed, and the agreed-upon assumptions and methodologies described herein. Emerging results may differ significantly if the actual experience proves to be different from these assumptions or if alternative methodologies are used. Actual experience may differ due to such variables as demographic experience, the economy, stock market performance and the regulatory environment.

These projections were completed under the supervision of Daniel V. Ciner, MAAA, Enrolled Actuary.

December 7, 2011

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Central States, Southeast and Southwest Areas Pension Plan
Review of Potential Transfer of UPS Liabilities

These projections have been prepared by The Segal Company at the request of the Board of Trustees of Central States, Southeast and Southwest Areas Pension Plan to provide information regarding the estimated impact of benefit payments to UPS participants on fund insolvency. The projection results shown in this report may not be applicable for other purposes.

Projection Results

Based on the current rehabilitation plan and the actuarial basis described below, the Plan is projected to become insolvent in July 2023. Transferring all post-65 UPS benefits to the UPS Plan effective January 1, 2013 for participants covered by the UPS agreement would delay projected insolvency by approximately 10 months. The cash flow details underlying the projected insolvency are shown on pages 3-4 of this report.

Actuarial Basis of Projections

Except as described below, the assumptions, methods, participant data, and benefit provisions used for this report are as described in the Actuarial Valuation and Review as of January 1, 2011.

Additional assumptions are as follows:

- Annual investment returns are 0% on a market value basis in 2011 and 7.5% in each year thereafter.
- Projected contributions, benefit payments, and administrative expenses for 2011 are as shown in the Central States Funds Financial and Analytical Information as of September 30, 2011.
- Expenses increase 2% per year from current assumption.
- Unless noted otherwise in the data used for the 2011 actuarial valuation, Classes 15 and above (other than YRCW) are assumed to elect the Primary Schedule and Classes 14 and below (other than YRCW) are assumed to elect the Default Schedule. YRCW is assumed to remain on the Distressed Employer Schedule.
- For Classes 15 and above, annual contribution rate increases on rates including reallocations are equivalent to 8% for 5 years, 6% for 3 years and 4% thereafter (per the Rehabilitation Plan) subject to a limit of $348 per week for each participant covered by the National Automobile Transporter Agreement and $342 per week for all other participants. The contribution rate increases for YRCW do not begin until 2015.
- For Classes 14 and below, annual contribution rate increases on rates including reallocations are 4%.
- The annual active attrition assumption is 4% for the first 9 years and 2% thereafter. In addition, the attrition assumption in the projection is increased by 16% per year for

first 5 years and 6% per year for next 5 years for participants under the Default Schedule.

- 15% of the attrition for Classes 15 and above is attributable to voluntary employer withdrawals (Rehabilitation Plan Withdrawals).
- 25% of future population declines are assumed to result in withdrawal liability payments. The projected withdrawal liability payments reflect the assumption that units have declined by 4% in prior years and are assumed payable in annual installments over 20 years starting in the year following the decline, with minimum annual payments of $80 million.
- YRCW will make the following deferred contributions and interest payments:

Plan Year	Amount
2012	$6.9 million
2013	$6.9 million
2014	$6.9 million
2015	$93.4375 million

- Unless stated otherwise, there are no future gains or losses.
- This report does not reflect approval of the hybrid withdrawal liability allocation method.

Caveat Regarding Projections

Projections, by their nature, are not a guarantee of future results. The projections are intended to serve as estimates of future financial outcomes that are based on the information available at the time the projections were completed, and the agreed-upon assumptions and methodologies described herein. Emerging results may differ significantly if the actual experience proves to be different from these assumptions or if alternative methodologies are used. Actual experience may differ due to such variables as demographic experience, the economy, stock market performance and the regulatory environment.

These projections were completed under the supervision of Daniel V. Ciner, MAAA, Enrolled Actuary.

November 10, 2011

Projection of Plan Solvency – No Transfer of Post-65 UPS Benefits

Projected Assets ($ Millions)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1. Market value as of January 1	$19,844	$17,674	$16,688	$15,647	$14,530	$13,377	$12,001	$10,511	$8,911	$7,203	$5,331	$3,313	$1,157
2. Income statement (market value basis)													
(a) Contributions	572	585	589	590	679	584	578	572	565	561	571	578	300
(b) Withdrawal liability payments	123	80	80	80	80	80	80	82	91	100	104	108	58
(c) Investment income	0	1,242	1,169	1,091	1,009	917	814	702	582	453	312	162	22
(d) Benefit payments	2,830	2,857	2,842	2,840	2,883	2,919	2,922	2,914	2,905	2,945	2,961	2,961	1,513
(e) Administrative expenses	35	36	37	37	38	39	40	41	41	42	43	44	23
(f) Net change	(2,170)	(986)	(1,041)	(1,116)	(1,153)	(1,377)	(1,490)	(1,600)	(1,708)	(1,873)	(2,017)	(2,157)	(1,157)
3. Market value as of December 31	17,674	16,688	15,647	14,530	13,377	12,001	10,511	8,911	7,203	5,331	3,313	1,157	0

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Projection of Plan Solvency – Transfer Post-65 UPS Benefits

Projected Assets ($ Millions)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
1. Market value as of January 1	$19,844	$17,674	$16,688	$15,672	$14,596	$13,501	$12,212	$10,834	$9,379	$7,847	$6,196	$4,449	$2,612	$689
2. Income statement (market value basis)														
(a) Contributions	572	585	589	590	679	584	578	572	565	561	571	578	585	206
(b) Withdrawal liability payments	123	80	80	80	80	80	80	82	91	100	104	108	112	41
(c) Investment income	0	1,242	1,170	1,094	1,016	929	833	731	623	508	385	255	119	9
(d) Benefit payments	2,830	2,857	2,817	2,803	2,832	2,843	2,830	2,798	2,769	2,777	2,763	2,735	2,694	929
(e) Administrative expenses	35	36	37	37	38	39	40	41	41	42	43	44	45	16
(f) Net change	(2,170)	(986)	(1,015)	(1,076)	(1,095)	(1,289)	(1,379)	(1,455)	(1,532)	(1,651)	(1,747)	(1,837)	(1,923)	(689)
3. Market value as of December 31	17,674	16,688	15,672	14,596	13,501	12,212	10,834	9,379	7,847	6,196	4,449	2,612	689	0

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CENTRAL STATES, SOUTHEAST AND SOUTHWEST AREAS PENSION PLAN

Rehabilitation Plan Review

December 3, 2012

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Review of Rehabilitation Plan Benefit Levels
(Varying Attrition Assumptions to Reflect Hypothetical Changes)

	Estimated year and month of insolvency and approximate number of months insolvency is forestalled/(accelerated)	
Current Rehabilitation Plan	7/23	
Hypothetical Changes to Primary Schedule Benefits:		
1. 1% benefit unreduced at age 65 effective 1/1/2013	8/23	1
2. 1% benefit unreduced at age 65 effective 1/1/2015	8/23	1
3. Future contribution increases not subject to benefit accruals	7/23	0
4. Actuarial equivalent reduction from unreduced age (see page 5)	7/23	0
5. Maximum Red Zone cuts effective 1/1/2018	4/23	-3
6. Maximum Red Zone cuts effective 1/1/2013	5/23	-2
7. Benefit freeze effective 1/1/2013	7/23	0
8. Maximum Red Zone cuts plus benefit freeze 1/1/2013	7/23	0
9. All Withdrawals are Rehabilitation Plan Withdrawals	8/23	1
10. Minimum retirement age of 58 effective 1/1/2013	7/23	0
11. Minimum retirement age of 60 effective 1/1/2013	9/23	2
12. Maximum Red Zone cuts to current and future terminated vested participants effective 1/1/2013	8/23	1
Mass withdrawal effective 12/31/2012; 25% of contributions continue as withdrawal liability payments	1/22	-18

Hypothetical	Active Attrition Assumption – Primary Schedule Participants		
	1st 5 years	Next 4 years	10+ years
1, 2, 3, 4, 9, 10, 11, 12	4%	4%	2%
	Additional Attrition At Effective Date of Changes		
	1st 5 years	2nd 5 years	11+ years
5, 6	16%	6%	0%
7	2%	16%	16%
8	18%	22%	20%

Note: The active attrition assumption (except for items 5 through 8 above) was used in the projections for the Rehabilitation Plan adopted by the Trustees on March 26, 2008. Does that assumption remain reasonable for the contribution rate increases in the current Primary Schedule?

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Review of Rehabilitation Plan Benefit Levels
(Ignoring Impact of Hypothetical Changes on Assumed Attrition – For Illustrative Purposes Only)

	Estimated year and month of insolvency and approximate number of months insolvency is forestalled/(accelerated)	
Current Rehabilitation Plan	7/23	
Hypothetical Changes to Primary Schedule Benefits:		
1. 1% benefit unreduced at age 65 effective 1/1/2013	8/23	1
2. 1% benefit unreduced at age 65 effective 1/1/2015	8/23	1
3. Future contribution increases not subject to benefit accruals	7/23	0
4. Actuarial equivalent reduction from unreduced age (see page 5)	7/23	0
5. Maximum Red Zone cuts effective 1/1/2018	7/23	0
6. Maximum Red Zone cuts effective 1/1/2013	12/23	5
7. Benefit freeze effective 1/1/2013	10/23	3
8. Maximum Red Zone cuts plus benefit freeze 1/1/2013	3/24	8
9. All Withdrawals are Rehabilitation Plan Withdrawals	8/23	1
10. Minimum retirement age of 58 effective 1/1/2013	7/23	0
11. Minimum retirement age of 60 effective 1/1/2013	9/23	2
12. Maximum Red Zone cuts to current and future terminated vested participants effective 1/1/2013	8/23	1
Mass withdrawal effective 12/31/2011; 25% of contributions continue as withdrawal liability payments	1/22	-18

Hypothetical	Active Attrition Assumption – Primary Schedule Participants		
	1st 5 years	Next 4 years	10+ years
All	4%	4%	2%
	Additional Attrition At Effective Date of Changes		
	1st 5 years	2nd 5 years	11+ years
All	0%	0%	0%

Note: The active attrition assumption was used in the projections for the Rehabilitation Plan adopted by the Trustees on March 26, 2008. Does that assumption remain reasonable for the contribution rate increases in the current Primary Schedule?

Assuming no additional attrition for all the above hypothetical changes is not reasonable. This chart was provided for illustrative purposes only.

Review of Rehabilitation Plan Benefit Levels
Comparison of Pages 1 and 2 – For Illustrative Purposes Only

	Estimated year and month of insolvency and approximate number of months insolvency is forestalled/(accelerated)			
	Attrition Assumed to Vary by Change		Ignores Impact of Change on Attrition	
Current Rehabilitation Plan	7/23		7/23	
Hypothetical Changes to Primary Schedule Benefits:				
1. 1% benefit unreduced at age 65 effective 1/1/2013	8/23	1	8/23	1
2. 1% benefit unreduced at age 65 effective 1/1/2015	8/23	1	8/23	1
3. Future contribution increases not subject to benefit accruals	7/23	0	7/23	0
4. Actuarial equivalent reduction from unreduced age (see page 5)	7/23	0	7/23	0
5. Maximum Red Zone cuts effective 1/1/2018	4/23	-3	7/23	0
6. Maximum Red Zone cuts effective 1/1/2013	5/23	-2	12/23	5
7. Benefit freeze effective 1/1/2013	7/23	0	10/23	3
8. Maximum Red Zone cuts plus benefit freeze 1/1/2013	7/23	0	3/24	8
9. All Withdrawals are Rehabilitation Plan Withdrawals	8/23	1	8/23	1
10. Minimum retirement age of 58 effective 1/1/2013	7/23	0	7/23	0
11. Minimum retirement age of 60 effective 1/1/2013	9/23	2	9/23	2
12. Maximum Red Zone cuts to current and future terminated vested participants effective 1/1/2013	8/23	1	8/23	1
Mass withdrawal effective 12/31/2012; 25% of contributions continue as withdrawal liability payments	1/22	-18	1/22	-18

See footnote, comments and other information on pages 1 and 2.

Review of Rehabilitation Plan Contribution Rate Levels

Rehabilitation Plan hypothetical changes on the previous pages are based on the current contribution schedules (e.g., 8%/6%/4% increases under Primary Schedule). If contribution increases in the Primary Schedule were 8% per year for all years and benefits were not changed:

- Insolvency would be delayed by 1 month assuming the attrition rate increases by ½% per year for each 1% increase in the current contribution increase schedules under the Primary Schedule
- There would be no change in projected insolvency if the attrition rate increases by 1% per year for each 1% increase in the current contribution increase schedules under the Primary Schedule
- Insolvency would be accelerated more if the attrition rate increases by more than 1% per year for each 1% increase in the current contribution increase schedules under the Primary Schedule

These projections have been prepared by The Segal Company for the benefit of the Board of Trustees of Central States, Southeast and Southwest Areas Pension Plan to assist in the Rehabilitation Plan update process. The projection results shown in this report may not be applicable for other purposes.

Sample actuarial equivalent reductions for early retirement are as follows:

	Reduction from Age 62		Reduction from Age 65	
Age	6%	Actuarial Equiv.	6%	Actuarial Equiv.
65	-	-	100%	100%
64	-	-	94%	90%
63	-	-	88%	81%
62	100%	100%	82%	74%
61	94%	91%	76%	67%
60	88%	82%	70%	61%
59	82%	75%	64%	55%
58	76%	68%	58%	50%
57	70%	62%	52%	46%

Actuarial Basis of Projections

Except as described below, the assumptions, methods, participant data, and benefit provisions used for this report are as described in the Actuarial Valuation and Review as of January 1, 2012.

Additional assumptions are as follows:

- Annual investment returns are 7.5% per year on a market value basis.
- Projected contributions, benefit payments, and administrative expenses for 2012 are as shown in the Central States Funds Financial and Analytical Information as of October 31, 2012.
- Expenses increase 2% per year from current assumption.
- All options for benefit reductions assumed to be effective January 1, 2013, except as otherwise noted.
- Unless noted otherwise in the data used for the 2012 actuarial valuation, Classes 15 and above (other than YRCW) are assumed to elect the Primary Schedule and Classes 14 and below (other than YRCW) are assumed to elect the Default Schedule. YRCW is assumed to remain on the Distressed Employer Schedule.
- For Classes 15 and above, annual contribution rate increases on rates including reallocations are equivalent to 8% for 5 years, 6% for 3 years and 4% thereafter (per the Rehabilitation Plan) to a maximum of $348 per week for each participant covered by the National Automobile Transporter Agreement and $342 per week for all other participants. The contribution rate increases for YRCW do not begin until 2015.
- For Classes 14 and below, annual contribution rate increases on rates including reallocations are 4%.

- The annual active attrition assumption is 4% for the first 9 years and 2% thereafter. In addition, the attrition assumption in the projection is increased by 16% per year for first 5 years and 6% per year for next 5 years for participants under the Default Schedule.
- Similar to prior year projections, additional attrition is assumed to apply in the first contract year that hypothetical changes are effective. 62.5% of the Primary Schedule participants are assumed to have a contract year in 2012 and every 4 years thereafter, 12.5% in 2013 and every 4 years thereafter, 12.5% in 2014 and every 4 years thereafter, and 12.5% in 2015 and every 4 years thereafter. Does this assumption remain reasonable?
- 15% of the attrition for Classes 15 and above is attributable to voluntary employer withdrawals (Rehabilitation Plan Withdrawals).
- For purposes of Scenario 9, 4% of active participants are assumed to retire or terminate each year due to employer withdrawals. For the current inactive vested participants, the percentage of participants subject to Rehabilitation Plan Withdrawal cuts is assumed to be equal to the resulting percentage assumption for the active participants.
- 25% of future population declines are assumed to result in withdrawal liability payments. The projected withdrawal liability payments reflect the assumption that units have declined by 4% in prior years and are assumed payable in annual installments over 20 years starting in the year following the decline, with minimum annual payments of $80 million.
- YRCW will make the following deferred contributions and interest payments:

Plan Year	Amount
2012	$6.9 million
2013	$6.9 million
2014	$6.9 million
2015	$93.4375 million

- Under the mass withdrawal projection in this report:
  - Maximum adjustable benefit cuts are assumed effective December 31, 2012
  - 100% of existing withdrawal liability payments plus 25% of the contribution level in 2012 (adjusted to reflect that contribution base units have declined by 4% in prior years) are assumed to be paid in perpetuity as withdrawal liability assessments
  - Withdrawal liability payments for 2012 are assumed to be annual amounts that continue to be payable
- Unless stated otherwise, there are no future gains or losses.
- This report does not reflect an assumption for "Old Employers" paying off their withdrawal liability to become "New Employers" under the hybrid withdrawal liability allocation method in future years.

Caveat Regarding Projections

Projections, by their nature, are not a guarantee of future results. The projections are intended to serve as estimates of future financial outcomes that are based on the information available at the time the projections were completed, and the agreed-upon assumptions and methodologies described herein. Emerging results may differ significantly if the actual experience proves to be different from these assumptions or if alternative methodologies are used. Actual experience may differ due to such variables as demographic experience, the economy, stock market performance and the regulatory environment.

These projections were completed under the supervision of Daniel V. Ciner, MAAA, Enrolled Actuary.

5303257v1/10346.003

Central States, Southeast and Southwest Areas Pension Plan Associated Wholesale Grocers, Inc. Withdrawal Liability Payment Projections

This report has been prepared by The Segal Company at the request of the Fund Office of the Central States, Southeast and Southwest Areas Pension Plan to provide information regarding the possible effect of payment of withdrawal liability by Associated Wholesale Grocers, Inc. (AWG), to become a "New Employer" for withdrawal liability purposes, on plan solvency under a range of potential special rehabilitation plan schedules. The results shown in this report may not be applicable for other purposes.

Projection Results

As shown below, projected Plan insolvency is delayed under any of the possibilities considered if this employer pays their withdrawal liability (as capped by the statutory 20-year payment limit) in a lump sum in order to become a "New Employer" under the Plan's withdrawal liability method.

Scenario	Month of Insolvency		Assets as of the End of the Year Prior to Insolvency ($ millions)	
	Result	Compared to #1	Result	Compared to #1
1. No withdrawal	6/2023	-	1,077	-
2. 2012 lump sum payment of withdrawal liability to become "New Employer"				
A. No change in Rehabilitation Plan	8/2023	+2	1,409	+332
B. Special Rehabilitation Plan Primary Schedule with no 4% increases required	8/2023	+2	1,393	+316
C. Special Rehabilitation Plan Primary Schedule with no increases required after 4/1/2012	8/2023	+2	1,365	+288

Based on the $342 per week contribution rate cap, most AWG participants will be near the maximum contribution rate after the fourth 4% contribution rate increase under the Primary Schedule (occurring in 2019). If the cap were not in place for AWG (but unchanged for all other employers), the month of insolvency under Scenario 2 above would be unchanged, but the assets as of the end of the year prior to insolvency would be increased by approximately $3 million.

EXHIBIT A

SEGAL

The $342 per week limit would not have an effect on AWG's weekly contribution rate under 2B and 2C above.

Actuarial Basis of Projections

The assumptions, methods, and benefit provisions used for this report are as described in the projection of plan solvency for purposes of measuring the scheduled progress of the Rehabilitation Plan in the Actuarial Status Certification as of January 1, 2012 under IRC Section 432, except as described below:

- AWG is assumed to have a level number of active participants and employment units based on the January 1, 2012 valuation data, but the assumptions for the total Plan number of active participants and employment units are unchanged.
- Under scenarios in which AWG is assumed to make a lump sum withdrawal liability payment, the payment amount is $161,312,144 (based on information from the Fund Office) and is paid on December 31, 2012.

Caveat Regarding Calculations

This report is not complete without the Actuarial Status Certification as of January 1, 2012 under IRC Section 432. These calculations were completed under the supervision of Daniel V. Ciner, MAAA, Enrolled Actuary.

April 23, 2012

5260929v1/10346.003

EXHIBIT A

CENTRAL STATES, SOUTHEAST AND SOUTHWEST AREAS PENSION PLAN

Rehabilitation Plan Review

November 19, 2013

This document has been prepared by Segal Consulting ("Segal") for the benefit of the Board of Trustees of the Central States, Southeast and Southwest Areas Pension Plan and is not complete without the presentation provided at the November 19, 2013 Board of Trustees meeting and any accompanying document. This document should not be shared, copied or quoted, in whole or in part, without the consent of Segal, except to the extent otherwise required by law.

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Review of Rehabilitation Plan Benefit Levels
(Varying Attrition Assumptions to Reflect Hypothetical Changes[1])

	Estimated year and month of insolvency and approximate number of months insolvency is forestalled/(accelerated)	
Current Rehabilitation Plan[2]	2/26	
Hypothetical Changes to Primary Schedule Benefits:		
1. 1% benefit unreduced at age 65 effective 1/1/2014	4/26	2
2. 1% benefit unreduced at age 65 effective 1/1/2016	3/26	1
3. Future contribution increases not subject to benefit accruals	2/26	0
4. Actuarial equivalent reduction from unreduced age (see page 5)	3/26	1
5. Maximum Red Zone cuts effective 1/1/2019	10/25	-4
6. Maximum Red Zone cuts effective 1/1/2014	9/25	-5
7. Future benefit accruals limited to $100/year effective 1/1/2014	3/26	1
8. Total benefit capped at higher of $3,000 or current effective 1/1/2014	2/26	0
9. Benefit freeze effective 1/1/2014	1/26	-1
10. Maximum Red Zone cuts plus benefit freeze 1/1/2014	12/25	-2
11. All Withdrawals are Rehabilitation Plan Withdrawals	3/26	1
12. Minimum retirement age of 58 effective 1/1/2014	3/26	1
13. Minimum retirement age of 59 effective 1/1/2014	4/26	2
14. Minimum retirement age of 60 effective 1/1/2014	6/26	4
15. Minimum retirement age of 58 effective 1/1/2014, 59 effective 1/1/2016, and 60 effective 1/1/2018	5/26	3
16. Maximum Red Zone cuts to current and future terminated vested participants effective 1/1/2014	3/26	1
Mass withdrawal effective 12/31/2013; 25% of contributions continue as withdrawal liability payments	6/24	-20

Hypothetical	Active Attrition Assumption – Primary Schedule Participants		
	1st 5 years	Next 4 years	10+ years
All	4%	4%	2%
	Additional Attrition At Effective Date of Changes		
	1st 5 years	2nd 5 years	11+ years
5, 6	16%	6%	0%
9	2%	16%	16%
10	18%	22%	20%

[1] The active attrition assumption (except for items 5, 6, 9, and 10 above) was used in the projections for the Rehabilitation Plan adopted by the Trustees on March 26, 2008. Does that assumption remain reasonable for the contribution rate increases in the current Primary Schedule?

[2] Projected insolvency changes to 9/25 if YRCW goes bankrupt on January 1, 2016, ceases all operations, and all YRCW employees retire at their earliest eligible age; Projected insolvency changes to 1/26 if YRCW maintains its current contribution rate for all future years.

Review of Rehabilitation Plan Benefit Levels (Ignoring Impact of Hypothetical Changes on Assumed Attrition[1] – For Illustrative Purposes Only)

	Estimated year and month of insolvency and approximate number of months insolvency is forestalled/(accelerated)	
Current Rehabilitation Plan	2/26	
Hypothetical Changes to Primary Schedule Benefits:		
1. 1% benefit unreduced at age 65 effective 1/1/2014	4/26	2
2. 1% benefit unreduced at age 65 effective 1/1/2016	3/26	1
3. Future contribution increases not subject to benefit accruals	2/26	0
4. Actuarial equivalent reduction from unreduced age (see page 5)	3/26	1
5. Maximum Red Zone cuts effective 1/1/2019	2/26	0
6. Maximum Red Zone cuts effective 1/1/2014	8/26	6
7. Future benefit accruals limited to $100/year effective 1/1/2014	3/26	1
8. Total benefit capped at higher of $3,000 or current effective 1/1/2014	2/26	0
9. Benefit freeze effective 1/1/2014	7/26	5
10. Maximum Red Zone cuts plus benefit freeze 1/1/2014	1/27	11
11. All Withdrawals are Rehabilitation Plan Withdrawals	3/26	1
12. Minimum retirement age of 58 effective 1/1/2014	3/26	1
13. Minimum retirement age of 59 effective 1/1/2014	4/26	2
14. Minimum retirement age of 60 effective 1/1/2014	6/26	4
15. Minimum retirement age of 58 effective 1/1/2014, 59 effective 1/1/2016, and 60 effective 1/1/2018	5/26	3
16. Maximum Red Zone cuts to current and future terminated vested participants effective 1/1/2014	3/26	1
Mass withdrawal effective 12/31/2013; 25% of contributions continue as withdrawal liability payments	6/24	-20

Hypothetical	Active Attrition Assumption – Primary Schedule Participants		
	1st 5 years	Next 4 years	10+ years
All	4%	4%	2%
	Additional Attrition At Effective Date of Changes		
	1st 5 years	2nd 5 years	11+ years
All	0%	0%	0%

[1] The active attrition assumption was used in the projections for the Rehabilitation Plan adopted by the Trustees on March 26, 2008. Does that assumption remain reasonable for the contribution rate increases in the current Primary Schedule?

Assuming no additional attrition for all the above hypothetical changes is not reasonable. This chart was provided for illustrative purposes only.

Review of Rehabilitation Plan Benefit Levels
Comparison of Pages 1 and 2 – For Illustrative Purposes Only

	Estimated year and month of insolvency and approximate number of months insolvency is forestalled/(accelerated)			
	Attrition Assumed to Vary by Change		Ignores Impact of Change on Attrition	
Current Rehabilitation Plan	2/26		2/26	
Hypothetical Changes to Primary Schedule Benefits:				
1. 1% benefit unreduced at age 65 effective 1/1/2014	4/26	2	4/26	2
2. 1% benefit unreduced at age 65 effective 1/1/2016	3/26	1	3/26	1
3. Future contribution increases not subject to benefit accruals	2/26	0	2/26	0
4. Actuarial equivalent reduction from unreduced age (see page 5)	3/26	1	3/26	1
5. Maximum Red Zone cuts effective 1/1/2019	10/25	-4	2/26	0
6. Maximum Red Zone cuts effective 1/1/2014	9/25	-5	8/26	6
7. Future benefit accruals limited to $100/year effective 1/1/2014	3/26	1	3/26	1
8. Total benefit capped at higher of $3,000 or current effective 1/1/2014	2/26	0	2/26	0
9. Benefit freeze effective 1/1/2014	1/26	-1	7/26	5
10. Maximum Red Zone cuts plus benefit freeze 1/1/2014	12/25	-2	1/27	11
11. All Withdrawals are Rehabilitation Plan Withdrawals	3/26	1	3/26	1
12. Minimum retirement age of 58 effective 1/1/2014	3/26	1	3/26	1
13. Minimum retirement age of 59 effective 1/1/2014	4/26	2	4/26	2
14. Minimum retirement age of 60 effective 1/1/2014	6/26	4	6/26	4
15. Minimum retirement age of 58 effective 1/1/2014, 59 effective 1/1/2016, and 60 effective 1/1/2018	5/26	3	5/26	3
16. Maximum Red Zone cuts to current and future terminated vested participants effective 1/1/2014	3/26	1	3/26	1
Mass withdrawal effective 12/31/2013; 25% of contributions continue as withdrawal liability payments	6/24	-20	6/24	-20

See footnotes, comments and other information on pages 1 and 2.

Review of Rehabilitation Plan Contribution Rate Levels

Rehabilitation Plan hypothetical changes on the previous pages are based on the current contribution schedules (e.g., 8%/6%/4% increases under Primary Schedule), assuming rates will not exceed $342 per week ($348 for participants covered by the National Master Automobile Transporters Agreement). If contribution increases in the Primary Schedule were 8% per year for all years and benefits were not changed:

- Insolvency would be delayed by approximately 1 month assuming the attrition rate increases by ½% per year for each applicable 1% increase in the current contribution increase schedules under the Primary Schedule
- There would be no change in projected insolvency if the attrition rate increases by 1% per year for each applicable 1% increase in the current contribution increase schedules under the Primary Schedule
- Insolvency would be accelerated more if the attrition rate increases by more than 1% per year for each applicable 1% increase in the current contribution increase schedules under the Primary Schedule

These projections have been prepared by Segal Consulting for the benefit of the Board of Trustees of Central States, Southeast and Southwest Areas Pension Plan to assist in the Rehabilitation Plan update process. The projection results shown in this report may not be applicable for other purposes.

Sample actuarial equivalent reductions for early retirement are as follows:

	Reduction from Age 62		Reduction from Age 65	
Age	6%	Actuarial Equiv.	6%	Actuarial Equiv.
65	-	-	100%	100%
64	-	-	94%	90%
63	-	-	88%	81%
62	100%	100%	82%	74%
61	94%	91%	76%	67%
60	88%	82%	70%	61%
59	82%	75%	64%	55%
58	76%	68%	58%	50%
57	70%	62%	52%	46%

Actuarial Basis of Projections

Except as described below, the assumptions, methods, participant data, and benefit provisions used for this report are as described in the Actuarial Valuation and Review as of January 1, 2013.

Additional assumptions are as follows:

- The market value of assets is estimated to be $18.667 billion as of October 31, 2013, based on preliminary information provided by the Fund Office. Projected contributions, benefit payments, and administrative expenses for 2013 are as shown in the Central States Funds Financial and Analytical Information as of September 30, 2013.
- Post-October 31, 2013 annual investment returns are 7.5% per year on a market value basis.
- Expenses increase by 2% per year from current assumption.
- All options for benefit reductions assumed to be effective January 1, 2014, except as otherwise noted.
- Unless noted otherwise in the data used for the 2013 actuarial valuation, Classes 15 and above (other than YRCW) are assumed to elect the Primary Schedule and Classes 14 and below (other than YRCW) are assumed to elect the Default Schedule. Unless stated otherwise, YRCW is assumed to remain on the Distressed Employer Schedule.
- For Classes 15 and above, annual contribution rate increases on rates including reallocations are equivalent to 8% for 5 years, 6% for 3 years and 4% thereafter (per the Rehabilitation Plan) to a maximum of $348 per week for each participant covered by the National Master Automobile Transporters Agreement and $342 per week for

all other participants. Unless stated otherwise, the contribution rate increases for YRCW begin 2015.

- For Classes 14 and below, annual contribution rate increases on rates including reallocations are 4%.
- No contribution increases are assumed for employers that qualify as "New Employers" under the Plan. There is no assumption for future "New Employers."
- The annual active attrition assumption is 4% for the first 9 years and 2% thereafter. In addition, the attrition assumption in the projection is increased by 16% per year for first 5 years and 6% per year for next 5 years for participants under the Default Schedule.
- Similar to prior year projections, additional attrition is assumed to apply in the first contract year that hypothetical changes are effective. 20% of Primary Schedule participants each year are assumed to have a contract expire.
- 15% of the attrition for Classes 15 and above is attributable to voluntary employer withdrawals (Rehabilitation Plan Withdrawals).
- For purposes of Scenario 11, 4% of active participants are assumed to retire or terminate each year due to employer withdrawals. For the current inactive vested participants, the percentage of participants subject to Rehabilitation Plan Withdrawal cuts is assumed to be equal to the resulting percentage assumption for the active participants.
- 25% of future population declines are assumed to result in withdrawal liability payments. The projected withdrawal liability payments reflect the assumption that units have declined by 4% in prior years and are assumed payable in annual installments over 20 years starting in the year following the decline, with minimum annual payments of $80 million.
- YRCW will make the following deferred contributions and interest payments:

Plan Year	Amount
2013	$8,233,283
2014	$8,083,283

YRCW will not make the deferred contribution and interest payment due in 2015.

- Under the mass withdrawal projection in this report:
  - Maximum adjustable benefit cuts are assumed effective December 31, 2013
  - 100% of existing withdrawal liability payments plus 25% of the contribution level in 2013 (adjusted to reflect that contribution base units have declined by 4% in prior years) are assumed to be paid in perpetuity as withdrawal liability assessments
  - Withdrawal liability payments for 2013 are assumed to be annual amounts that continue to be payable
- Unless stated otherwise, there are no future gains or losses.

Caveat Regarding Projections

Projections, by their nature, are not a guarantee of future results. The projections are intended to serve as estimates of future financial outcomes that are based on the information available at the time the projections were completed, and the agreed-upon assumptions and methodologies described herein. Emerging results may differ significantly if the actual experience proves to be different from these assumptions or if alternative methodologies are used. Actual experience may differ due to such variables as demographic experience, the economy, stock market performance and the regulatory environment.

These projections were completed under the supervision of Daniel V. Ciner, MAAA, Enrolled Actuary.

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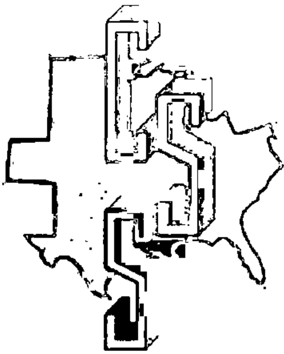

CENTRAL STATES, SOUTHEAST AND SOUTHWEST AREAS PENSION PLAN

Rehabilitation Plan Review

November 4, 2014

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Review of Rehabilitation Plan Benefit Levels
(Varying Attrition Assumptions to Reflect Hypothetical Changes[1])

	Estimated year and month of insolvency and approximate number of months insolvency is forestalled/(accelerated)	
Current Rehabilitation Plan	2/26	
Hypothetical Changes to Primary Schedule Benefits:		
1. 1% benefit unreduced at age 65 effective 1/1/2015	4/26	2
2. 1% benefit unreduced at age 65 effective 1/1/2017	3/26	1
3. Future contribution increases not subject to benefit accruals	2/26	0
4. Actuarial equivalent reduction from unreduced age (see page 5)	3/26	1
5. Maximum Red Zone cuts effective 1/1/2020	11/25	-3
6. Maximum Red Zone cuts effective 1/1/2015	10/25	-4
7. Future benefit accruals limited to $100/year effective 1/1/2015	3/26	1
8. Total benefit capped at higher of $3,000 or current effective 1/1/2015	3/26	1
9. Benefit freeze effective 1/1/2015	1/26	-1
10. Maximum Red Zone cuts plus benefit freeze 1/1/2015	1/26	-1
11. All Withdrawals are Rehabilitation Plan Withdrawals	3/26	1
12. Minimum retirement age of 65 for future Rehabilitation Plan Withdrawals effective 1/1/2015	2/26	0
13. Minimum retirement age of 58 effective 1/1/2015	3/26	1
14. Minimum retirement age of 59 effective 1/1/2015	4/26	2
15. Minimum retirement age of 60 effective 1/1/2015	5/26	3
16. Minimum retirement age of 58 effective 1/1/2015, 59 effective 1/1/2017, and 60 effective 1/1/2019	4/26	2
17. Maximum Red Zone cuts to current and future terminated vested participants effective 1/1/2015	3/26	1
Mass withdrawal effective 12/31/2014; 25% of contributions continue as withdrawal liability payments	3/25	-11

Hypothetical	Active Attrition Assumption – Primary Schedule Participants		
	1st 5 years	Next 4 years	10+ years
All	4%	4%	2%
	Additional Attrition At Effective Date of Changes		
	1st 5 years	2nd 5 years	11+ years
5, 6	16%	6%	0%
9	2%	16%	16%
10	18%	22%	20%

[1] The active attrition assumption (except for items 5, 6, 9, and 10 above) was used in the projections for the Rehabilitation Plan adopted by the Trustees on March 26, 2008.

Review of Rehabilitation Plan Benefit Levels (Ignoring Impact of Hypothetical Changes on Assumed Attrition[1] – For Illustrative Purposes Only)

	Estimated year and month of insolvency and approximate number of months insolvency is forestalled/(accelerated)	
Current Rehabilitation Plan	2/26	
Hypothetical Changes to Primary Schedule Benefits:		
1. 1% benefit unreduced at age 65 effective 1/1/2015	4/26	2
2. 1% benefit unreduced at age 65 effective 1/1/2017	3/26	1
3. Future contribution increases not subject to benefit accruals	2/26	0
4. Actuarial equivalent reduction from unreduced age (see page 5)	3/26	1
5. Maximum Red Zone cuts effective 1/1/2020	3/26	1
6. Maximum Red Zone cuts effective 1/1/2015	7/26	5
7. Future benefit accruals limited to $100/year effective 1/1/2015	3/26	1
8. Total benefit capped at higher of $3,000 or current effective 1/1/2015	3/26	1
9. Benefit freeze effective 1/1/2015	6/26	4
10. Maximum Red Zone cuts plus benefit freeze 1/1/2015	11/26	9
11. All Withdrawals are Rehabilitation Plan Withdrawals	3/26	1
12. Minimum retirement age of 65 for future Rehabilitation Plan Withdrawals effective 1/1/2015	2/26	0
13. Minimum retirement age of 58 effective 1/1/2015	3/26	1
14. Minimum retirement age of 59 effective 1/1/2015	4/26	2
15. Minimum retirement age of 60 effective 1/1/2015	5/26	3
16. Minimum retirement age of 58 effective 1/1/2015, 59 effective 1/1/2017, and 60 effective 1/1/2019	4/26	2
17. Maximum Red Zone cuts to current and future terminated vested participants effective 1/1/2015	3/26	1
Mass withdrawal effective 12/31/2014; 25% of contributions continue as withdrawal liability payments	3/25	-11

Hypothetical	Active Attrition Assumption – Primary Schedule Participants		
	1st 5 years	Next 4 years	10+ years
All	4%	4%	2%
	Additional Attrition At Effective Date of Changes		
	1st 5 years	2nd 5 years	11+ years
All	0%	0%	0%

[1] The active attrition assumption was used in the projections for the Rehabilitation Plan adopted by the Trustees on March 26, 2008.

Assuming no additional attrition for all the above hypothetical changes is not reasonable. This chart was provided for illustrative purposes only.

Review of Rehabilitation Plan Benefit Levels
Comparison of Pages 1 and 2 – For Illustrative Purposes Only

	Estimated year and month of insolvency and approximate number of months insolvency is forestalled/(accelerated)			
	Attrition Assumed to Vary by Change		Ignores Impact of Change on Attrition	
Current Rehabilitation Plan	2/26		2/26	
Hypothetical Changes to Primary Schedule Benefits:				
1. 1% benefit unreduced at age 65 effective 1/1/2015	4/26	2	4/26	2
2. 1% benefit unreduced at age 65 effective 1/1/2017	3/26	1	3/26	1
3. Future contribution increases not subject to benefit accruals	2/26	0	2/26	0
4. Actuarial equivalent reduction from unreduced age (see page 5)	3/26	1	3/26	1
5. Maximum Red Zone cuts effective 1/1/2020	11/25	-3	3/26	1
6. Maximum Red Zone cuts effective 1/1/2015	10/25	-4	7/26	5
7. Future benefit accruals limited to $100/year effective 1/1/2015	3/26	1	3/26	1
8. Total benefit capped at higher of $3,000 or current effective 1/1/2015	3/26	1	3/26	1
9. Benefit freeze effective 1/1/2015	1/26	-1	6/26	4
10. Maximum Red Zone cuts plus benefit freeze 1/1/2015	1/26	-1	11/26	9
11. All Withdrawals are Rehabilitation Plan Withdrawals	3/26	1	3/26	1
12. Minimum retirement age of 65 for future Rehabilitation Plan Withdrawals effective 1/1/2015	2/26	0	2/26	0
13. Minimum retirement age of 58 effective 1/1/2015	3/26	1	3/26	1
14. Minimum retirement age of 59 effective 1/1/2015	4/26	2	4/26	2
15. Minimum retirement age of 60 effective 1/1/2015	5/26	3	5/26	3
16. Minimum retirement age of 58 effective 1/1/2015, 59 effective 1/1/2017, and 60 effective 1/1/2019	4/26	2	4/26	2
17. Maximum Red Zone cuts to current and future terminated vested participants effective 1/1/2015	3/26	1	3/26	1
Mass withdrawal effective 12/31/2014; 25% of contributions continue as withdrawal liability payments	3/25	-11	3/25	-11

See footnotes, comments and other information on pages 1 and 2.

Review of Rehabilitation Plan Contribution Rate Levels

Rehabilitation Plan hypothetical changes on the previous pages are based on the current contribution schedules (e.g., 8%/6%/4% increases under Primary Schedule), assuming rates will not exceed $342 per week ($348 for participants covered by the National Master Automobile Transporters Agreement). If contribution increases in the Primary Schedule were 8% per year for all years and benefits were not changed:

- Insolvency would be delayed by approximately 1 month assuming the attrition rate increases by ½% per year for each applicable 1% increase in the current contribution increase schedules under the Primary Schedule
- There would be no change in projected insolvency if the attrition rate increases by 1% per year for each applicable 1% increase in the current contribution increase schedules under the Primary Schedule
- Insolvency would be accelerated more if the attrition rate increases by more than 1% per year for each applicable 1% increase in the current contribution increase schedules under the Primary Schedule

The above analysis assumes employment levels for groups attaining the $342 (or $348, if applicable) maximum rate are unchanged from those projected under the current contribution rate structure.

These projections have been prepared by Segal Consulting for the benefit of the Board of Trustees of Central States, Southeast and Southwest Areas Pension Plan to assist in the Rehabilitation Plan update process. The projection results shown in this report may not be applicable for other purposes.

Sample actuarial equivalent reductions for early retirement are as follows:

	Reduction from Age 62		Reduction from Age 65	
Age	6%	Actuarial Equiv.	6%	Actuarial Equiv.
65	-	-	100%	100%
64	-	-	94%	90%
63	-	-	88%	81%
62	100%	100%	82%	74%
61	94%	91%	76%	67%
60	88%	82%	70%	61%
59	82%	75%	64%	55%
58	76%	68%	58%	50%
57	70%	62%	52%	46%

Actuarial Basis of Projections

Except as described below, the assumptions, methods, participant data, and benefit provisions used for this report are as described in the Actuarial Valuation and Review as of January 1, 2014.

Additional assumptions are as follows:

- The market value of assets is estimated to be $18.027 billion as of September 30, 2014, based on preliminary information provided by the Fund Office. Projected contributions, benefit payments, and administrative expenses for 2014 are as shown in the Central States Funds Financial and Analytical Information as of September 30, 2014.
- Post-September 30, 2014 annual investment returns are 7.5% per year on a market value basis.
- Expenses increase by 2% per year from current assumption.
- All options for benefit reductions assumed to be effective January 1, 2015, except as otherwise noted.
- Unless noted otherwise in the data used for the 2014 actuarial valuation, Classes 15 and above (other than YRCW) are assumed to elect the Primary Schedule and Classes 14 and below (other than YRCW) are assumed to elect the Default Schedule. Unless stated otherwise, YRCW is assumed to remain on the Distressed Employer Schedule.
- For Classes 15 and above, annual contribution rate increases on rates including reallocations are equivalent to 8% for 5 years, 6% for 3 years and 4% thereafter (per the Rehabilitation Plan) to a maximum of $348 per week for each participant covered by the National Master Automobile Transporters Agreement and $342 per week for

all other participants. YRCW is assumed to remain on the Distressed Employer Schedule with no contribution rate increases.

- For Classes 14 and below, annual contribution rate increases on rates including reallocations are 4%.
- No contribution increases are assumed for employers that qualify as "New Employers" under the Plan. There is no assumption for future "New Employers."
- The annual active attrition assumption is 4% for the first 9 years and 2% thereafter. In addition, the attrition assumption in the projection is increased by 16% per year for first 5 years and 6% per year for next 5 years for participants under the Default Schedule.
- Additional attrition is assumed to apply in the first contract year that hypothetical changes are effective. 20% of Primary Schedule participants each year are assumed to have a contract expire.
- 15% of the attrition for Classes 15 and above is attributable to voluntary employer withdrawals (Rehabilitation Plan Withdrawals).
- For purposes of Scenario 11, 4% of active participants are assumed to retire or terminate each year due to employer withdrawals. For the current inactive vested participants, the percentage of participants subject to Rehabilitation Plan Withdrawal cuts is assumed to be equal to the resulting percentage assumption for the active participants.
- 25% of future population declines are assumed to result in withdrawal liability payments. The projected withdrawal liability payments reflect the assumption that units have declined by 4% in prior years and are assumed payable in annual installments over 20 years starting in the year following the decline, with minimum annual payments of $80 million.
- Based on information from the plan sponsor, it is assumed that, as a result of an agreement with YRCW (Contribution Deferral Agreement), the Fund will receive $8.0 million in annual property sale and interest income during the Calendar years 2014-2019 and the December 31, 2013 balance of $84,150,155 will grow with 7.5% per year interest, paid monthly, reduced by the property sale income, and will be paid on December 31, 2019.
- Under the mass withdrawal projection in this report:
  - Maximum adjustable benefit cuts are assumed effective December 31, 2014
  - 100% of the withdrawal liability payments projected for the current Plan Year (based on the preliminary information as of September 30, 2014 provided by the Fund Office) plus 25% of the contribution level in 2014 (adjusted to reflect that contribution base units have declined by 4% in prior years) are assumed to be paid in perpetuity as withdrawal liability assessments
  - Withdrawal liability payments for 2014 are assumed to be annual amounts that continue to be payable
- Unless stated otherwise, there are no future gains or losses.

Caveat Regarding Projections

Projections, by their nature, are not a guarantee of future results. The projections are intended to serve as estimates of future financial outcomes that are based on the information available at the time the projections were completed, and the agreed-upon assumptions and methodologies described herein. Emerging results may differ significantly if the actual experience proves to be different from these assumptions or if alternative methodologies are used. Actual experience may differ due to such variables as demographic experience, the economy, stock market performance and the regulatory environment.

These projections were completed under the supervision of Daniel V. Ciner, MAAA, Enrolled Actuary.

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