Local 805 Pension and Retirement Fund
EIN: 13-1917612
PN: 001

Rehabilitation Plan Update
As of November 30, 2016
Table of Contents

1. Introduction .................................................................................................................................... 2

2. Operation of Rehabilitation Plan .................................................................................................... 2
   a. Adopting a Schedule ................................................................................................................. 2
   b. Duration of Schedules ............................................................................................................... 2
   c. Updates to Rehabilitation Plan and Schedules .......................................................................... 3
   d. Employer Surcharge .................................................................................................................. 3
   e. Reasonable Measures and Considerations ................................................................................ 3
      1) Update as of April 1, 2014 .................................................................................................. 4
      2) Update as of November 30, 2016 ........................................................................................ 5

3. Prior Rehabilitation Plans ............................................................................................................... 6
   a. Initial as of February 24, 2009 .................................................................................................. 6
      1) Default Schedule ................................................................................................................. 6
      2) Preferred Schedule .............................................................................................................. 6
      3) Alternative Schedule ........................................................................................................... 6
   b. Update as of April 1, 2014 ........................................................................................................ 7
      1) Default Schedule ................................................................................................................. 7
      2) Preferred Schedule .............................................................................................................. 7
      3) Alternative Schedule ........................................................................................................... 8

4. Current Rehabilitation Plan ............................................................................................................ 9
   a. Default Schedule ....................................................................................................................... 9
   b. Preferred Schedule .................................................................................................................... 9
1. Introduction

The Local 805 Pension and Retirement Fund (the “Plan”) has been determined by the Plan’s actuary to be in “Critical and Declining” status as of April 1, 2016.

In accordance with Internal Revenue Code (“Code”) §432, the Board of Trustees of the Local 805 Pension and Retirement Fund (the “Plan Sponsor”) hereby updates the Rehabilitation Plan (“RP”) effective November 30, 2016. The original RP was effective February 24, 2009, and was updated effective April 1, 2014.

The Rehabilitation Period (as defined in IRC §432) for the Plan shall be the 13-year period beginning April 1, 2011 and ending March 31, 2024. If the Plan emerges from critical status before the end of such 13-year period, the Rehabilitation Period shall end with the Plan Year preceding the Plan Year for which the Plan’s actuary certifies that the Plan is no longer in critical status.

<table>
<thead>
<tr>
<th>Date Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Critical Certification:</td>
</tr>
<tr>
<td>Initial Critical and Declining Certification:</td>
</tr>
<tr>
<td>Date: April 1, 2015</td>
</tr>
</tbody>
</table>

2. Operation of Rehabilitation Plan

a. Adopting a Schedule

Typically, with respect to each Collective Bargaining Agreement (“CBA”) that was in effect on the adoption date and after the bargaining parties received a copy of the RP, the bargaining parties shall agree to adopt one of the schedules provided (the “Schedule”). If the bargaining parties fail to adopt a Schedule, then the Plan Sponsor shall implement the Default Schedule, and such Default Schedule shall take effect on the date which is 180 days after the date on which the CBA expires.

b. Duration of Schedules

Once a Schedule described above takes effect, it shall remain in effect for the duration of the CBA and relied upon by the bargaining parties. When a CBA comes up for negotiation, it is negotiated pursuant to the most recent update of this RP and the schedules contained therein.
c. Updates to Rehabilitation Plan and Schedules

The Plan Sponsor shall annually update the RP. The annual update shall reflect updated projections of assets, liabilities and funding standard account credit balances provided by the Plan’s actuaries, as well as a projection by the Plan’s actuary as to whether or not the Plan is projected to emerge from critical status by the end of the Rehabilitation Period. The updated RP shall include such additional actions, including the update of Contribution and Benefit Schedules, as the Plan Sponsor deems may reasonably be expected to enable the Plan to emerge from critical status in accordance with the RP by the end of the Rehabilitation Period.

d. Employer Surcharge

Pursuant to the Pension Protection Act (“PPA”), a surcharge is imposed on all contributing employers until they adopt a contribution schedule that contains terms consistent with a Schedule under the RP. The amount of the surcharge for the 2008 Plan Year (i.e., the Plan's "initial critical year") is 5% of the contribution otherwise required under the applicable CBA (or other agreement pursuant to which the employer contributes). For subsequent years in which the plan is in critical status, the surcharge is 10% of the contribution otherwise required. The surcharges go into effect 30 days after the employer has been notified by the plan sponsor that the plan is in critical status and the surcharge is in effect. Surcharges are due and payable on the same schedule as the contributions on which the surcharges are based. The surcharge will terminate following the adoption by the bargaining parties of a Schedule under the RP.

e. Reasonable Measures and Considerations

After a review of its RP, a Plan Sponsor may determine that, based on reasonable actuarial assumptions and upon exhaustion of all reasonable measures, the Plan cannot reasonably be expected to emerge from critical status by the end of the Rehabilitation Period. If the Plan Sponsor makes that determination, it may update the RP to a schedule or schedules which consists of reasonable measures to enable the Plan to emerge from critical status at a later time or to forestall possible insolvency. Such a set of schedules is also referred to as a “reasonable measures plan”.

1) Update as of April 1, 2014

The RP was updated as of April 1, 2014, to be a reasonable measures plan. The reasons behind this determination were based on a number of considerations and factors analyzed by the Board of Trustees, including but not limited to, the following factors:

- The constraints imposed on the contributing employers to pass price increases on to their customers to cover the increased contributions required by a RP that would allow the Plan to emerge from critical status after a 13-year period. Substantially all of the Plan's contributing employers operate in the cigarette distribution industry. The tobacco industry is regulated and taxed at both the federal and state levels. The regulatory burdens imposed on employers in the industry, together with the tax imposition on cigarette sales, add immeasurably to the contributing employers' costs of doing business in this industry. For example, cigarettes are one of the most heavily taxed consumer products in the United States. The current state excise tax on cigarettes in New York State is $4.35 per pack. The cigarette tax was increased from $2.75 per pack to $4.35 per pack in June 2010 (effective July 1, 2010) and is currently the highest state tax in the nation. New York State law gives New York City the authority to impose an additional tax on cigarettes sold within the city. Currently, New York City's cigarette tax rate is $1.50 per pack, which means that the combined state and local taxes on a pack of cigarettes sold in New York City total $5.85 per pack.

In addition to state and local taxes, there is a $1.01 federal tax on each pack of cigarettes. The federal tax was increased by $0.62 per pack in 2009 to fund an expansion of the State Children's Health Insurance Program. These significant taxes imposed on cigarette sales limit the ability of contributing employers to pass additional increases on to customers. The economic issues are being exacerbated by the competition for cigarette sales that are being presented by on-line sales of cigarettes as well as sales of cigarettes on American Indian reservations where lower cost cigarettes can easily be obtained.

- As of April 1, 2013 it was projected that an annual contribution rate increase of 34.85% would be required in order for the Plan to emerge from critical status by the end of the 13-year Rehabilitation Period. The Plan Sponsor believes that the crushing burden of these contribution increases would inevitably lead to the complete and/or partial withdrawal from the Plan of a significant number of contributing employers.

- Significant investment losses were suffered by the Plan during 2008. For the 2008 calendar year, the Plan's total investment losses were -22%. The market value of Plan assets on March 31, 2008 was $102,968,405. The market value of Plan assets as of March 31, 2009 was $70,628,713. This constitutes an almost 31.4% decrease in Plan assets during this period. The market value of Plan assets as of February 28, 2014 stood at $66.5 million. Thus, in nearly 6 years the Plan's assets had not recovered to their level of March 31, 2008. Indeed, assets totaled approximately $36.5 million lower than the period 6 years earlier.

In attempting to develop a viable RP, the Plan Sponsor reviewed various options, including benefit reductions and employer contribution increases. Even if some of the contributing employers could financially withstand the contribution increases required to emerge from critical status within a 13-year Rehabilitation Period, the Plan Sponsor believes that these contributing employers would demand that the Plan Sponsor significantly reduce the current plan of benefits. The Plan Sponsor believes that a RP with benefit reductions and employer contribution increases sufficient to enable the Plan to emerge from critical status by the end of a 13-year Rehabilitation Period could be
expected to result in decertification of the union by bargaining units, withdrawals by a significant number of the Plan's contributing employers and/or increases in employer bankruptcy filings. These outcomes would have a severe detrimental, long-term impact on the Plan.

After consideration of all of the above, the Plan Sponsor chose to offer the Schedules shown in Section 3b as part of its update as of April 1, 2014, deeming them reasonable measures to forestall insolvency.

2) Update as of November 30, 2016

During the current Plan Year, April 1, 2016 through March 31, 2017, the Plan Sponsor has updated the RP. The Plan Sponsor reviewed the former schedules, and determined that additional contribution increases beyond those already bargained and ratified under a CBA were not sustainable and likely to further jeopardize Plan participants by leading to the partial or complete withdrawal of contributing employers. The very real possibility that the Pension Benefit Guaranty Corporation (“PBGC”) may be unable to pay guaranteed benefits due to its own insolvency was carefully considered by the Plan Sponsor. To avoid and delay the impending insolvency and dissolution of the Plan, this update to the RP ceases the contribution increases in the Preferred Schedule, as shown in Section 4, in an effort to continue the sustainability of the Plan.

As a result, this update to the RP eliminates the contribution increases in the Preferred Schedule, as shown in Section 4. However, the Plan Sponsor intends to apply for a Plan partition and suspension as permitted by the provisions of the Multiemployer Pension Reform Act (“MPRA”), and subject to the approval of the Plan’s applications for a partition and suspension, it will update the RP to once again provide for the 3% contribution increases that were included in the April 1, 2014 RP update.
3. Prior Rehabilitation Plans

a. Initial as of February 24, 2009

1) Default Schedule

*Benefit Changes to Plan*
Future accruals decreased to 1% of employer contributions

Elimination of the following adjustable benefits:
- "25-Years-and-Out"
- "20-Years-and-Out"
- Disability Retirement

*Contribution Requirements*
12.4% increases annually

2) Preferred Schedule

*Benefit Changes to Plan*
Future accruals decreased to 1% of employer contributions

Elimination of the following adjustable benefits for participants who do not have at least
20 years of Credited Service as of April 1, 2009:
- "25-Years-and-Out"
- "20-Years-and-Out"

*Contribution Requirements*
13.3% increases annually

3) Alternative Schedule

*Benefit Changes to Plan*
None

*Contribution Requirements*
Must contribute $556 per participant per month

The Alternative Schedule only applies to participants employed by Yellow Freight.
b. Update as of April 1, 2014

1) Default Schedule

*Benefit Changes to Prior RP*

Accruals not to exceed $50 per year of Credited Service.

*Contribution Requirements*

3.0% increases annually

2) Preferred Schedule (Also referred to as Alternative Schedule II)

*Benefit Changes to Prior RP*

Benefit accruals will be 1% of employer contributions up to an accrual rate of $50 per year of service. The accrual rates shown below are based upon the tobacco employers’ expected contribution rates through 2018 and then 3% contribution increases thereafter.

The monthly accrual rates per year of Credited Service for each Plan Year beginning April 1, 2014 are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Accrual</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$35.00</td>
</tr>
<tr>
<td>2015</td>
<td>$35.65</td>
</tr>
<tr>
<td>2016</td>
<td>$36.40</td>
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<tr>
<td>2017</td>
<td>$37.10</td>
</tr>
<tr>
<td>2018</td>
<td>$38.25</td>
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</table>

For Plan Years beginning after March 31, 2019, the accrual increases 3% annually. In no case would accruals exceed $50 per year of Credited Service or be less than the accrual rate in effect as of March 31, 2014.

*Contribution Requirements*

The monthly contribution rates each Plan Year beginning April 1, 2014 are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$291.61</td>
</tr>
<tr>
<td>2015</td>
<td>$297.44</td>
</tr>
<tr>
<td>2016</td>
<td>$303.39</td>
</tr>
<tr>
<td>2017</td>
<td>$309.46</td>
</tr>
</tbody>
</table>
For Plan Years beginning on or after April 1, 2018, contributions will increase 3% per year. Notwithstanding the preceding sentence, in no event shall the contribution rate per participant determined under this updated RP, effective April 1, 2014, result in a contribution rate per participant for any employer that is less than the contribution rate per participant that was in effect for such employer as of March 31, 2014.

3) Alternative Schedule I

Benefit Changes to Prior RP
No changes

Contribution Requirements
No changes
4. Current Rehabilitation Plan

a. Default Schedule

   *Benefit Changes to Prior RP*
   No changes

   *Contribution Requirements*
   80% increases to the contribution rate in effect for the prior year for each year through the Plan Year ending 3/31/2024, beginning as of the end of the current CBA.

b. Preferred Schedule *(Also referred to as Alternative Schedule II)*

   *Benefit Changes to Prior RP*
   This update assumes no changes to the current Rehabilitation Plan benefits, which are currently as shown below:

   Monthly benefit accruals will equal 1% of the contributions made on a participant’s behalf in any Plan Year, to a maximum annual accrual of $50 per month.

   *Contribution Requirements*
   For increases not already bargained for and ratified under a current collective bargaining agreement as of the date this RP update is provided to the bargaining parties, there are no increases in contributions.