

## APPLICATION FOR APPROVAL OF BENEFIT SUSPENSION FOR WESTERN PENNSYLVANIA TEAMSTERS AND EMPLOYERS PENSION FUND

Response	Item number	Description of item	Page number in application
<input checked="" type="radio"/> Yes <input type="radio"/> No N/A	1.	Does the application include an original signature of the plan sponsor or an authorized representative of the plan sponsor? See Application 2.01	P. 2, Ex.1
<input checked="" type="radio"/> Yes <input type="radio"/> No N/A	2.	Does the application include a description of the proposed benefit suspension - calculated as if no other limitations apply - that includes: <ul style="list-style-type: none"> <li>the suspension's effective date (and its expiration date, if applicable),</li> <li>whether the suspension provides for different treatment of participants and beneficiaries,</li> <li>a description of the different categories or groups of individuals affected, and</li> <li>how the suspension affects these individuals differently?</li> </ul> See section 2.02 of this Application.	P.2
<input checked="" type="radio"/> Yes <input type="radio"/> No N/A	3.	Does the application include a penalties-of-perjury statement signed by an authorized trustee on behalf of the board of trustees? See Section 2.03 of this Application.	P.4, 24, Ex.1
<input checked="" type="radio"/> Yes <input type="radio"/> No N/A	4.	Does the application include a statement, signed by an authorized trustee on behalf of the board of trustees, acknowledging that the application and the application's supporting material will be publicly disclosed on the Treasury Department's website? See section 2.04 of this Application.	P. 4, 24, Ex. 1
<input checked="" type="radio"/> Yes <input type="radio"/> No N/A	5.	Does the application include the plan actuary's certification of critical and declining status and the supporting illustrations, including: <ul style="list-style-type: none"> <li>the plan-year-by-plan-year projections demonstrating projected insolvency during the relevant period, and</li> <li>separately identifying the available resources (and the market value of assets and changes in cash flow) during each of those years?</li> </ul> See section 3.01 of this Application.	P. 5, Ex. 2

<input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A	6.	<p>Does the application include the plan actuary's certification that, taking into account the proposed suspension and, if applicable, a proposed partition, the plan is projected to avoid insolvency if the suspension takes effect, and the supporting illustrations, including:</p> <ul style="list-style-type: none"> <li>the plan-year-by-plan-year projections demonstrating projected solvency during the relevant period,</li> <li>separately identifying the available resources (and the market value of assets and changes in cash flow) during each of those years?</li> </ul> <p>See section 3.02 of this Application.</p>	P. 5, Ex. 3
<input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A	7.	<p>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 of this Application.</p>	P.6, Ex. 4
<input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A	8	<p>Does the application include a demonstration that the limitations on individual suspensions are satisfied, including a description of each benefit based on disability, as defined under the plan, that is paid to an individual under the plan (without regard to whether the disability benefits are available to newly disabled participants) and calculations regarding:</p> <ul style="list-style-type: none"> <li>the guarantee-based limitation,</li> <li>the disability-based limitation,</li> <li>the age-based limitation, taking into account the guarantee-based limitation, and</li> <li>if applicable, the age-based limitation taking into account both the guarantee-based limitation and the disability-based limitation?</li> </ul> <p>See section 4.01 of this Application.</p>	P. 7, Ex.5
<input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A	9.	<p>Does the application include a demonstration that the proposed suspension is reasonably estimated to achieve the level necessary to avoid insolvency for the extended period, including illustrations regarding the plan's solvency ratio and available resources? See section 4.02(1) of this Application.</p>	P.8 . Ex. 3
<input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A	10.	<p>Does the application include an illustration that the proposed suspension is reasonably estimated to achieve the level necessary to avoid insolvency for the extended period utilizing stochastic projections? (This illustration is optional if the plan is not required to appoint a retiree representative under § 432(e)(9)(B)(v)(I).) See section 4.02(2) of this Application.</p>	P. 8 , Ex. 3
<input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A	11.	<p>Does the application include a demonstration that the proposed suspension is not projected to materially exceed the level necessary to avoid insolvency, including:</p> <ul style="list-style-type: none"> <li>the plan-year-by-plan-year projections demonstrating projected insolvency during the relevant period, and</li> <li>a separate identification of the available resources (and the market value of assets and changes in cash flow) during each of those years?</li> </ul> <p>See section 4.03 of this Application.</p>	P. 8, Ex. 6

<input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A	12.	<p>Does the application include a demonstration that the proposed suspension is equitably distributed, including:</p> <ul style="list-style-type: none"> <li>• information on the effect of the suspension on the plan in the aggregate,</li> <li>• information on the effect of the suspension for different categories or groups,</li> <li>• a list of the factors taken into account,</li> <li>• an explanation of why none of the factors listed in § 432(e)(9)(D)(vi) were taken into account (if applicable),</li> <li>• for each factor taken into account that is not one of the factors listed in § 432(e)(9)(D)(vi), an explanation why the factor is relevant, and</li> <li>• an explanation of how any difference in treatment among categories or groups of individuals results from a reasonable application of the relevant factors?</li> </ul> <p>See section 4.04 of this Application.</p>	P. 9., Ex. 7
<input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A	13.	<p>Does the application include a copy of the notices (excluding personally identifiable information) that meet the requirements under § 432(e)(9)(F)? See section 4.05(1) of this Application.</p>	P. 11, Ex. 8
<input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A	14.	<p>Does the application include a description of the efforts that are being taken to contact participants, beneficiaries in pay status, and alternate payees? See section 4.05(2) of this Application.</p>	P. 11
<input type="radio"/> Yes <input checked="" type="radio"/> No <input type="radio"/> N/A	15.	<p>Does the application describe the steps the plan sponsor has taken to ensure that notices delivered electronically are reasonably accessible to the recipients? See section 4.05(3) of this Application.</p>	N/A, P. 12
<input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A	16.	<p>Does the application include a list of each employer who has an obligation to contribute under the plan and each employee organization representing participants under the plan? See section 4.05(4) of this Application.</p>	P. 12
<input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A	17.	<p>Does the application include information on past and current measures taken to avoid insolvency? See section 5.01 of this Application.</p>	P. 14
<input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A	18.	<p>Does the application include information regarding the plan factors described in § 432(e)(9)(C)(ii), for the past 10 plan years immediately preceding the plan year in which the application is submitted? See section 5.02 of this Application.</p>	P. 16, Ex 9
<input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A	19.	<p>Does the application describe how the plan sponsor took into account – or did not take into account – the factors listed in section 5.02 of this revenue procedure in the determination that all reasonable measures were taken to avoid insolvency? See section 5.03 of this Application.</p>	P. 17
<input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A	20.	<p>Does the application describe how the plan sponsor took into account - or did not take into account - in the determination that all reasonable measures have been taken to avoid insolvency, the impact of:</p> <ul style="list-style-type: none"> <li>• benefit and contribution levels on retaining active participants and bargaining groups under the plan, and</li> <li>• past and anticipated contribution increases under the plan on employer attrition and retention levels?</li> </ul> <p>See section 5.03 of this Application.</p>	P.17

<input checked="" type="radio"/> Yes <input type="radio"/> No N/A	21.	Does the application include a discussion of any other factors the plan sponsor took into account including how and why those factors were taken into account? See section 5.04 of this Application.	P. 17
<input checked="" type="radio"/> Yes <input type="radio"/> No N/A	22.	Does the application include a copy of the proposed ballot, excluding the information regarding the statement in opposition, the individualized estimate, and the voting procedures? See section 6.01 of this Application.	P. 17, Ex. 10
<input checked="" type="radio"/> Yes <input type="radio"/> No N/A	23.	Does the application indicate whether the plan sponsor is requesting approval from PBGC of a proposed partition under section 4233 of ERISA? See section 6.02 of this Application.	N/A , P. 17
<input type="radio"/> Yes <input checked="" type="radio"/> No N/A	24.	If the answer to item 23 is yes, does the application specify the effective date of the proposed partition and include a plan-year-by-plan-year projection of the amount of the reduction in benefit payments attributable to the partition? See section 6.02 of this Application.	N/A, P. 17
<input checked="" type="radio"/> Yes <input type="radio"/> No N/A	25.	Does the application include: <ul style="list-style-type: none"> <li>• a description of each of the assumptions used in the projections required under sections 3.01, 3.02, 4.02(1), 4.02(2), and 4.03 of this revenue procedure,</li> <li>• supporting evidence for the selection of those assumptions, and</li> <li>• an explanation of any differences among the assumptions used for various purposes?</li> </ul> See section 6.03 and Appendix B of this Application.	P. 18, Ex. 11
<input checked="" type="radio"/> Yes <input type="radio"/> No N/A	26.	Does the application describe the plan's experience with certain critical assumptions, including a disclosure for each of the 10 plan years immediately preceding the application that separately identifies: <ul style="list-style-type: none"> <li>• the total contributions,</li> <li>• the total contribution base units,</li> <li>• the average contribution rates,</li> <li>• the withdrawal liability payments, and</li> <li>• the rate of return on plan assets?</li> </ul> See section 6.04 of this Application.	P. 18, Ex. 12
<input checked="" type="radio"/> Yes <input type="radio"/> No N/A	27.	Does the application include deterministic projections of the sensitivity of the plan's solvency ratio throughout the extended period by taking into account the more conservative assumptions of investment experience and future contribution base units than assumed elsewhere in the application? See section 6.05 of this Application.	P. 18, Ex. 13
<input checked="" type="radio"/> Yes <input type="radio"/> No N/A	28.	Does the plan include deterministic projections for each year in the extended period of: <ul style="list-style-type: none"> <li>• the value of plan assets,</li> <li>• the plan's accrued liability, and</li> <li>• the plan's funded percentage?</li> </ul> See section 6.06 of this Application.	P. 18, Ex. 13

<input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A	29.	<p>Does the application include the plan sponsor's representation that, if it receives the Treasury Department's final authorization to suspend and then chooses to implement the suspension, it will also amend the plan:</p> <ul style="list-style-type: none"> <li>to provide that the suspension will cease upon the plan sponsor's failure to maintain a written record of its annual determination that (i) all reasonable measures continue to be taken to avoid insolvency and (ii) the plan would not be projected to avoid insolvency without a suspension,</li> <li>to require that any future benefit improvements must satisfy § 432(e)(9)(E), and</li> <li>to specify that the plan sponsor will not modify these amendments, notwithstanding any other provision of the plan document?</li> </ul> <p>See section 6.07 of this Application.</p>	P.18
<input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A	30.	<p>Does the application indicate whether the plan is a plan described in § 432(e)(9)(D)(vii) and, if it is, how that is reflected in the proposed benefit suspension? See section 6.08 of this Application</p>	P. 19
<input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A	31.	<p>Does the application include a narrative statement of the reasons the plan is in critical and declining status? See section 6.09 of this Application.</p>	P. 19
<input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A	32.	<p>Does the application include the required plan sponsor identification and contact information? See section 7.01 of this Application.</p>	P. 19
<input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A	33.	<p>Does the application include the required plan identification information? See section 7.02 of this Application.</p>	P. 20
<input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A	34.	<p>Does the application include the required retiree representative information (if applicable)? See section 7.03 of this Application.</p>	P. 20
<input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A	35.	<p>Does the application include the required enrolled actuary information? See section 7.04 of this Application.</p>	P. 20
<input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A	36.	<p>Does the application include a designation of power of attorney for each authorized representative who will represent the plan sponsor in connection with the application? See section 7.05 of this Application.</p>	P. 20, 25 , Ex.1
<input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A	37.	<p>Does the application include:</p> <ul style="list-style-type: none"> <li>the required plan documents</li> <li>any recent amendments</li> <li>the summary plan description (SPD)</li> <li>any summary of material modifications, and</li> <li>the most recent determination letter?</li> </ul> <p>See section 7.06 of this Application.</p>	P. 20, Ex. 14
<input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A	38.	<p>Does the application include the required excerpts from the relevant collective bargaining agreements and side agreements? See section 7.07 of this Application.</p>	P. 21, Ex.15.1, Ex. 15.2

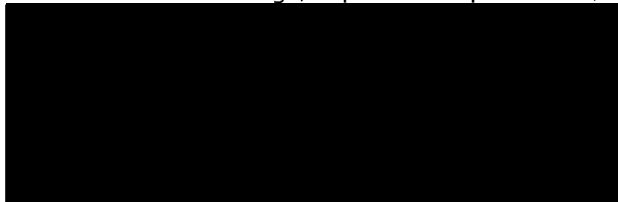
Yes No N/A	39.	Does the application include the required excerpts from the most recently filed Form 5500? See section 7.08 of this Application.	P. 21, Ex. 16
Yes No N/A	40.	Does the application include the most recently updated rehabilitation plan? See section 7.09 of this Application.	P. 21, Ex. 17
Yes No N/A	41.	Does the application include the two most recent actuarial valuation reports? See section 7.10 of this Application.	P. 23, Ex. 18
Yes No N/A	42.	Does the application include this checklist, completed and placed on top of the application? See section 7.11 of this Application.	P. 23
Yes No N/A	43.	<p>If the application is being submitted for resubmission review, does the application include:</p> <ul style="list-style-type: none"> <li>• cross-references to information in the prior application with respect to information that has not changed from the prior application,</li> <li>• a statement that the application is being submitted for resubmission review, and</li> <li>• the date on which the Treasury Department indicated that the application is a candidate for resubmission review?</li> </ul> <p>See section 8 of this revenue procedure.</p>	N/A

**Signature**

s/Vincent P. Szeligo, Esq.

**Date**

September 24, 2018



**WESTERN PENNSYLVANIA  
TEAMSTERS AND EMPLOYERS  
PENSION FUND**

**APPLICATION FOR APPROVAL OF SUSPENSION  
OF PENSION BENEFITS**

**Submitted under the Multiemployer Pension Reform Act of 2014**

**September 24, 2018**

## SECTION 1 BACKGROUND AND PURPOSE

The Multiemployer Pension Reform Act of 2014 (“MPRA”) amended the Internal Revenue Code, 26 U.S.C. Section 432(e)(9) and Section 305(e)(9) of the Employee Retirement Income Security Act (“ERISA”), 29 U.S.C. Section 1085(e)(9), and authorizes any multiemployer pension fund which has been certified by its actuary to face insolvency in fifteen years or less to file an “Application for Approval of Pension Suspension of Benefits” (herein sometimes referred to as the “Proposed Benefit Reduction”) with the Secretary of Treasury of the United States Treasury Department proposing amending the Plan to suspend benefits in order to avoid insolvency.

The Western Pennsylvania Teamsters and Employers Pension Fund (the “Plan” or “Pension Fund”) is eligible to apply for approval of this proposed benefit reduction because it has been certified by its actuary to be in “Critical and Declining Status”, meaning that based on the Plan actuary’s forecasts and assumptions, it would likely become insolvent in less than fifteen years. In order to avoid insolvency and to ensure continuation of the Plan for a prolonged period, the Board of Trustees has developed this proposed benefit reduction which is designed to avoid insolvency by reducing benefits as of a proposed effective date of August 1, 2019. Since the proposal involves a permanent suspension, subject to limitations described in further detail herein, this application refers to the benefit suspension as the proposed benefit reduction.

Internal Revenue Code Section 432(e)(9)(G) requires that the Secretary of Treasury shall approve an application for suspension of benefits upon finding that a plan is eligible under MPRA, and that it has satisfied the criteria set forth in Code Section 432(e)(9)(C), (D), (E) and (F). Interested parties may review the entire application on the Treasury Department’s website [www.treasury.gov/services/Pages/Benefit-Suspensions.aspx](http://www.treasury.gov/services/Pages/Benefit-Suspensions.aspx) and can also file comments from links appearing on that website. The Secretary of Treasury’s decision whether to approve the application is required within 225 days. Notice of an application to suspend benefits which has been approved by the Secretary of Treasury must be issued to participants, together with ballots for voting to approve or reject the proposed benefit reduction.

This application is submitted by the Board of Trustees of the Western Pennsylvania Teamsters and Employers Pension Fund pursuant to the Department of Treasury Final Regulations, 26 C.F.R. 1.432.(e)(9)-1, published April 28, 2016, and Rev. Proc. 2017-43. The application proposes that this benefit suspension plan becomes effective August 1, 2019, provided the application is approved by the Secretary of the Treasury and suspension is authorized under law following satisfaction of the ballot and voting process.

A suspension of benefits cannot be put into effect unless and until the procedure spelled out in the Final Regulations and under Revenue Procedure 2017-43 has been completed.



## SECTION 2 APPLICATION PROCEDURES

### 2.01 Plan Sponsor Submission

**See, Exhibit 1, “Signatures”.** This application for approval of a proposed benefit suspension under Section 432(e)(9) of the Internal Revenue Code and Section 305 (e)(9) of ERISA is submitted by the Board of Trustees of the Western Pennsylvania Teamsters and Employers Pension Fund, the plan sponsor, and is signed and dated by the Chairman and Secretary Trustees, who are authorized to execute documents under the terms of the Pension Fund’s Trust Agreement and who are current members of the Board of Trustees.

### 2.02 Terms of the Plan’s Proposed Benefit Suspension

- (1) The effective date of the proposed suspension is August 1, 2019.
- (2) The suspension is permanent.
- (3) The proposed suspension calls for a 30% reduction in benefits accrued through December 31, 2017, but provides a different treatment of two groups or categories of participants and beneficiaries (other than as a result of application of the age-based, the PBGC guarantee-based, and the disability-based limitations of Section 432(e)(9)(D)(i), (ii) and (iii) (“the individual limitations”).
  - (A) The application proposes a 30% reduction in benefits accrued through December 31, 2017 for the largest group, which is comprised of retirees and beneficiaries in pay status as of January 1, 2018, participants who are not in active covered employment and beneficiaries not yet in pay status, and all active participants who are not covered at the “Top Tier” contribution level as of January 1, 2018 (as described below).
  - (B) The application proposes a 30% reduction in benefits accrued through December 31, 2017 for active participants in covered service as of January 1, 2018 at the Top Tier contribution level or higher, subject to the following limitation. The 30% benefit reduction of a Top Tier participant will not result in a benefit below a floor level. If the benefit after the 30% reduction is less than the amount accrued under the age 55 and 30 year \$3,500 monthly Special Benefit level (the “floor level”), the reduction is limited to the benefits accrued under the age 55 and 30 year \$3,500 monthly Special Benefit level through December 31, 2017. Accrual at the rate under this \$3,500 Special Benefit level, if greater than the contribution based unit multiplier continues into the future. (Notwithstanding this limitation, the portion of this benefit earned on and after August 1, 2008 will continue to be subject to reduction for early retirement and reduction for conversion to a form of annuity other than a Straight Life Annuity).

(C) Accruals under the 25 year \$1,500/\$2,000/\$2,500 Monthly and the 30 year \$2,000/\$2,500/\$3,000 Monthly Special Benefit levels are frozen at pro rata levels based on service as of December 31, 2017.

**Definition of the Top Tier contribution level group and Contribution Based Unit Multipliers**

The “Top Tier” contribution level group or category was created under the Pension Fund’s 2008 Funding Improvement Plan and defined as participants covered by employers who reached a contribution rate of \$225 per week or higher by December 31, 2008 and who increased contribution rates as required under the highest or preferred contribution structure through the Pension Fund’s 2010 Rehabilitation Plan. Since August 1, 2008, only the Top Tier groups have continued to accrue benefits under the greater of the contribution based unit multiplier accrual or under a Special Benefit Level accrual. The Top Tier contribution level as of January 1, 2018 is \$380 per week or higher.

The “Contribution Based Unit Multiplier” benefit is a monthly amount to be paid at normal retirement age, which is determined for annual periods during which the participant is in active covered service with an employer contributing at a defined contribution rate. Prior to 1982, unit multiplier increases applied to past credited service. In 1982, unit multiplier increases were no longer applied for past credited service, but rather applied prospectively for service earned after the date a change in contribution rates was provided. Between 1991 and July 1, 2006, unit multipliers were determined under a 3 for 2 formula applied separately on increased contributions, which set the unit multiplier in proportion to annual contribution rate increases. Beginning on July 1, 2006, a “percentage of contributions” method was adopted for setting unit multipliers prospectively. Service earned on and after each prospective contribution based unit multiplier increase is added to the accrual earned prior to that increase.

As explained in further detail at Section 4.04 of this application, the Trustees determined that the different treatment for Top Tier participants involving preserving the \$3,500 Special Benefit was needed to maintain their support for continued participation in the Plan. The Trustees recognized that this group’s continued support is crucial to survival of the Plan. The weighted average contribution rate of all Top Tier groups as of January 1, 2018 was \$524.62, compared to \$128.16 for all other groups. The Top Tier is primarily populated by participants employed by United Parcel Service (“UPS”), the Plan’s largest contributing employer who pays at the highest contribution rate. The UPS group accounts for 1,117 active participants. The UPS contribution rate in early 2018 has been \$532.60, and assuming the collective bargaining agreement renewal ratification vote on October 5, 2018 succeeds, the rate will rise to \$564.56. Annualizing the contribution rate and population of the UPS population based on January 2018, UPS accounts for approximately \$31 million.

### **2.03 Penalties of Perjury**

**See, Exhibit 1, “Signatures”.** The Chairman and Secretary Trustees have signed and dated a verification stating that they are authorized by unanimous formal action of the Board of Trustees to submit this application on their behalf. They have further acknowledged to the best of their knowledge, information and belief the truthfulness of the information being submitted with this application. They further understand that this application, and the application’s supporting materials, will be publically disclosed through publication on the Treasury Department website.

### **2.04 Public Disclosure**

**See, Exhibit 1, “Signatures”.**

### **2.05 Submission**

The Plan Sponsor has electronically submitted this application to the Secretary of Treasury via the Treasury Department website [www.treasury.gov/mpra](http://www.treasury.gov/mpra).

### **2.06 Signatures**

The Plan Sponsor has submitted the signatures required for this application electronically in PDF format.

### **2.07 Duty to Correct**

If an error in the application is identified, the Plan will provide prompt notice to the Treasury Department and if the Treasury Department requests information to correct the error, the Plan will comply with the request.

### **2.08 Resubmission Review**

This is the Plan’s initial MPRA application and is not a resubmission.

## **SECTION 3 DEMONSTRATION THAT PLAN IS ELIGIBLE FOR SUSPENSION**

MPRA (Internal Revenue Code Section 432(e)(9)) sets forth the criteria which the Plan Sponsor must meet to demonstrate it is eligible for suspension. Section 3 of Revenue Procedure 2017-43 specifies what explanations or actuarial demonstrations and samples must be included with the applications. The following information is provided in support, together with references to application exhibits which set forth information pertinent to the criteria.

### **3.01 Plan Actuary's Certification of Critical and Declining Status**

**See Exhibit 2, "Critical & Declining Status".** This exhibit includes the Plan actuary's original March 30, 2018 certification based on the January 1, 2017 Actuarial Valuation and assumptions under Section 432(b)(3)(A) demonstrating that the Plan is certified to be in critical and declining status for the 2018 Plan Year. In addition, the actuary has prepared Exhibit 2 a certification of Insolvency that is based on the January 1, 2018 Actuarial Valuation, assumptions identified in Exhibit 13 and assets available as of June 30, 2018. This exhibit includes a year-by-year projection of the available resources as defined in Section 418E(b)(3) and the benefits that are due under the Plan. The information includes a separate identification of the market value of assets as of the beginning and end of each plan year in the relevant period and the following cash-flow items for each of those years: (1) contributions; (2) withdrawal liability payments, separately identifying those payments that are attributable to prior withdrawals and those payments that are attributable to assumed future withdrawals; (3) benefit payments, separately identifying benefit payments with respect to current retirees and beneficiaries, terminated vested participants who are not currently receiving benefits, currently active participants, and future new entrants; (4) administrative expenses; and, (5) net investment returns.

Note that for this purpose, the initial period begins on July 1, 2018 (the first day of the calendar quarter in which the application is submitted) and ends with December 31, 2018 (the last day of the plan year that includes that first day).

See Section 3.03 of this application for a discussion concerning the Plan Sponsor's acceptance of insolvency projections.

For a complete description of the actuarial assumptions and methods used for the projections in this application, and pursuant to the requirement of Section 6.03 of the revenue procedure, refer to **Exhibit 11 "Actuarial Assumptions and Methods"**.

### **3.02 Plan Actuary's Certification that the Plan is Projected to Avoid Insolvency**

**See Exhibit 3, "Avoidance of Insolvency".** This exhibit sets forth the Plan Actuary's certification under Section 432(e)(9)(C)(i) that the Plan is projected to avoid insolvency within the meaning of Section 418E, taking into account the proposed benefit suspension and assuming that the proposed suspension continues indefinitely. The exhibit includes a demonstration that the Plan is projected to avoid insolvency and pay benefits due under the proposed suspension through the extended period of 30 plan years, which begins with the 2019 Plan Year and ends with the 2048 Plan Year.

This exhibit includes documentation supporting the actuarial certification under Section 432(e)(9)(C)(i) setting forth expected (1) contributions; (2) withdrawal liability payments, separately identifying those payments that are attributable to prior withdrawals and those payments that are attributable to assumed future withdrawals; (3) benefit payments, separately identifying benefit payments with respect to current retirees and beneficiaries, terminated vested

participants who are not currently receiving benefits, currently active participants, and future new entrants; (4) administrative expenses; and, (5) net investment returns.

Note that for this purpose, the initial period begins on July 1, 2018 (the first day of the calendar quarter in which the application is submitted) and ends with December 31, 2018 (the last day of the plan year that includes that first day).

Refer to **Exhibit 11 “Actuarial Assumptions and Methods”** for a complete list of actuarial assumptions used for the projections.

### **3.03 Plan Sponsor’s Determination of Projected Insolvency**

In 2010, the Trustees adopted a Rehabilitation Plan because the Plan was certified to be in critical status. The stated goal was to emerge from critical status after the end of the rehabilitation period or to forestall insolvency. Upon passage of MPRA in December, 2014, the Trustees began to study the measures previously taken to forestall insolvency. In May, 2016, the Trustees reviewed information concerning Treasury’s rejection of the benefit reduction application submitted by the Central States Southeast and Southwest Areas Pension Fund under MPRA and considered the need to have a forecast which was reasonable for the purpose of projecting insolvency in connection with use of the tools and with consideration of the criteria set forth under MPRA. After considering actuarial and investment manager input, the Trustees concluded that insolvency projections made after MPRA required reevaluation of the Plan’s forecasts to include the effect of negative cash flow, the sensitivity of its asset base to exceptions of low interest returns in the near future and an eventual reduction to the required 6% annual contribution requirement. At the Trustees Meeting of December 7, 2016, the Trustees accepted the actuary’s report that the Plan would be certified in critical and declining status for the 2017 Plan Year and determined that since all reasonable measures to avoid insolvency had already been taken, no additional measures could be taken. At their meeting of March 30, 2017, the Trustees determined according to the actuary’s certification that the Plan would go insolvent in less than 20 years.

In April, 2017, prior to the issuance of the required Notice of Critical and Declining Status provided to participants, employers and unions, the Trustees appointed a Retiree Representative and organized an informational meeting for union representatives to outline the procedures and steps necessary in the development of a benefit reduction plan. An informational letter was mailed to participants and posted on the Plan website informing them that unless the Plan sought permission to reduce benefits, the Plan would go insolvent in 2028 or 2029. Throughout the process of developing a benefit reduction proposal, the Trustees, during informal weekly status teleconferences (the Retiree Representative and his consultants participated in these conferences), considered whether an ongoing 6% annual contribution increase continued to be a reasonable measure since their experience told them that the prospect of continuing contribution increases at this level was not sustainable and would only lead to an acceleration of employer withdrawals. In early-2017, the Trustees retained an independent labor economist to assist them in determining what level and duration of contribution increases was reasonable and sustainable. **See Exhibit 9, Economist Report.** The Economist presented the report and subsequently engaged in discussion with the Trustees and the Retiree Representative. After discussion, the

Economist Report and its recommendations were accepted and adopted by the Trustees at their meeting of November 8, 2017.

The Trustees again reviewed the Rehabilitation Plan at their meeting of December 6, 2017 and determined that all reasonable measures to avoid insolvency had been taken and no changes were made at that time. At the Trustees Meeting of April 6, 2018, the actuary certified the Plan was still in critical and declining status and projected to go insolvent in less than 15 years. The Trustees determined that the Plan could not be projected to avoid insolvency by any means unless it pursued a benefit reduction as authorized under the Multiemployer Pension Reform Act of 2014. This determination was made because, despite all reasonable measures having been taken over the past 10 years, a benefit reduction was the only method available to avoid insolvency. Information set forth in Section 5 of this application further supports the Trustees' determination that all reasonable measures have been taken to avoid insolvency. **See Exhibit 4, "Record of Trustee Actions".**

#### **SECTION 4. DEMONSTRATION THAT THE PROPOSED SUSPENSION SATISFIES THE STATUTORY REQUIREMENTS**

##### **4.01 Demonstration that Limitations on Individual Suspensions are Satisfied**

**Exhibit 5, "Demonstrations of Statutory Requirements"** sets forth demonstrations of how the proposed suspension satisfies the individual limitations, including:

- (1) A sample calculation applying the 110% PBGC guarantee-based limitation under Section 432(e)(9)(D)(i) of the Code for an individual currently receiving benefits, a contingent beneficiary of an individual currently receiving benefits, and a future retiree. (The demonstration does not include personally identifiable information with respect to any individual, such as a name, address or Social Security number.);
- (2) A sample calculation applying the disability-based limitation under Section 432(e)(9)(D)(iii) for a current retiree, a contingent beneficiary or a current retiree and a future retiree.

It is noted that the 2010 Rehabilitation Plan eliminated the disability benefit for newly disabled participants who do not have a Social Security Administration Determination Letter finding the onset of disability was prior to February 1, 2011.

The Plan provides a retirement benefit at normal retirement age that is greater than a disability benefit paid before normal retirement age. The sample calculation illustrates the extent to which the retirement benefit is, or is not, a benefit based on disability. The proposed benefit reduction does not reduce the amount awarded under the terms of Plan, which is a maximum \$20 unit multiplier. When the participant is eligible for a larger normal retirement benefit, that portion awarded as a disability benefit is not reduced.

- (3) A sample calculation applying the age-based limitation under Section 432(e)(9)(D)
  - (ii) for a current retiree, a contingent beneficiary of a current retiree and a future retiree.

#### **4.02 Demonstration that the Proposed Suspension is Reasonably Estimated to Enable the Plan to Avoid Insolvency**

See Exhibit 3, “**Demonstration that Proposed Suspension is Reasonably Estimated to Enable the Plan to Avoid Insolvency**”. This exhibit sets forth the demonstration required under Section 432(e)(9)(D)(iv) showing that the proposed benefit suspension is reasonably estimated to enable the Plan to avoid insolvency. It includes demonstrations which include:

- (1) An illustration, prepared on a deterministic basis, showing:
  - (a) For each plan year during the 30 year extended period, the plan’s solvency ratio – the ratio of the plan’s available resources to the scheduled benefit payments under the Plan for the plan year – is projected on a deterministic basis to be at least 1.0; and,
  - (b) Since the Plan’s projected funded percentage at the end of the extended period is less than 100 percent, neither the Plan’s solvency ratio nor its available resources are projected to decrease in any of the last five plan years of the extended period.
- (2) An illustration, using stochastic projections that reflect variance in investment return, that the probability the plan will avoid insolvency throughout the extended period as a result of the proposed suspension is greater than 50 percent.

Refer to **Exhibit 11**, “Actuarial Assumptions and Methods” for the actuarial assumptions used for the illustrations, as described in section 6.03 of this Revenue Procedure.

#### **4.03 Demonstration that the Proposed Suspension is Reasonably Estimated to not Materially Exceed the Level Necessary to Avoid Insolvency**

**Exhibit 6**, “**Demonstration that Proposed Suspension does not Materially Exceed Level to Avoid Insolvency**” sets forth a demonstration that, in accordance with Section 432(e)(9)(D)(iv), the proposed benefit suspension is reasonably estimated to not materially exceed the level necessary to enable the plan to avoid insolvency.

The demonstration includes an illustration, prepared on a deterministic basis, of the Plan’s available resources and solvency ratio (and an illustration of the probability that the plan will avoid insolvency prepared using stochastic projections) showing that the proposed reduction in benefits would not reasonably be estimated to enable the Plan to avoid insolvency if the dollar amount of proposed benefit reduction for each participant and beneficiary were reduced (but not below zero) by the greater of: (1) five percent of the reduction in the periodic payment proposed for that participant or beneficiary; or, (2) two percent of the participant’s or beneficiary’s periodic payment determined without regard to the reduction proposed in the application.

#### **4.04 Demonstration that the Proposed Benefit Suspension is Distributed Equitably**

**Exhibit 7, “Equitable Distribution”** sets forth a demonstration that, in accordance with Section 432(e)(9)(D)(vi), the proposed benefit suspension is distributed in an equitable manner across the participant and beneficiary population. This exhibit shows the average monthly benefit before and after the suspension (determined taking into account the individual limitations) and the aggregate present value of the reduction in benefits for all individuals. This exhibit also charts the number of individuals whose benefits are not reduced, and those who would have a reduction of between 0% - 10%, 10%- 20%, 20% - 30% and 30%.

The proposed suspension of benefits provides different treatment for two groups or categories of participants. The largest group – all participants not in the Top Tier - would be subject to a 30% benefit reduction. Different treatment is proposed for Top Tier participants - active participants who on January 1, 2018 were in the Top Tier contribution rate by virtue of their employer contributing \$380 weekly or more. This exhibit, has three charts showing the distribution of reductions for the population in the aggregate, for the non-Top Tier group and for the Top Tier group.

#### **Identification of Factors and Explanation of how Factors are Reasonably Applied**

The Trustees considered all of the factors listed in Section 432(e)(9)(D)(vi)(I) through (XI), but ultimately decided that to the greatest extent feasible, since all participants have equally relied upon benefit promises in planning their retirement, the reductions should be distributed equally, with some necessary limitations. The Trustees specifically choose not to base the reduction design on subpart (vi)(XI) (benefits attributed to service with an employer that failed to pay its full withdrawal liability)(also called “orphans”). Orphan participants, like all others, worked and had contributions paid on their behalf. They were not responsible for their employer’s inability to pay withdrawal liability.

The different treatment for active Top Tier contribution rate participants was reasonable based upon consideration of factors in subparts (vi)(VII), (VIII) and (X). The vast majority of this group is employed by the Plan’s largest employer, UPS, who had withdrawn from the Central States Pension Fund in 2007. The Trustees were aware of UPS participants’ dissatisfaction with prior increases in normal retirement age (from age 60 to first age 62 and ultimately age 65), losses of early retirement subsidies and reduced unit multipliers. This was clearly apparent during the 2018 renegotiation of the UPS collective bargaining agreement and upcoming ratification vote. This group’s expectation has been that the significantly greater contributions which had been bargained for out of their wage packages should preserve a benefit based on age 55 and 30 years of service. Since continuation of this group’s participation in the Plan is crucial, the Trustees determined that different treatment was needed in order to maintain their support and to prevent them from seeking a voluntary withdrawal. The Trustees concluded that the additional cost of maintaining this benefit option was not significant when compared to the increased risk of a future withdrawal. Withdrawal liability does not fully compensate the Plan for the loss of contributions because it is subject to the 20 year cap on payments and may be subject to possible further limitations arising from recent or potential changes in the law. Withdrawal of the Plan’s principal employer would very likely accelerate other employer



withdrawals which, even if paid as so limited under the law, would likely increase the risk of further benefit reductions.

The Trustees have followed the development of the Multiemployer Pension Reform Act ("MPRA") and studied all equitable distribution designs proposed by other pension plans in their applications. While recognizing that benefit accruals granted for periods prior to August, 2008 were substantially greater than future benefit accruals since August, 2008, the Trustees rejected the concept that past benefit formulas be recalculated under new methods. Instead, they believed that to the maximum extent possible (subject to considerations explained below), the reasonable expectation of participants for benefits contemporaneously promised during their work were earned and paid for out of their collectively bargained wage packages. The Trustees also recognized that well over half of the Pension Fund's annual contribution income is attributable to groups participating at the top rate levels - generally, groups working for freight, express and package employers. Wage packages for these top rate groups are driven by national labor negotiations and provide the Pension Fund per participant annual contributions currently ranging from \$21,000 to \$27,000.

Even though the age 55 and 30 year \$3,500 monthly benefit is still subject to the early retirement and joint & survivor reductions on the portion earned after August 1, 2008, participants in the top rate groups who are currently eligible or near eligibility have long been accustomed to this benefit as a gold standard even though their unit multiplier accrued benefits might exceed that level. Top rate groups are aware that the accruals on their unit multiplier based benefits have been cut in 2006, 2008 and 2011 while contribution increases have forced them to concede elsewhere in their wage packages.

Top Tier participants, UPS participants in particular, are very much aware that a much greater portion of their wage & benefit package is devoted to pension contributions than the non-Top Tier group. The UPS contribution rate as of January 1, 2018 was \$532. Since 2008, Top Tier participants have seen more of their contribution dollars used for funding prior pension benefits than the non-Top Tier because 6% applied to a higher number means more cents per hour needs to be allocated in their labor agreement. Top Tier contribution rates are characterized as having contribution increases set under national contracts which allocate \$1.00 between pension and health and welfare. Where the \$1.00 was not enough to cover the annual increases, the result has been that the difference has been made up from lower welfare benefits or wages.

The multiplier based future benefit accrual rate was reduced to 2.0% of contributions effective 2006, later reduced to 1.0% in August, 2008 and on implementation of the Rehabilitation Plan on February 1, 2011, reduced to 0.5%. These reductions were prospective and did not affect benefits earned prior to that date, nor did they reduce the benefits of retirees or terminated vested participants.

In addition to the reduction in future benefit accruals, the normal retirement age from which early retirement reductions are based was increased from age 60 (prior to August 1, 2008), to age 62 for service between August 1, 2008 through February 1, 2011, and to age 65 for service after February 1, 2011.

By way of further explanation, the disproportionately high dollar amount of Top Tier contribution levels compared to groups which were not in the Top Tier was a compelling factor in the Trustees' decision to provide that group with a floor below which benefits could not be reduced. The Top Tier group averaged a \$524.62 weekly contribution rate as of January 1, 2018, compared to a \$128.16 weekly average for the non-Top Tier active group. The Top Tier group, which is primarily composed of UPS participants, is well aware of its importance to survival of the Plan. During UPS's 2013-2018 CBA, the UPS group was required to offset a portion of its general wage increase due to the increase the Plan required, causing a great deal of participant dissatisfaction.

In 2008, the UPS hourly wage was \$28.50 and the weekly contribution was equivalent to \$7.25/Hr. (i.e., 25% of wages). However, by 2018, the hourly wage was \$36.10 and the weekly contribution was equivalent to \$13.71/Hr. (i.e. 38% of wages).

The wage and other fringe benefit impact of required contribution increases has not had the same effect on non-Top Tier groups because even after almost a decade of increases under the Funding Improvement Plan and the Rehabilitation Plan, their average weekly contribution rate is much lower. This is evident when considering that on average, a non-Top Tier group participant might have \$6,600 in annual contributions, whereas a UPS participant might have \$27,000 contributed.

#### **4.05 Notice**

##### **(1) Individual Notices.**

**Exhibit 8 "Notices"** includes a copy of each type of actual notice that will be distributed to participants, beneficiaries, employers and unions participating in the Plan. Aside from the four model notice types outlined in the revenue procedure, the Plan has a version for participants currently receiving a lower temporary disability benefit, but not yet eligible for, or in receipt of, a normal retirement benefit. As of February 1, 2011, the Plan's Rehabilitation Plan eliminated the disability benefit for participants who did not qualify for the disability benefit based on the Social Security Administration's determination of a disability onset date prior to February 1, 2011. The benefit was preserved for those meeting this standard, but the benefit was eliminated for all newly disabled participants. Since the disability benefit was available regardless of the participant's age, but determined under a fixed \$20 unit multiplier, it is almost always less than the participant's accrued benefit. These participants remain eligible for normal retirement benefits and will "Step-Up" to that level, but their notice shows their earliest normal retirement date and calculates a benefit reduction on the accrued benefit earned up to the proposed reduction date while protecting the disability benefit.

##### **(2) Efforts to Contact Participants, Beneficiaries and Alternate Payees.**

The Plan has monitored the postal returns generated in connection with required participant notices and has requested updated addresses if notices are sent to a forwarding address. The Plan makes additional efforts to locate current addresses if the postal service indicates a notice is undeliverable. Upon discovery that a mailing is

undeliverable, reasonable efforts are made to obtain a good address. These efforts include: (1) routine upload of missing or incomplete addresses to LifeStatus 360, a commercial locator service; (2) contacting the last active employer and/or local union having information; (3) use of internet search tools; and, (4) by including “need to update address” reminders on general communication materials.

In an effort to update the last known addresses of participants, beneficiaries in pay status and alternate payees, the Pension Fund uses LifeStatus 360 to obtain complete, valid current addresses for individuals with one or more incomplete address fields. For example, a record with a missing house or apartment number might not prevent delivery, but since there is an empty data field, the record is searched with LifeStatus 360 in an effort to get a complete address. In the past year, 2,667 addresses have been updated or changed as the result of this method.

The Plan routinely updates its records based on mailing sent via U.S. Postal Service First Class presorted because that service includes forwarding and address correction services. Generally, 75 – 100 addresses cannot be updated under these methods. In those cases, staff contacts the active participant’s current employer to obtain addresses, and with respect to terminated participants, staff contacts the terminated participant’s local union. Lastly, staff will continue to use all available methods and tools, such as further phone contacts with organizations and individuals, and internet searches to locate the remaining individuals for whom they were not able to obtain updated addresses.

The Plan will monitor the MPRA Notices and diligently use the above methods to obtain a good address and will mail the MPRA Notices out within one week of locating them.

### **(3) Electronic Notices**

The Plan will not be sending notices electronically.

### **(4) List of Active Contributing Employers and Teamsters Local Unions**

A. Duchini, Inc.	C&C Concrete Company
Adams Petroleum Products, Inc.	Cellone Bakery, Inc
Adelman Lumber Company	Central Blood Bank
Bay Valley Foods	Central Counties Youth Center
BFI Waste Services of Pennsylvania, LLC	Central Parking System of PA
Bluelinx Building Materials Distribution	(SP+Corporation)
Borough of Glassport	CGI International, LLC
Borough of Leechburg	Clean Textile Systems, Inc.
Borough of Port Vue	Conemaugh Township Municipal Authority
Borough of Speers	Crossett, Inc.
Borough of Swissvale	Crystal Springs
Brand Energy s	Darling Ingredients
Budget Rent A Car System, Inc	DHL
Bunzl Pittsburgh	E&S Parking & Transportation, Inc.

Employers - Local 205 Welfare Fund  
 Erie Concrete & Steel Supply Company  
 Fox Chapel Authority  
 Frank B. Fuhrer Holdings, Inc  
 George W. Blank Supply Company  
 George Weston Bakeries, Inc. (BIMBO  
   Bakeries Sales, Inc.)  
 Gilpin Township  
 Gordon Terminal Service Company  
 Goss, Inc.  
 Grant Oliver Corporation  
 Greensburg Concrete Block Co.  
 Harmar Township Municipal Authority  
 IBT Joint Council No. 40  
 Interpark, LLC  
 Jones Motor Company,  
 Judson Wiley & Sons  
 Lamar Advertising - Pittsburgh  
 Lyons Industries, Inc.  
 McGuire Memorial  
 McKeesport Candy Company  
 McKeesport Hospital (UPMC McKeesport)  
 Miller Thomas Gyekis, Inc.  
 Mong's Dairy  
 New Enterprise Stone & Lime Co., Inc.  
 Nick Strimbu, Inc.  
 Nickles (Alfred) Bakery, Inc.  
 Norma Pennsylvania  
 North Franklin Township  
 Omni William Penn Hotel  
 Oxford Parking, Inc.  
 Paper Products Company, Inc.  
 Parkway Garage, Inc. Pittsburgh Operation  
 Paul Lumber and Supply Company  
 Penske Truck Leasing Co., L.P.  
 Pittsburgh Associates  
 Pittsburgh Flexicore Company, Inc.  
 Pittsburgh Parking Authority  
 Pittsburgh Transportation  
 Plum Borough  
 PSSI Stadium Corp. (PSSI)  
 Quaker Sales Corporation  
 R&L Development Company  
 Schneider's Dairy  
 Scholastic Technical Service Employees -  
   Local Union No. 8

Schwebel Baking Co. of PA  
 ServAll Concrete (E.E. Austin & Son, Inc.)  
 ServiceMaster Professional Building  
   Maintenance Company  
 Shenango Township  
 Stone & Company  
 T. Bruce Campbell Company  
 Teamsters Local 250  
 Teamsters Local 261 and Employers  
   Welfare Fund  
 Teamsters Local Union 261  
 Teamsters Local Union No. 30  
 Teamsters Local Union No. 110  
 Teamsters Local Union No. 205  
 Teamsters Local Union No. 211  
 Teamsters Local Union No. 249  
 Teamsters Local Union No. 397  
 Teamsters Local Union No. 538  
 Teamsters Local Union No. 585  
 Teamsters Local Union No. 636  
 Teamsters Local Union No. 926  
 Titan Leasing Corporation - Drivers and  
   Mechanics  
 Titusville Dairy Company  
 Township of Harmony, Beaver County  
 Township of South Fayette  
 Tri-State Industrial Solutions, Inc.  
 Turner Dairy Farms, Inc.  
 Union Township  
 United Parcel Service  
 United Refining Company  
 Veritiv  
 Wayne Crouse, Inc.  
 Wayne W. Sell Corporation  
 Welch Foods, Inc.  
 Western PA Teamsters and Employers  
   Pension Fund  
 Western PA Teamsters and Employers  
   Welfare Fund  
 Wilson McGinley, Inc  
 YRCW  
 Zenith Supply Company

## **SECTION 5. PLAN SPONSOR DETERMINATION RELATING TO REASONABLE MEASURES TAKEN TO AVOID INSOLVENCY**

With respect to the Trustees' determinations discussed in Section 3.03 of this application, the following additional supporting information is provided:

### **5.01 Measures Taken to Avoid Insolvency**

In addition to the matters explained in Section 5.02 of the application, the following is a detailed description of measures taken to avoid insolvency over the 10 plan years immediately preceding the plan year in which the application is submitted.

Efforts to address the Plan's funding situation began long before it was forecast to decline towards insolvency. In consideration of market losses in 2000-2001-2002, when the Plan experienced flat or negative investment returns, the Trustees authorized the preparation of forecast valuations to project the impact on funding of the recent investment environment and the future funding status of the Plan. The results of those forecasts revealed that significant investment returns well above the former 8.0% investment assumption would have to be earned for a sustained period of time to prevent the Plan from running afoul of the minimum funding requirements of ERISA. Even though the Plan had realized well above the assumed 8.0% returns in 2003 and 2004, the Trustees concluded that future benefit accruals needed to be lowered under a new benefit formula.

Effective July 1, 2006, the Trustees reduced future benefit accruals to no greater than a 2.0% of contributions unit multiplier. Following consideration of forecasts and evaluation of the impact of the Pension Protection Act of 2006, the Plan was certified as being in endangered status for 2008. The Trustees adopted a Funding Improvement Plan which reduced the accrual rate for future benefits to between 0.4% and 1.0% of contributions depending upon a history of contribution increase percentages. The 1.0% unit multiplier (the most frequent selection chosen by bargaining parties) required annual contribution increases of 6 %.

The Trustees implemented a Funding Improvement Plan, effective August 1, 2008, which: (1) provided for contribution and benefit schedules forecast to enable the Plan to emerge from Endangered Status in 10 years; (2) increased the Normal Retirement Age from age 60 to age 62 for future benefit accruals; (3) prospectively began applying early retirement reductions for service earned on and after August 1, 2008; and, (4) reduced future benefit accruals by 50% or more.

Due to the worldwide economic collapse in September, 2008, which caused the Plan to experience a 29.1% investment loss for 2008. The Plan was no longer able to project emerging from Endangered Status. The Trustees elected to freeze the Plan's Endangered Status for one year as permitted by the Worker, Retiree and Employer Relief Act of 2008 ("WRERA").

The Plan was certified to be in Critical Status for 2010 and the Trustees developed and implemented the 2010 Rehabilitation Plan requiring 6% annual contribution increases, reducing by 50% the previously reduced unit multiplier based future benefit accrual to 0.5% of contributions (in other words the 2% unit multiplier applicable pre-August, 2008 was reduced to 0.4% - 1.0% post-August, 2008 and was again cut in half in 2011).

The impact of the reduced contribution based unit multiplier under the Rehabilitation Plan's preferred schedule can be seen by observing that prior to August 1, 2008 when an employer contributed \$10,000 under the 2% unit multiplier, the participant would have accrued a \$200 monthly benefit for contributions made that year. Between August 1, 2008 and February 1, 2011, under the 1% unit multiplier, the participant would have accrued a \$100 monthly benefit for contributions made that year. After February 1, 2011, under the 0.5% unit multiplier the accrual was \$50 monthly.

In 2009, the global recession caused the Plan's second largest employer, YRC Worldwide ("YRCW"), to default on its obligations to lenders, employees and pension funds across the country. This led to a four year temporary cessation of its \$5 million annual contribution to the Plan. When YRCW resumed active employer status in 2013, it did so under the Rehabilitation Plan's Distressed Employer Schedule. The contribution obligation under the Teamsters National Master Freight Agreement Memorandum of Understanding set the reentry contribution level at 25% of its 2009 contribution rate. Although the YRCW contributions accepted by the Plan were substantially less than otherwise needed, it was not feasible for the Trustees to attempt an assessment of withdrawal liability because it was determined that such assessments by this Plan, and other plans which might follow, would lead to a liquidation under the Bankruptcy Code which was likely to cause the liability to be uncollectible.

In 2013, the Trustees began consideration of alternative methods for the allocation of withdrawal liability (also called a "Two Pool Method" or a "Hybrid Allocation Method"), similar to alternative methods adopted by the Central States Pension Fund, the New York Conference of Teamsters Pension Fund and the New England Teamsters Pension Fund. The Two Pool Method was thought to be a tool to attract new employers by virtually insulating them from withdrawal liability and to incentivize existing employers to pay their full withdrawal liability and reenter the Plan with a similar assurance that they would be virtually insulated from future withdrawal liability. These methods had been approved by the PBGC for use by other plans. In 2014, the Plan adopted a conditional amendment to the Plan Document and applied to PBGC for permission to implement a Two Pool Method, as an alternative to the Presumption Method, for employer withdrawal liability. Subsequently, MPRA was enacted and the Plan was certified to be in critical and declining status with a projection of insolvency. Initial employer interest in the Plan's proposed Two Pool Method evaporated. Upon consider of this and other factors, the Trustees withdrew the application.

In 2016, the Plan's then second largest employer, Giant Eagle, Inc., withdrew from the Plan in citing, among other reasons, the cumulative effect of required 6% annual increases. The Trustees understood that the 6% contribution increase requirement might no longer be a reasonable measure of avoiding insolvency, but rather could be a counterproductive factor leading employers to withdraw. See Section 7.09 of this application for an explanation of factors

leading the Trustees to reduce the Rehabilitation Plan's required schedule of contribution increases from 6% to 3.5% annually.

## **5.02 Plan Factors**

In accordance with Section 432(e)(9)(C)(ii), for the 10 plan years immediately preceding the plan year in which the application is submitted, the following explanations are provided.

- (1) **Contribution levels** during this period were set by collective bargaining, subject to a contribution maintenance requirement which prohibited reductions in a contribution rate. In 2008, the Plan's Funding Improvement Plan required 6% annual contribution increases for a 1% of contributions unit multiplier, but allowed for contribution increases of 0% - 5% with unit multipliers grading down to 0.4% of contributions.
- (2) **Levels of benefit accruals** have been steadily reduced. Prior to 2006, the Plan determined future benefit accruals under a 3 for 2. In July, 2006, future accruals were reduced to 2% of contributions. In August, 2008, the highest future benefit accrual was reduced to 1% of contributions. When the Rehabilitation Plan was implemented in February, 2011, future benefit accruals were reduced to 0.5% of contributions.
- (3) **Prior reductions of adjustable benefits.** See, the 2010 Rehabilitation Plan, as updated September, 2018, **Exhibit 17**. The pre-August 1, 2008 portion of the 25-And-Out accrued benefit was changed so it was only available upon attainment of age 55. Participants who are under the default schedule as the result of their employer's voluntary withdrawal and participants who were not covered under the preferred schedule when they left covered employment are no longer eligible for early retirement subsidies.
- (4) **Measures undertaken to retain or attract contributing employers** – See Section 5.01 of this application.
- (5) **Compensation levels** relative to that offered by non-union competitors. See **Exhibit 9, Economist Report**.

The impact on Plan solvency of remaining subsidies and ancillary benefits available for active participants (such as early retirement subsidies for pre-August, 2008 service, a pop-up benefit, a 10 year certain benefit) was considered and quantified, but ultimately it was seen that their total elimination would not materially change the projection of insolvency. Ultimately, certain ancillary benefits for active participants were retained in order to avoid causing more dissatisfaction with the Plan.

The Economist Report, **Exhibit 9**, also summarizes information during the years prior to the applications and is information considered in the projections. The Trustees accepted the conclusion of the Economist that it was imperative that future contribution rates do not erode the competitive posture of current Plan employers in the marketplace.

For a description of the 10-year history of total contributions, see **Exhibit 12, “Ten Year History”**.

### **5.03 How Plan Factors were Taken into Account**

In the Trustees’ determination that all reasonable measures had been taken to avoid insolvency, they gave consideration to their experience in observing the general dissatisfaction expressed by employers and participants concerning contribution increase requirements, lower benefit accruals, loss of early retirement subsidies, as well as the fact that despite these required measures, the funding status of the Plan continued to deteriorate. In particular, the Trustees understood that the recent history of 2% general wage increases, as confirmed in the Economist Report, caused a 4% differential over recent contribution requirements. Whereas wage increases were modest, the 6% annual contribution increase requirement doubled the contribution rate every 12 years. These factors convinced the Trustees that future benefit reduction and/or future contribution increase requirements would be counterproductive and lead to voluntary withdrawals which often have limited collectibility and frequently do not fully compensate the Plan.

### **5.04 Other Factors Considered**

The Trustees have monitored PPA funding plans of other large multiemployer plans covering Teamster groups. So have the Plan’s participants. Experience has shown that although the Plan adopted future benefit accruals below the rate of neighboring plans and required higher contribution increases than others, there has been an acceleration in the rate of voluntary withdrawals. These factors convinced that Trustees that low accruals coupled with high required contribution increases were counterproductive. The Trustees have encouraged withdrawn employers to prepay their payment schedules at comparable market rates in order to avoid the risk of default during payment schedules of up to 20 years. In addition, prepayment of withdrawal liability improves the Plan’s cash flow and funding. Also, a concept to improve cash flow by encouraging employers to pay their withdrawal liability in a lump sum, while transitioning to an allocation pool designed to insulate them from further withdrawal liability, was explored. Finally, the Trustees have encouraged participants to educate their elected federal officials about the need for enactment of assistance, beginning with the Create Jobs and Save Benefits Act of 2010 (the “Casey-Pomeroy Bill”) and continuing with the actions currently under consideration by the Joint Select Committee on Solvency of Multiemployer Pension Plans.

## **SECTION 6. OTHER REQUIRED INFORMATION**

### **6.01 Ballot**

See **Exhibit 10, “Proposed Ballot”**. This exhibit is a proposed ballot intended to satisfy the requirements of Section 432(e)(9)(H)(iii).

### **6.02 Partition**

The Plan is not requesting approval from PBGC for partition.



### **6.03 Actuarial Assumptions Used for Projections**

**Exhibit 11, “Actuarial Assumptions and Methods”.** The application includes information in the form set forth in the template provided in Appendix B of the revenue procedure, including: (1) a description of each of the assumptions used in the projections; (2) supporting evidence for the selection of those assumptions; and, (3) a description and explanation of any different assumptions used for different purposes within the application.

### **6.04 Ten-Year Experience for Certain Critical Assumptions**

**Exhibit 12, “10-Year Experience”.** This exhibit discloses and separately identifies for the 10 plan years immediately preceding the plan year in which the application is submitted: (1) total contributions; (2) total contribution base units; (3) average contribution rates; (4) withdrawal liability payments; and, (5) rates of return on plan assets. Data relating to UPS is separately identified.

### **6.05 Demonstration of Sensitivity of Projections**

**See Exhibit 13, “Sensitivity”** which sets forth deterministic projections of the sensitivity of the plan’s solvency ratio throughout the extended period to certain key assumptions. This sensitivity information varies: (1) the assumed rate of return is reduced by 1 percentage point; (2) the assumed rate of return is reduced by 2 percentage points; (3) future contribution base units increase or decrease at a rate equal to the average annual rate of increase or decrease that the Plan experienced over the last ten years; and, (4) future contribution base units increase or decrease at a rate equal to the average annual rate of increase or decrease that the Plan experienced over the last ten years reduced by 1 percentage point.

### **6.06 Projection of Funded Percentage**

**See Exhibit 13.** This exhibit includes an illustration, prepared on a deterministic basis, of the projected value of plan assets, the accrued liability of the plan (calculated using the unit credit funding method), and the funded percentage for each year in the extended period.

### **6.07 Plan Sponsor Certifications Relating to Plan Amendments**

If the Plan receives final authorization to implement the suspension and chooses to implement the authorized suspension, then, in addition to amendments to the Plan Document implementing the suspension, the following amendments will be timely adopted and not modified at any time thereafter before the suspension of benefits expires:

- (1) An amendment to the Plan Document providing that in accordance with Section 432(e)(9)(C)(ii) the benefit suspension will cease as of the first day of the first plan year following the plan year in which the Plan Sponsor fails to maintain a written record of its determination that both:

- (a) All reasonable measures to avoid insolvency continue to be taken during the period of the benefit suspension;
- (b) The Plan would not be projected to avoid insolvency if no suspension of benefits were applied under the Plan;
- (2) An amendment to the Plan Document providing that any future benefit improvements must satisfy the requirements of Section 432(e)(9)(E); and,
- (3) An amendment to Section 4.6 of the Plan Document “Suspension of Pension”, implementing a proposed increase in permitted suspendible employment from less than 50 hours per month to less than 100 hours per month. This amendment would only be applied prospectively as of the date this proposed benefit suspension is implemented.

#### **6.08    The Plan is not Classified as a Plan Described in Section 432(e)(9)(D)(vii)**

The Plan is not considered to be a plan described in Section 432(e)(9)(D)(vii) – it has not had any employer withdraw prior to enactment of MRPA, pay its full withdrawal liability and assume liability for benefits in an amount equal to the amount of benefits reduced as the result of the financial status of the Plan.

#### **6.09    Narrative Statement**

See Sections 3.01 and 5.01 of this application for a narrative statement of the reasons the Plan is in critical and declining status.

### **SECTION 7   IDENTIFICATION AND BACKGROUND INFORMATION ON THE PLAN**

#### **7.01    Plan Sponsor**

The Plan Sponsor is the Board of Trustees of the Western Pennsylvania Teamsters and Employers Pension Fund. Contact information for the Board of Trustees is in care of the Fund Office:

Western Pennsylvania Teamsters and Employers Pension Fund  
 900 Parish Street, Suite 101  
 Pittsburgh, PA 15220  
 (412) 362-4200 Phone  
 (800) 362-4201 Toll Free  
 (412) 362-3133 Fax  
 Website: [www.wpapensionfund.com](http://www.wpapensionfund.com)  
 E-Mail: [ContactUs@wpapensionfund.com](mailto:ContactUs@wpapensionfund.com)  
 Employer Identification Number: 25-6029946

## **7.02 Plan Identification**

The formal name of the Plan is: Western Pennsylvania Teamsters and Employers Pension Fund. See Section 7.01 for the Employer Identification Number. The three digit plan number is 001.

## **7.03 Retiree Representative.**

Following issuance of a Notice of Critical and Declining Status in April, 2017, the Trustees authorized development of a benefit suspension plan and appointed a Retiree Representative. An informational cover letter was mailed with the Notice and posted on the Plan's website, stating that unless the Plan sought permission to reduce benefits under MPRA, the Plan would go insolvent in 2028. A retiree was appointed as the Retiree Representative in April, 2017 and has since served as an unpaid advocate to represent the interests of retirees, deferred vested participants and beneficiaries. In late-April, 2017, the Plan organized an informational meeting for union representatives and the Retiree Representative to outline the procedures and steps necessary in development of a benefit reduction plan. The Retiree Representative hired legal and actuarial consultants and established communications with his constituency. The Plan has reimbursed these expenses. Since his appointment, the Retiree Representative, together with his legal and actuarial consultant, has attended all Trustees meetings which included consideration of a MPRA benefit reduction plan and has provided input.

Retiree Representative - Bill Lickert:

724-382-4956 Phone

E-mail: [Bill@wpattr.com](mailto:Bill@wpattr.com)

Website: [www.wpattr.com](http://www.wpattr.com)

## **7.04 Plan's Enrolled Actuary**

The Plan's enrolled actuary is: Randee W. Sekol, EA #1703192, Beyer-Barber Company, 1136 Hamilton Street, Suite 103, Allentown, PA 18101. E-Mail [randee@beyerbarber.com](mailto:randee@beyerbarber.com), Phone 610-435-9577, Fax 610-435-2663.

## **7.05 Power of Attorney**

**See Exhibit 1, "Signatures".** The application includes designations of a power of attorney for each authorized representative, Vincent P. Szeligo, Esq., Fund Counsel, and Randee W. Sekol, EA, Plan Actuary. Both will represent the Plan Sponsor in connection with the application and each have provided a signed statement of good standing.

## **7.06 Plan Documents**

**See, Exhibit 14, "Plan Documents".** This exhibit sets forth the most recent Plan Document, the "Amended and Restated Pension Plan as of January 1, 2014". No amendments have been adopted since the last restatement. The latest IRS Determination Letter relating to the last

restatement is included. Also included are the Summary Plan Description and relevant reciprocity agreements which relate to the Plan Document, Article VI – “Partial Pension Benefits”.

#### **7.07 Collective Bargaining and Side Agreements**

**Exhibits 15.1 and 15.2 “CBAs”** set forth relevant excerpts from collective bargaining agreements and participation agreements. A list of active employers is at Section 4.6 of this application. Reciprocity Agreements are reproduced under Section 7.06.

#### **7.08 Annual Return**

**See Exhibit 16, “Annual Return”.** This exhibit sets forth excerpts from the Plan Year Ending December 31, 2016 Form 5500, Annual Return/Report of Employee Benefit Plan (which is the most recently filed Form 5500). Specifically, the excerpts include: (1) Form 5500 Pages 1 and 2, without attachments or schedules; (2) Schedule MB, including attachments; (3) Schedule R, including attachments; and (4) the Accountant’s Report under section 103(a)(3) of ERISA.

As of the submission date of this application, the most recently filed Form 5500 was for the Plan Year ending December 31, 2016 (filed October 16, 2017). The deadline for filing Form 5500 for the Plan Year ending December 31, 2017 has been extended to October 15, 2018. The Accountant’s Report corresponding to the Form 5500 for the Plan Year ending December 31, 2016, as well as the accountant’s report for the Plan Year ending December 31, 2017 are both included.

#### **7.09 Rehabilitation Plan**

**See Exhibit 17, “Rehabilitation Plan”.** This exhibit sets forth the most recent update to the Rehabilitation Plan, adopted September 5, 2018. In the years following the Plan’s adoption of its 2010 Rehabilitation Plan, all employers have eventually complied with the preferred schedule.

The required “Default Contribution Schedule” is not followed by or imposed upon any active contributing employer, but the loss of adjustable benefits under the Default Benefit Schedule is applied to participants who have not commenced benefits and were not covered under the Rehabilitation Plan’s preferred schedule at the time they left covered service, particularly in the case of a voluntary withdrawal. A voluntary withdrawal is one in which the formerly covered group continues employment with the withdrawn employer.

There have been changes reflected in updates to the Rehabilitation Plan. In 2009, as the result of the global recession beginning in 2008, the Plan’s second largest employer, YRC Worldwide, Inc., expired a severe financial crisis which nearly forced it to shut down and liquidate in bankruptcy. The Company ceased contributing to both this Plan, as well as approximately 30 other multiemployer pension plans throughout the country. The International Brotherhood of Teamsters, in conjunction with the affected multiemployer pension funds, conducted an independent financial review of YRC Worldwide’s operations, financial commitments and debt structure. The review confirmed that the Company was in default of credit facilities and that it

would be compelled to pursue liquidation in bankruptcy if it continued contributing to the multiemployer pension fund, or if it triggered withdrawal liability. The Company's participating employer status with this Plan (as well as with other plans nationwide) was temporarily terminated, pending completion of the Company's restructuring of financial obligations. Following a restructuring of its labor agreements and loans, the Company was able to repay delinquent contributions incurred prior to the Plan's temporary termination of its participation. In 2013, the Rehabilitation Plan was amended to include a "Distressed Employer Schedule" and YRC Worldwide's participation was accepted. Under the distressed employer schedule, the Company's maximum contribution provided under a Memorandum of Understanding to the Teamsters National Master Freight Agreement was 25% ( $\$69.50 = \$278 \times 0.25$ ) of the contribution in effect in July, 2009. The Company's participants were subject to the loss of adjustable benefits as provided under the default schedule and have earned future benefit accruals based on the reduced contributions paid on their behalf.

For the Plan Year ending December 31, 2016, the most recent year in which information is available, of \$54,167,554 in total contributions, preferred schedule employers contributed \$53,424,704, or 98.96% of total contributions. The balance was contributed by YRC Worldwide under the distressed employer schedule.

Following enactment of MPRA, the Plan was certified as being in critical and declining status. The continuation of the Rehabilitation Plan's required 6% annual contribution increases, coupled with wage and fringe benefit reductions imposed on employees, led to an increase in voluntary withdrawals resulting from an opinion among employer and participant groups that the required annual 6% increases were not sustainable. The Trustees were aware that neighboring pension funds covering Teamsters have also reduced their required contribution increases to between 3% or 4%, and in the case of the neighboring Central States Pension Fund, had deemed frozen contribution rates of \$348 or above to comply with their rehabilitation plan requirements. In order to properly evaluate the question of whether the 6% increases were or were not sustainable and might be counter-productive by leading to an accelerated rate of withdrawals, the Trustees commissioned an independent study by a regional labor economist.

The report of Dr. Elizabeth A. Paulin, Professor of Labor Economics, LaSalle University, **Exhibit 9, "Economist Report"**, notes that contributing employers face competition from employers who have lower costs under defined contribution plans, and increases which follow wage increases of 2% - 3%. The Economist thoroughly researched industry and occupational trends and forecasts and concluded it was imperative that future contributions rates do not erode the competitive posture of covered Plan employers in the marketplace.

In particular, the Economist discussed the competitive disadvantage felt by the Plan's largest employer, UPS. Dr. Paulin observes a substantial disparity between wages and pension contributions for UPS participants as compared to the competitive environment and citing labor statistics from the Bureau of Labor Statics, concludes that an ongoing requirement that contributions be increased 6% annually was not sustainable.

The Trustees considered the Economist Report, together with their knowledge of wage and benefit trends. They concluded that 6% contribution increases were not sustainable and that the

Rehabilitation Plan's contribution requirement needed to more closely track forecasts of expected increases in wages. The Rehabilitation Plan has been updated to replace the former 6% annual contribution requirement with required 3.5% annual contribution increases effective with annual contribution increase effective January 1, 2019.

#### **7.10 Valuation Reports**

**See Exhibit 18, "Valuation Reports".** This exhibit sets forth the two most recent actuarial valuation reports for the Plan.

#### **7.11 Completed Checklist**

A checklist of 43 elements required by the revenue proceeding is attached on top of this application.

### **SECTION 8. RESUBMISSION REVIEW**

This is an original application and is not being resubmitted for review pursuant to Section 1.432(e)(9)-1(g)(3)

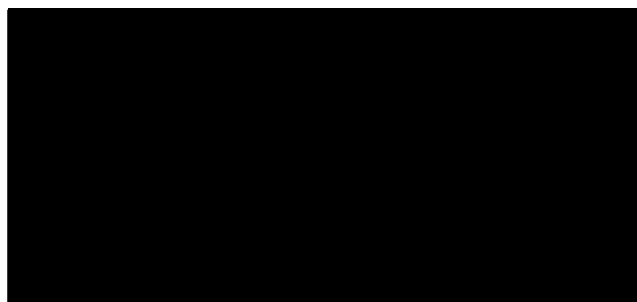
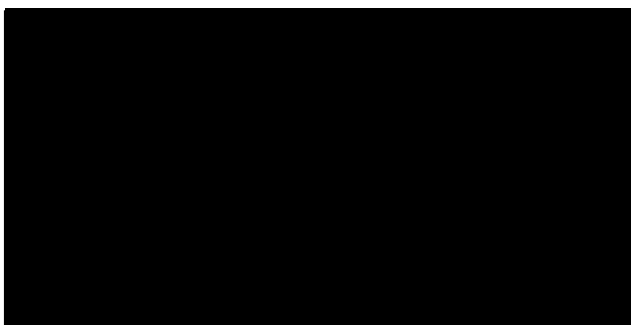
*WESTERN PENNSYLVANIA  
TEAMSTERS AND EMPLOYERS PENSION FUND*

900 PARISH STREET, SUITE 101 • PITTSBURGH, PA 15220  
(412) 362-4200 • TOLL FREE (800) 362-4201 • FAX (412) 362-3133  
EMAIL: [contactus@wpapensionfund.com](mailto:contactus@wpapensionfund.com) • WEBSITE: <http://www.wpapensionfund.com>

September 24, 2018

We are the authorized Chairman and Secretary Trustees and, on behalf of the Board of Trustees, hereby state that this application for a permanent suspension of benefits under the Multiemployer Pension Reform Act of 2014 is submitted under penalties of perjury. We declare that we have examined this application, including the accompanying documents, and, to the best of our knowledge and belief, the request contains all the relevant facts relating to the request, and such facts are true, correct, and complete.

We further acknowledge that pursuant to Section 432(e)(9)(G)(ii) of the Internal Revenue Code, the application for approval of the proposed suspension of benefits, and the application's supporting materials, will be publicly disclosed through publication on the Treasury Department website.



*WESTERN PENNSYLVANIA  
TEAMSTERS AND EMPLOYERS PENSION FUND*

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EMAIL: [contactus@wpapensionfund.com](mailto:contactus@wpapensionfund.com) • WEBSITE: <http://www.wpapensionfund.com>

**POWER OF ATTORNEY AND DECLARATION OF REPRESENTATIVE  
BEFORE THE DEPARTMENT OF THE TREASURY**

**Applicant information:**

**Board of Trustees, Western Pennsylvania  
Teamsters and Employers Pension Fund  
900 Parish Street, Suite 101  
Pittsburgh, PA 15220**

**Geraldine D. Talerico  
Manager**

**412-362-4200  
[Gerri@WPaPensionFund.com](mailto:Gerri@WPaPensionFund.com)  
Fax: 412-362-3133**

**EIN: 25-6029946  
Plan Number: 001**

Applicant hereby appoints the following representative(s) as attorney(s)-in-fact to represent the taxpayer before the Department of the Treasury and perform acts related to the attached application dated September 24, 2018 for suspension of benefits under § 432(e)(9) of the Internal Revenue Code of 1986, as amended.

**Representative information:**

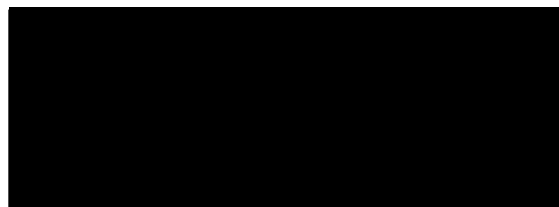
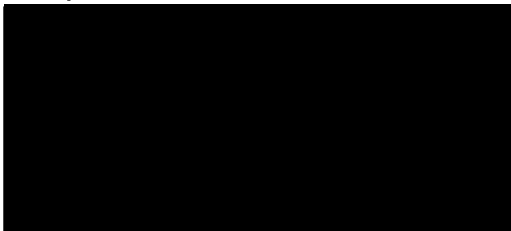
Randee W. Sekol, EA, MAAA, MSPA, FCA  
CEO & Chief Actuary  
Beyer-Barber Company  
1136 Hamilton Street, Suite 103  
Allentown, PA 18101  
610 435-9577  
[rsekol@beyerbarber.com](mailto:rsekol@beyerbarber.com)  
Fax: 610-435-2663

Vincent P. Szeligo, Esq.  
Wick, Streiff, Meyer, O'Boyle & Szeligo  
1450 Two Chatham Center  
Pittsburgh, PA 15219  
412-765-1600  
[vszeligo@wsmoslaw.com](mailto:vszeligo@wsmoslaw.com)  
Fax: 412-261-3783

Send copies of notices and communications to representatives: **YES**

With the exception of the acts described below, I authorize my representative(s) to receive and inspect information, including confidential tax information, and to perform acts that I can perform with respect to the attached application dated September 24, 2018 for suspension of benefits under § 432(e)(9). For example, my representative(s) shall have the authority to sign any agreements, consents, or similar documents.

Specific acts not authorized: **None.**

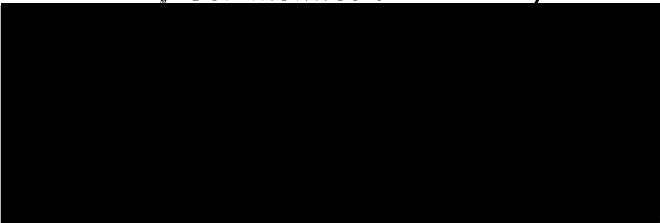




**Declaration of Representative:**

**I, Vincent P. Szeligo, Esq.,**

under penalties of perjury, by my signature below I declare that:

- I am not currently suspended or disbarred from practice before the Internal Revenue Service;
  - I am authorized to represent the Applicant for the matter(s) specified in this Power of Attorney and Declaration of Representative; and
  - I am a member in good standing of the bar of the highest court of the Commonwealth of Pennsylvania.
- 

**Declaration of Representative:**

**I, Randee W. Sekol,**

under penalties of perjury, by my signature below I declare that:

- I am not currently suspended or disbarred from practice before the Internal Revenue Service;
- I am authorized to represent the Applicant for the matter(s) specified in this Power of Attorney and Declaration of Representative; and
- I am an **Enrolled Actuary**—enrolled as an actuary by the Joint Board for the Enrollment of Actuaries under 29 U.S.C. 1242 (the authority to practice before the Internal Revenue Service is limited by section 10.3(d) of Circular 230).

