

**WESTERN PENNSYLVANIA TEAMSTERS AND EMPLOYERS  
PENSION FUND**

**SUSPENSION APPLICATION**

**Exhibit 17**

**Rehabilitation Plan**

# *WESTERN PENNSYLVANIA TEAMSTERS AND EMPLOYERS PENSION FUND*

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## **2018 UPDATE TO THE 2010 REHABILITATION PLAN**

Periodically the Trustees of the Pension Fund review the goals and status of the 2010 Rehabilitation Plan and consider whether changes to the required contribution or benefit schedules are needed to maintain progress towards the goal of forestalling insolvency. At their December 6, 2017 meeting, the Trustees reviewed the Rehabilitation Plan and its goals of forestalling insolvency. They determined that all reasonable measures to forestall insolvency had been taken and that no changes to the contribution and benefit schedules were required.

The last change to the Rehabilitation Plan was the addition of a Distressed Employer Schedule adopted in 2013 to provide for the continued participation of certain large employers who operate under severe economic distress and required relief to avoid the employer from shutting down and liquidating in bankruptcy.

In March, 2017, the Pension Fund's actuary certified that the Plan was projected to enter "insolvency" status in less than 15 years unless the Trustees considered new tools available under the Multiemployer Pension Reform Act of 2014 ("MPRA") amendments to the Internal Revenue Code and ERISA. During 2017, the Trustees announced their intention to develop a benefit suspension plan under MPRA and procedures set forth in Treasury Department Final Regulations published April 28, 2016 and Revenue Proceeding 2017-43. The purpose and goal of a MPRA benefit suspension plan is to avoid insolvency.

In 2017, the Trustees commissioned an economic study to assist them in evaluating the question of whether continued 6% annual contribution increases under the 2010 Rehabilitation Plan were sustainable. The Trustees were aware that some employers not facing imminent economic distress had nevertheless voluntarily withdrawn. Upon investigation it was learned they were concerned over the Rehabilitation Plan's requirement of continuing 6% annual contribution increases and the fact that annual withdrawal liability payments are generally limited to 20 years at a fixed amount.

Economic research supports the conclusion that annual contribution increases should approximate the expected increases in wages, which is well below 6%. Upon consideration of the research and feedback from the past 10 years of annual 6% contribution increases, the Trustees determined that the 6% increase requirement tends to foster withdrawals and is therefore no longer sustainable and is no longer considered to be a reasonable measure to forestall insolvency.

In addition, the Trustees observed that most contributing employers face competition from competitors which do not provide defined benefit plans and incur significantly lower retirement costs. In many cases, in order to stay competitive, contributing employers have offset their increasing contribution cost by negotiating general wage offsets which reflect the increased cost of pension contributions. This has had a tendency to lessen participants' willingness to continue support for the Pension Fund.

The Trustees have concluded that the existing 6% annual contribution requirement is counter-productive and has caused several employers to voluntarily withdraw. This situation can be reversed with the combined effect of a MPRA benefit suspension plan and a reduced contribution increase requirement. While a MPRA benefit suspension can only be implemented after the Treasury Department's lengthy review of Pension Fund data and actuarial forecast projections and

a participant vote, the first necessary step is to formally determine that the 6% contribution increase requirement is not reasonably sustainable.

After considerable study and discussion, the Trustees hereby update the 2010 Rehabilitation Plan by reducing the required annual contribution increase under the Preferred Schedule from 6% compounded annually to 3.5% compounded annually, effective on the next anniversary of the collective bargaining or participation agreement beginning on January 1, 2019 unless the provisions of the agreement specifically provide for stated dollar increases.

The following contains all provisions of the Rehabilitation Plan as updated through September 5, 2018. The objective of the Pension Fund's Rehabilitation Plan is to forestall insolvency.

The Rehabilitation Plan which is restated herein contains three Schedules ("Preferred", "Default" and "Distressed"). Upon the stated expiration date of a collective bargaining agreement or participation agreement, the Rehabilitation Plan and the PPA require that Bargaining Parties must select either the Preferred or Default Schedule. Participants who are active members of an employer who voluntarily withdraws under the circumstances set forth in Section E are subject to the Default Benefit Schedule. The Distressed Employer Schedule may only be selected upon a finding by the Trustees, in their sole discretion, that the employer meets all qualifications for the Distressed Employer Schedule.

All current contributing employers are presently subject to the Preferred Schedule or the Distressed Schedule and those contribution increases are fully benefit bearing. As required by law, this Rehabilitation Plan allows employers and bargaining representatives to select a Default Schedule, which provides for increases which are not benefit bearing. No active employer is currently participating under the Default Schedule. All employers and Bargaining Parties who have selected, or otherwise agreed to follow the current Preferred Schedule, shall be deemed to continue having that selection applied unless notice of rescission of that Schedule, and selection of a different Schedule, is provided to the Pension Fund at least 30-days prior to the stated termination date of the collective bargaining agreement or participation agreement. In the event the Bargaining Parties cannot agree to selection of a Schedule within 180 days, the Schedule followed during the most recent collective bargaining agreement or participation agreement will be implemented according ERISA Section 305(e)(3)(C)(ii). Bargaining Parties who select a Rehabilitation Plan Schedule can rely on the contribution rates for the duration of their collective bargaining agreement, subject to a maximum term of five years.

## **A. Preferred Schedule**

The Preferred Schedule requires that the Bargaining Parties provide for contribution increases of at least 3.5%, compounded annually, in pending, renewed or amended collective bargaining agreements and participation agreements. The Unit Multiplier percentage used for benefit accruals for service earned on and after February 1, 2011 is equal to 0.5% of contributions. Adjustable Benefits are retained, reduced or eliminated to a lesser degree under the Preferred Schedule than under the Default Schedule or the Distressed Employer Schedule, as described below:

### **A.1. Benefits Earned Prior to August 1, 2008**

- A.1.1.** There is no change to accrued benefits earned prior to August 1, 2008 and payable under the straight life option at Normal Retirement Age 60. A participant can still retire at Early Retirement Age 55 with 15 years of Credited Service or at any age upon completion of 25 years of Future Credited Service.

However, unless excepted as provided below, actuarial reductions will be applied for early retirement and for the selection of Joint & Survivor and Ten Year Certain options.

- A.1.2.** Participants who have attained eligibility for the 25-And-Out (Accrued), 30-And-Out (Accrued), Special 25-And-Out (\$1,500, \$2,000 or \$2,500) or Special 30-And-Out (\$2,000, \$3,000 or \$3,500) Benefits by February 1, 2011 can still retire at any time and can have the pre-August 1, 2008 benefit paid with no reduction for early retirement.
- A.1.3.** Participants who have not attained eligibility for the 25-And-Out (Accrued), 30-And-Out (Accrued), Special 25-And-Out (\$1,500, \$2,000 or \$2,500) or Special 30-And-Out (\$2,000, \$3,000 or \$3,500) Benefits by February 1, 2011, but later attain the necessary years of service, can still retire and can have the pre-August 1, 2008 benefit paid; however, an early retirement reduction applies if retirement is before age 55.
- A.1.4.** There is no change to the pre-August 1, 2008 portion of the standard early retirement benefit for participants who are eligible by February 1, 2011, based on having attained Age 55 and 15 years of Credited Service.
- A.1.5.** Participants who have attained eligibility for the 25-And-Out (Accrued), Early or Normal retirement by February 1, 2011 can retire with no change in the actuarial reductions for Joint & Survivor or Ten Year Certain options with respect to benefits earned prior to August 1, 2008.

**A.2. Benefits Earned After August 1, 2008 but Prior to February 1, 2011** *(all benefits earned during this period are defined in the 2008 Funding Improvement Plan, have not been changed under this Rehabilitation Plan, and are summarized below)*

- A.2.1.** There is no additional change to benefits earned for service between August 1, 2008 and February 1, 2011 beyond that stated in the 2008 Funding Improvement Plan involving application of actuarial reductions for early retirement, Joint & Survivor and Ten Year Certain options.
- A.2.2.** There is no additional change to early retirement reductions (if any) for service earned between August 1, 2008 and February 1, 2011 beyond that stated in the 2008 Funding Improvement Plan involving application of early retirement reductions based on a Normal Retirement Age of 62. Vested participants with pre-August 1, 2008 service continue to be eligible to retire at Age 60.
- A.2.3.** There is no additional change to the 25-And-Out (Accrued), 30-And-Out (Accrued), and subsequent portions of the Special 25-And-Out (\$1,500, \$2,000 or \$2,500) or Special 30-And-Out (\$2,000, \$3,000 or \$3,500) Benefits earned between August 1, 2008 and February 1, 2011 beyond that stated in the 2008 Funding Improvement Plan involving application of all reduction factors for early retirement, Joint & Survivor and Ten Year Certain options.
- A.2.4.** There is no additional change to the pro-rata treatment of the Special 25-And-Out (\$1,500, \$2,000 or \$2,500) Benefits or the Special 30-And-Out (\$2,000, \$3,000 or \$3,500) Benefits earned between August 1, 2008 and February 1, 2011 beyond that described in the 2008 Funding Improvement Plan involving

application of reduction factors for early retirement, Joint & Survivor and Ten Year Certain options.

- A.2.5.** There is no additional change to the continuation of the Special 25-And-Out (\$1,500, \$2,000 or \$2,500) or Special 30-And-Out (\$2,000, \$3,000 or \$3,500) Benefits, as described in the 2008 Funding Improvement Plan for any participant whose employer contributed at or above the \$225 weekly level by the end of the 2008 Plan Year for benefits earned between August 1, 2008 and February 1, 2011 beyond that described in the 2008 Funding Improvement Plan involving application of reduction factors for early retirement, Joint & Survivor and Ten Year Certain options.

### **A.3. Benefits Earned After February 1, 2011**

- A.3.1.** For service earned on or after February 1, 2011, the Unit Multiplier percentage is 0.5% of contributions, including contribution increases required under the Preferred Schedule (i.e. future contribution increases are benefit bearing).
- A.3.2.** Early Retirement, Joint & Survivor and Ten Year Certain reductions apply for all Accrued and Special benefits earned on or after February 1, 2011. Early retirement reductions are based on a Normal Retirement Age of 65. However, vested participants who entered the Pension Fund prior to August 1, 2008 or February 1, 2011 remain eligible to retire at Age 60 or Age 62, respectively.
- A.3.3.** Participants who enter the Pension Fund after February 1, 2011 become 100% vested after having 5 Years of Participation. Participants who have Credited Service between January 1, 1999 and January 31, 2011 retain the right to be 100% vested after 3 Years of Participation.
- A.3.4.** For benefits earned on or after February 1, 2011, there is no change to the continuation of the Special 25-And-Out (\$1,500, \$2,000 or \$2,500) or the Special 30-And-Out (\$2,000, \$3,000 or \$3,500) Benefits for any participant whose employer contributed at or above the \$225 weekly level by the end of the 2008 Plan Year, subject to the reductions stated in A.3.2.

### **A.4. BENEFITS EARNED DURING ANY PERIOD OF TIME**

- A.4.1.** There is no change in any earned benefit of participants retiring prior to February 1, 2011.
- A.4.2.** The burial benefit is eliminated for participants retiring after February 1, 2011.
- A.4.3.** Effective February 1, 2011, the disability benefit is eliminated except for disability retirees in pay status or participants who have been found to have a disability onset date prior to February 1, 2011, as determined by Social Security Administration.
- A.4.4.** There is no change to the 10 Year Certain Pre-Retirement Survivor Benefit, subject to actuarial reduction for that portion earned after August 1, 2008.

## **A.5. CONTRIBUTION REQUIREMENTS**

- A.5.1.** The Preferred Schedule requires that beginning with the anniversary of the collective bargaining or participation agreement in the 2019 calendar year, there shall be minimum annual contribution increases of 3.5%, compounded annually, beginning no later than the last day of the 2019 Plan Year unless the collective bargaining or participation agreement in effect provides for specific contribution dollar amounts.
- A.5.2.** Collective bargaining agreements and participant agreements currently under the Preferred Schedule which provide that contributions shall follow the Rehabilitation Plan as updated, are subject to 3.5% annual contribution requirements.

## **B. Default Schedule**

The Bargaining Parties may select this Default Schedule which provides a frozen Unit Multiplier for future benefit accruals – it will not be imposed by operation of law. This is because all Bargaining Parties presently participate under either the Preferred Schedule or the Distressed Employer Schedule and ERISA Section 305(e)(3)(C)(ii) provides that in the event Bargaining Parties fail to accept one of the Rehabilitation Plan Schedules provided by the Pension Fund, the contribution schedule in effect at the time a collective bargaining agreement or participation agreement expires shall be implemented. The Default Schedule contains a significantly greater elimination or reduction in Adjustable Benefits than the Preferred Schedule, as set forth below.

If the Default Schedule is selected, the Pension Fund will not accept any subsequent collective bargaining agreements covering that bargaining unit which selects the Preferred Schedule, except as determined by the Board of Trustees in their sole discretion.

## **B.1. Benefits**

- B.1.1.** The Unit Multiplier percentage for benefits earned after selection or imposition of a Default Schedule is frozen as of the date the Default Schedule is applied.
- B.1.2.** Contribution increases are non-benefit bearing. This means that the Unit Multiplier percentage will only apply to the contribution rate in effect immediately before the selection of the Default Schedule.
- B.1.3.** For service earned on or after February 1, 2011, the Normal Retirement Age is increased from Age 62 to Age 65. Participants who entered the Pension Fund prior to August 1, 2008 or February 1, 2011 remain eligible to retire at Age 60 or Age 62, respectively. Eligibility for Early Retirement (subject to reductions) is maintained for participants upon attaining 25 Years of Future Credited Service at any age, or at Age 55 with 15 Years of Credited Service.
- B.1.4.** The Special 25-And-Out (\$1,500, \$2,000 or \$2,500) and Special 30-And-Out (\$2,000, \$3,000 or \$3,500) Benefits, as described in the 2008 Funding Improvement Plan for any participant whose employer contributed at or above the \$225 weekly level by the end of the 2008 Plan Year will be frozen at the accrued level as of the date a participant becomes subject to the Default Schedule. Such participant will not be entitled to any additional accruals under those Special Benefit Levels. In addition, reduction factors for early retirement,

Joint & Survivor and Ten Year Certain options will apply to all accrued and Special benefits earned including the portion of benefits earned prior to August 1, 2008.

- B.1.5.** There is no change in any earned benefit of participants retiring prior to February 1, 2011.
- B.1.6.** The burial benefit is eliminated for participants retiring after February 1, 2011.
- B.1.7.** Effective February 1, 2011, the disability benefit is eliminated except for disability retirees in pay status or participants who have been found to have a disability onset date prior to February 1, 2011, as determined by Social Security Administration.
- B.1.8.** The 10 Year Certain Pre-Retirement Survivor Benefit is eliminated.

## **B.2. Contributions**

- B.2.1.** Contribution increases of eight (8%) percent, compounded annually are required.

## **C. Benefits Earned Prior to Selection or Imposition of the Preferred or Default Schedule**

- C.1.** Participants who are neither covered under a Preferred Schedule nor the Default Schedule earn a Unit Multiplier percentage accrual which is one-half the Unit Multiplier percentage applicable as of January 31, 2011. Participants retiring prior to their group's selection of a PPA Schedule, except for "Inactive Vested Participants" (as defined in this Rehabilitation Plan Update), will lose those Adjustable Benefits as set forth in the Preferred Schedule.

## **D. Distressed Employer Schedule**

The Trustees in their sole discretion may accept a collective bargaining agreement with contribution rates not in compliance with either the Preferred or Default Schedules under circumstances including but not limited to the situation where a large employer's financial condition has deteriorated and its creditors compel it to reorganize its ownership interests and labor obligations as a condition of forbearing default. On a case by case basis, the Trustees, in their sole discretion, may accept non-conforming contributions and grant corresponding reduced benefits where it is determined that rejecting the collective bargaining agreement and assessing withdrawal liability is not in the best interest of the Pension Fund. The specific qualifications for the Distressed Employer Schedule are:

### **D.1. Qualifications for the Distressed Employer Schedule**

- D.1.1.** The employer, its lenders and the union have agreed to a plan for restructuring of interests and obligations which includes reduced wages, forgiveness of debt, and modification of collective bargaining agreement pension contribution obligations provisions;

**D.1.2.** the employer is a large employer who has or will be contributing at least 1% of the total Pension Fund's contributions;

**D.1.3.** the employer submits to a review of its financial condition and operations by the Fund Office and outside experts and consultants, and agrees to reimburse the Fund for all fees and expenses incurred by the Fund for this review (including, but not limited to, reimbursement to the Fund for the time devoted by the Fund Office to any such review, with this reimbursement to be made at market rates for comparable services performed by the Fund Office);

**D.1.4.** the employer has previously incurred a temporary termination of its participation under a Rehabilitation Plan Schedule provided by the Fund due to an inability to remain current in its contribution obligations, and the employer was in temporary termination status immediately prior to its request for re-entry as a distressed employer; and,

**D.1.5.** on the basis of this financial and operational review, it appears that the employer is not able to contribute to the Fund at a higher rate than is indicated in the collective bargaining agreement proposed for acceptance under the Distressed Employer Schedule, and that acceptance of the proposed re-entry is in the best interest of the Fund under all the circumstances and advances the goals of this Rehabilitation Plan.

## **D.2. Contribution and Withdrawal Liability Ramifications**

**D.2.1.** After acceptance of Distressed Employer Status, future collective bargaining agreements must provide contribution rate increases of at least 6.00% annually. If the collective bargaining agreement provides a set monetary increase to be divided between pension and welfare funds and that amount is greater than the required welfare increase and a 6% pension contribution increase, the pension contribution shall be further increased by the balance. Alternatively, subject to the approval of the Trustees, the required 6.00% increase in the annual contribution rate, or any portion thereof, may be satisfied through a reduction of the 0.5% accrual rate by the actuarial equivalent of the required 6% increase or any part thereof or by a reduction of the benefit bearing portion of the contribution rate as determined by the Trustees.

**D.2.2.** In recognition of the reduced funding improvement resulting from a distressed employer's gap in contributions and the Fund's acceptance of reduced contributions under the Distressed Employer Schedule, adjustments to the distressed employer's potential withdrawal liability will use contribution rates, including any inputted increases, as if the employer's collective bargaining agreement prior to the reduced contributions had complied with Preferred Schedule. The contribution base units shall be the greater of the actual contribution base units while participating in Distressed Employer Schedule or an average of the contribution base units during the three years immediately before the year in which contributions fell below an established PPA contribution schedule. With respect to any gap in contributions due to a temporary termination or cessation of contributions, the employer's contributions shall be imputed for any such gap period solely for the purpose of calculating withdrawal liability.



**E. Inactive Vested Participants**

Inactive Vested Participants who never had covered service under the Rehabilitation Plan Preferred Schedule shall be covered under the terms of the Default Schedule. However, if prior to the commencement of benefits, an Inactive Vested Participant returns to covered service (except for service covered under a Default Schedule or a Distressed Employer Schedule) and earns one year (52 weeks) of Credit Service under this Fund (or a Fund having a reciprocal agreement with this Fund), Adjustable Benefits will be restored to the level provided under the Preferred Schedule. Once a participant becomes covered under either the Preferred or Default Schedule, the Schedule applicable at the time the participant leaves active service shall govern the determination of that individual's benefits.

**E.1. Continuation of Work on Non-Contributory Basis**

If a group decertifies, or as the result of labor negotiations terminates contributing employer status for continuing work for which contributions had previously been required, or the Trustees terminate a working group's participation, a participant whose last covered service in the Pension Fund is with the employer whose contributing employer status is terminated shall have adjustable benefits determined as provided under the Default Schedule in effect at the time of the termination. The Trustees, in their sole discretion, may permit participants who are under the Preferred Schedule to retire under the Preferred Schedule for a brief period of time after the termination of contributing employer status, without application of the Default Schedule's loss of adjustable benefits.

**E.2. Termination of Work in Connection with Complete Shutdown**

The Rehabilitation Plan provides that benefits under the Schedule applicable at the time the participant leaves active service shall govern the determination of that individual's adjustable benefits. If the Trustees in their sole discretion determine that an employer has discontinued operations, and thus terminated its contributing employer status, participants who have their employment terminated, retain or lose adjustable benefits as determined under the Schedule applicable to their group immediately prior to the discontinuance of operations.

**E.3. Employer Reorganization and Successor Employer**

In determining whether a participant has continued employment with an Employer whose contributing employer status has terminated, the Trustees may in their sole discretion determine that work for a reorganized employer, or an employer entity which is created as the result of transactions entailed in a reorganization, results in the loss of adjustable benefits as provided under the Default Schedule.

**F. REHABILITATION PLAN SURCHARGES**

The PPA provides that contribution surcharges may be assessed after a plan provides notice to the employer that surcharges are applicable. If the Trustees determine that a collective bargaining agreement has not been extended or renewed in compliance with the 2008 Funding Improvement Plan or the Rehabilitation Plan, the Trustees reserve the right to

impose a PPA contribution surcharge of 5% during the initial critical status year (2010) and 10% thereafter.

**G. ANNUAL UPDATES**

The PPA requires that the Pension Fund annually update the Rehabilitation Plan Schedules to reflect the experience of the Pension Fund and progress in meeting the objectives to forestall insolvency.

If a future Annual Update to the Rehabilitation Plan requires a greater contribution increase, Bargaining Parties who have relied upon or who are deemed to be in compliance with any PPA schedule of contributions may rely on the contribution requirements for the remaining applied upon renewal of their agreement. Notices of any changes to these Rehabilitation Plan Schedules will be provided promptly upon modification.

**H. MODIFICATIONS**

The Trustees of the Pension Fund reserve the right to make any modification to this Rehabilitation Plan that may be required. The Trustees have the power, authority, and discretion to amend, construe and apply the provisions of the Rehabilitation Plan and Schedules.

**This 2018 Update to the Rehabilitation Plan has been adopted by the Trustees of the Western Pennsylvania Teamsters and Employers Pension Fund on September 5, 2018, subject to the terms and conditions stated herein.**

THE BOARD OF TRUSTEES  
WESTERN PENNSYLVANIA TEAMSTERS AND EMPLOYERS PENSION  
FUND