--x

Second Application of the United Furniture Workers Pension Fund A for Approval of Suspension of Benefits

EIN: 13-5511877/PN:001

--x

CHECKLIST

Response	Item Number	Description of Item	Page Number
Yes	1.	Does the application include an original signature of the plan sponsor or an authorized representative of the plan sponsor? See section 2.01.	2; 20
Yes	2.	Does the application include a description of the proposed benefit suspension - calculated as if no other limitations apply - that includes: • the suspension's effective date (and its expiration date, if applicable), • whether the suspension provides for different treatment of participants and beneficiaries, • a description of the different categories or groups of individuals affected, and • how the suspension affects these individuals differently? See section 2.02.	2-3
Yes	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.	3
Yes	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.	3
Yes	5.	Does the application include the plan actuary's certification of critical and declining status and the supporting illustrations,	4

		including: • the plan-year-by-plan-year projections demonstrating projected insolvency during the relevant period, and • separately identifying the available resources (and the market value of assets and changes in cash flow) during each of those years? See section 3.01.	
Yes	6.	Does the application describe the assumptions used, including the new entrant profile, the total contribution base units, and the average contribution rates? See section 3.01.	4
Yes	7.	Does the application include the plan actuary's certification that the plan is projected to avoid insolvency if the suspension takes effect and the supporting illustrations, including: • the plan-year-by-plan-year projections demonstrating projected solvency during the relevant period, • a description of the assumptions used, including the new entrant profile, the total contribution base units, and the average contribution rates, and • separately identifying the available resources (and the market value of assets and changes in cash flow) during each of those years? See section 3.02.	4
Yes	8.	Does the application include the plan sponsor's determination of projected insolvency that includes the documentation set forth in section 5 of the revenue procedure? See section 3.03.	4-13
Yes	9.	Does the application include a demonstration that the limitations on individual suspensions are satisfied, including calculations regarding: • the guarantee-based limitation, • the disability-based limitation, and • the age-based limitation? See section 4.01.	13
Yes	10.	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).	13

N/A	11.	Does the application include the required illustration utilizing stochastic projections? (This illustration is not required if the plan is not required to appoint a retiree representative under § 432(e)(9)(B)(v)(I) and stochastic projections were not used in making the required determination.) See section 4.02(2).	13
N/A	12.	Does the application include a demonstration that the proposed suspension is not projected to materially exceed the level necessary to avoid insolvency, including illustrations regarding the plan's solvency ratio and available resources? See section 4.03.	14
Yes	13.	Does the application include a demonstration that the proposed suspension is equitably distributed, including: • information on the effect of the suspension on the plan in the aggregate, • information on the effect of the suspension for different categories or groups, • a list of the factors taken into account, • an explanation of why none of the factors listed in § 432(e)(9)(D)(vi) were taken into account (if applicable), • 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 • how any difference in treatment among categories or groups of individuals results from a reasonable application of the relevant factors? See section 4.04.	14
Yes	14.	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).	14
Yes	15.	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).	14-15
N/A	16.	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)	15

Yes	17.	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).	15
Yes	18.	Does the application include information on past and current measures taken to avoid insolvency? See section 5.01.	4-8; 16
Yes	19.	Does the application include the plan information required by section 5.02? See section 5.02	9-12; 16
Yes	20.	Does the application describe how the plan sponsor took into account — or did not take into account — the factors listed in section 5.02 in the determination that all reasonable measures were taken to avoid insolvency? See section 5.03.	12-13; 16
Yes	21.	Does the application describe how the plan sponsor took into account - or did not take into account - in the determination that all reasonable measures have been taken to avoid insolvency the impact of: • benefit and contribution levels on retaining active participants and bargaining groups under the plan, and • past and anticipated contribution increases under the plan on employer attrition and retention levels? See section 5.03.	12-13; 16
Yes	22.	Does the application include a discussion of any other factors the plan sponsor took into account including how and why those factors were taken into account? See section 5.04.	16
Yes	23.	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.	17
Yes	24.	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.	17
Yes	25.	If the answer to item 24 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	17

		payments attributable to the partition? See section 6.02.	
Yes	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: • total contributions, • total contribution base units, • average contribution rates, • withdrawal liability payments, and • the rate of return on plan assets? See section 6.03.	17
Yes	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 6.04.	17
Yes	28.	Does the plan include deterministic projections for each year in the extended period of: • the value of plan assets, • the plan's accrued liability, and • the plan's funded percentage? See section 6.05.	17
Yes	29.	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: • to indicate that the suspension will cease upon the plan sponsor's failure to determine that both all reasonable measures continue to be taken to avoid insolvency and that the plan would not be projected to avoid insolvency without a suspension, • to require that any future benefit improvements must satisfy § 432(e)(9)(E), and • to specify that the plan sponsor will not modify these amendments, notwithstanding any other provision of the plan document? See section 6.06.	17-18
Yes	30.	Does the application indicate whether the plan is a plan described in § 432(e)(9)(D)(vii) and, if so, how is that fact	18

		reflected in the proposed benefit suspension? See section 6.07.	
Yes	31.	Does the application include the required plan sponsor information, including • name • address; telephone number • email address; fax number • employer identification number (EIN) and • 3-digit plan number (PN)? See section 7.01.	18
Yes	32.	Does the application include the required plan identification information? See section 7.02.	18
N/A	33.	Does the application include the required retiree representative information (if applicable)? See section 7.03.	18
Yes	34.	Does the application include the required enrolled actuary information? See section 7.04.	18
Yes	35.	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 and Appendix B.	18
Yes	36.	Does the application include: • required plan documents and recent amendments, • summary plan description (SPD), • summary of material modifications, and • most recent determination letter? See section 7.06.	19
Yes	37.	Does the application include the required excerpts from the relevant collective bargaining agreements and side agreements? See section 7.07.	19
Yes	38.	Does the application include the required excerpts from the most recently filed Form 5500? See section 7.08.	19
Yes	39.	Does the application include the most recently updated rehabilitation plan? See section 7.09.	19

Yes	40.	Does the application include this checklist, completed and placed on top of the application? See section 7.10.	--
N/A	41	If the application is being submitted for resubmission review, does the application include: • a statement that the application is being submitted for resubmission review, and • the date on which the Treasury Department gave approval to submit an application for resubmission review? See section 8.	--

March 15, 2017

Redacted by the U.S. Department of the Treasury

[redacted]

Harry Boot, Chairman
Board of Trustees
United Furniture Workers Pension Fund A

Second Application of the
United Furniture Workers Pension Fund A
for Approval of
Suspension of Benefits

Dated: March 15, 2017

Section 1. Background and Purpose

Pursuant to Internal Revenue Service Revenue Procedure 2016-27 and the Department of Treasury's final regulations (§1.432(e)(9)-1) (the "Final Regulations") issued under Section 432(e)(9) of the Internal Revenue Code of 1986 (the "Code") the Board of Trustees (the "Board") of the United Furniture Workers Pension Fund A (the "Pension Fund" or the "Plan") submits to the Secretary of the Treasury (the "Secretary"), with the accompanying exhibits, this Second Application for Approval of Suspension of Benefits ("Benefit Suspension Application" or "Application"). The Pension Fund's initial application for suspension of benefits dated August 11, 2016 was withdrawn by the plan sponsor of the Pension Fund on February 21, 2017 in contemplation of filing this second application. This Application is made in combination with the Second Application for Approval of a Partition of the United Furniture Workers Pension Fund A ("Partition Application") in accordance with Section 4233 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), filed with the Pension Benefit Guaranty Corporation ("PBGC") on February 28, 2017. This Benefit Suspension Application, which is being submitted in combination with the Partition Application, seeks an expedited review period in accordance with Section 1.432(e)(9)-1(g)(1)(v)(B) of the Final Regulations.

Section 432(e)(9)(G) of the Code provides that the Secretary shall approve an application for the approval of suspension of benefits upon finding that the plan is a "critical and declining" status plan and has satisfied the criteria set forth in subparagraphs (C), (D), (E) and (F) of Section 432(e)(9) of the Code. As set forth more fully below, the Pension Fund is eligible to suspend benefits and has satisfied each of the enumerated criteria set forth in the Code and under the Final Regulations. Therefore, the Board respectfully requests that the Secretary approve the Pension Fund's Benefit Suspension Application.

Section 2. Application Procedures

2.01 Plan Sponsor Submission

The Board submits this application for approval of a proposed benefit suspension under Section 432(e)(9) of the Code. This Application is signed and dated by the Chairman of the Board, who is authorized to sign on behalf of the Board.

2.02 Terms of Proposed Benefit Suspension

(1) Effective Date

In accordance with Section 1.432(e)(9)-1(g)(1)(v)(B) of the Final Regulations, the Board proposes an effective date for the benefit suspension to be September 1, 2017 or such other date as may be set by the Secretary ("Effective Date"). For purposes of the actuarial calculations, demonstrations and illustrations set forth in this Application, a September 1, 2017 effective date has been assumed. As indicated above, this Application is made in combination with the Partition Application filed with the PBGC, and, in accordance with Section 432(e)(9)(D)(v) of the Code, the suspension of benefits may not take effect prior to the effective date of the partition.

(2) Expiration Date

The proposed benefit suspension will remain in effect indefinitely and will not expire by its own terms.

(3) The Proposed Benefit Suspension

All Pension Fund participants who are not subject to the limitations set forth in Section 432(e)(9)(D)(ii) or (iii) as of the Effective Date shall have their pension benefit reduced to the maximum extent permitted under Section 432(e)(9)(D)(i), i.e. to 110% of the monthly benefit guaranteed by the PBGC. The Pension Fund has not created any different groups or classifications of participants for purposes of benefit suspensions, except to the extent required by law.

(4) Different Treatment of Participants and Beneficiaries

Not Applicable.

2.03 Penalty of Perjury

See Exhibit 1.

2.04 Public Disclosure Statement

See Exhibit 1.

2.05 Submission of Application

This Benefit Suspension Application has been submitted to the Secretary via www.treasury.gov/mpra pursuant to the requirements of Revenue Procedure 2016 – 27.

2.06 Signature

The signatures required for this Application have been submitted electronically in Portable Document Format.

2.07 Duty to Correct

The Pension Fund hereby acknowledges that if, after submission of the Benefit Suspension Application, any error is discovered, the Board shall provide prompt notice of same to the Treasury Department.

Section 3. Demonstration That the Pension Fund Is Eligible for Suspension

3.01 Plan Actuary's Certification of Critical and Declining Status

See Exhibit 2 for the certification from the Pension Fund's actuary required under Section 432(b)(3) of the Code that the Pension Fund is in critical and declining status for the Plan Year commencing March 1, 2016. Included with this certification is documentation supporting the actuarial certification of status, including a year-by-year projection of the Pension Fund's available resources and the benefits under the Pension Fund, demonstrating that the Pension Fund is projected to become insolvent during the Pension Fund's 2021 plan year. The documentation includes a description of each of the assumptions used, including the total contribution base units and average contribution rates. The year-by-year projection separately identifies the market value of assets beginning as of January 1, 2017 (the initial period) to the end of the 2016 Plan Year and the projected market value of assets as of the beginning and end of the 2021 Insolvency Year, and the following cash-flow items for those years: (1) contributions, (2) withdrawal liability payments, (3) benefit payments, (4) administrative expenses, and (5) investment returns.

3.02 Plan Actuary's Certification That the Pension Fund is Projected to Avoid Insolvency

See Exhibit 3 for the certification from the Pension Fund's actuary required under Section 432(e)(9)(C)(i) of the Code that the Pension Fund is projected to avoid insolvency within the meaning of Section 418E, taking into account the proposed benefit suspension and the proposed Second Partition Application, and assuming that the proposed suspension and partition continue indefinitely.

Included within this certification is documentation supporting the certification, including a year-by-year projection of the available resources of the Pension Fund within the meaning of Section 418E(b)(3) and the benefits under the Pension Fund demonstrating the avoidance of insolvency of the Pension Fund through an extended period of time. The documentation includes a description of each of the assumptions used, including the total contribution base units and average contribution rates. Also included with this certification is the Pension Fund's year-by-year projection that separately identifies the market value of assets as of the beginning and end of each year in the extended period and the following cash-flow items for each of these years: (1) contributions, (2) withdrawal liability payments, (3) benefit payments, (4) administrative expenses and (5) investment returns.

3.03 Plan Sponsor's Determination of Projected Insolvency

It is the Board's determination under Section 432(e)(9)(C)(ii) of the Code that the Pension Fund is projected to become insolvent, unless benefits are suspended as proposed in this Application (and the Pension Fund is partitioned as proposed in the Second Partition Application), even though all reasonable measures to avoid insolvency have been taken. The Pension Fund has included documentation and exhibits with this Application illustrating the Board's determination of projected insolvency.

(1) All Measures Taken to Avoid Insolvency

i. In 2003, following three consecutive years of losses in the capital markets and with the Pension Fund's funded percentage declining to 75%, the Board adopted a plan amendment reducing the Pension Fund's benefit accrual rate from 3% to 2% for all contributions received on or after September 1, 2003. This action was taken by the Board to address the Pension Fund's declining financial position.

ii. In 2006, in light of a declining participant base and an uncertain future, the Board again adopted another plan amendment reducing the Pension Fund's benefit accrual, lowering the accrual rate this time from 2% to 1% of all contributions received on or after September 1, 2006. Again, this action was taken by the Board to avoid further deterioration of the Pension Fund's financial condition.

iii. In May 2008, the Pension Fund's actuaries certified to the U.S. Department of Treasury that the Pension Fund was in "critical" status as that term is defined in the Pension Protection Act of 2006 ("PPA"). As a result of that certification, the Board created and, in December 2008, approved a rehabilitation plan as required by the PPA. In late December 2008, the Board adopted and approved the Pension Fund's First Amended Rehabilitation Plan. **The Pension Fund's First Amended Rehabilitation Plan ("Rehabilitation Plan") is attached as Exhibit 4.**

iv. In creating the Rehabilitation Plan, the Pension Fund's actuaries advised that in order for the Pension Fund to emerge from "critical status" within the 13 year period prescribed by the PPA, the rehabilitation plan would need to require all contributing employers to pay double-digit, annually compounding contribution increases to the Pension Fund. The Board determined, after careful consideration, that such increases in any rehabilitation plan would not be sustainable, and would likely result in a significant number of employer withdrawals from the Pension Fund, or a mass withdrawal, thereby jeopardizing the funding status of the Pension Fund and accelerating its insolvency. As a result, the Board concluded that forestalling insolvency was in the best interests of the Pension Fund's participants and beneficiaries and developed the Rehabilitation Plan under the "reasonable measures" standard permitted under ERISA Section 305(e)(3)(A)(ii). **See Exhibit 4.**

v. Under the Rehabilitation Plan, the preferred schedule requires all contributing employers to pay annually compounding contribution increase of 5.5%. In addition, adjustable benefits were eliminated.

vi. The capital markets collapse of 2008 (which occurred while the Rehabilitation Plan was being developed) placed further significant stress on the Pension Fund as its funded status declined to 45.2% as of the plan year ending February 2009. Thereafter, as a result of the ensuing economic recession, many contributing employers, including Steinway & Sons. Inc. ("Steinway"), Sealy, Inc. ("Sealy") and Hufcor, Inc. ("Hufcor") were forced to lay off large numbers of employees, resulting in a further decline in the Pension Fund's active participant base.

vii. In 2010, the Pension Fund, in an effort to avoid insolvency, filed an application for partitioning with the PBGC under former Section 4233 of ERISA ("2010 Partition Application"). In making that application to the PBGC, the Pension Fund sought to partition sufficient liabilities to the PBGC so as to avoid or forestall insolvency. **The Pension Fund's 2010 Partition Application is attached as Exhibit 5.** The PBGC, however, took no action on the 2010 Partition Application.

viii. In or about July 2012, when it became apparent that the PBGC would not take any action on the 2010 Partition Application, the Board directed Pension Fund counsel to explore other alternatives that may help to avoid a Pension Fund insolvency.

ix. Plan counsel, with the assistance of the Pension Fund's actuaries, developed a series of options for the Board to consider as part of an effort to improve the Pension Fund's funded position and forestall insolvency. At a Special Meeting of the Board held on February 7, 2013, counsel explored with the Board five (5) options that the Board could consider in order to improve the Pension Fund's funded position, noting that these options were not mutually exclusive. These options were: (1) Maintain the Status Quo; (2) Increase the Annual Contributions Under the Rehabilitation Plan; (3) Freeze Benefit Accruals and Increase Annual Contribution Increases Under the Rehabilitation Plan; (4) Seek to Terminate the Pension Fund by Plan Amendment;

or (5) Seek to Terminate the Pension Fund through a Negotiated Mass Withdrawal. After the presentation, it was decided that the Board would review these options and that another Special Meeting of the Board would be convened telephonically to discuss the issues further.

x. A Special Meeting of the Board was subsequently convened telephonically on February 26, 2013 to consider the various options presented to the Board earlier that month. No decisions were made by the Board at that time.

xi. At the Board's July 2013 meeting, after reviewing the options presented, the Board authorized Plan counsel to work with the Pension Fund's actuary to develop a specific funding option recommendation to be presented to the Board for action at a Special Meeting of the Board to be held in September 2013.

xii. In September 2013, the Board conducted a Special Meeting, via conference call, to address, among other things, the Pension Fund's funding crisis. At that time, Plan counsel noted that the Pension Fund was projected to become insolvent in eight (8) years, and that upon insolvency, the Pension Fund would require financial assistance from the PBGC. It was further noted that upon insolvency, Pension Fund retirees would have their pensions reduced to the PBGC guarantee. The Board concluded that its focus in considering the available options should be to extend the insolvency date as long as possible. The Board considered the initiation of a negotiated mass withdrawal of all of the Pension Fund's contributing employers by trading the Pension Fund's rights to receive long-term withdrawal liability payments for discounted, upfront cash payments from the contributing employers. It was projected that if this strategy was successful, the Pension Fund's insolvency date could be extended for an additional seven (7) years, depending upon how the relevant assumptions play out. After extended discussion on the matter, the Board authorized counsel to explore with the Pension Fund's two largest contributing employers and their affected local unions, their interest in a negotiated mass withdrawal from the Pension Fund. A **Board Resolution dated September 12, 2013 authorizing Plan counsel to explore with the Pension Fund's two largest contributing employers and their affected local unions, their interest in a negotiated mass withdrawal from the Pension Fund is attached as Exhibit 6.**

xiii. Following the September 2013 Special Meeting, Plan counsel engaged in discussions with representatives of Steinway and Sealy in an effort to explore whether either or both of those contributing employers would be interested in negotiating a mass withdrawal from the Pension Fund.

xiv. In November 2013, the Board conducted a Special Meeting, via conference call, in order to monitor whether there had been any progress with the negotiated mass withdrawal initiative authorized at the September 2013 meeting. Citing ERISA Section 4224 as authority for the initiative, Plan counsel distributed a proposed resolution setting forth rules providing for alternative terms and conditions for the satisfaction of employers' withdrawal liabilities to the Pension Fund ("Alternative Withdrawal Liability Rules"). **The Pension Fund's Alternative Withdrawal Liability Rules adopted by the Board in November 2013 are attached as Exhibit 7.**

xv. Under the "Alternative Withdrawal Liability Rules," the Pension Fund may, with Board approval, release a withdrawing employer from any and all liabilities that may be assessed in connection with its complete withdrawal from the Pension Fund, including potential mass withdrawal liabilities that could be assessed, in exchange for a discounted upfront lump sum payment of the present value of its withdrawal liability obligations to the Pension Fund. By letter dated November 20, 2013, a copy of the Pension Fund's Alternative Withdrawal Liability Rules was sent to the PBGC's then Multiemployer Division Manager Bruce Perlin. **A copy of counsel's November 20, 2013 letter to Mr. Perlin is attached as Exhibit 8.**

xvi. The purpose and intent of the Alternative Withdrawal Liability Rules was for the Pension Fund to avoid or forestall insolvency by encouraging contributing employers who may have wished to withdraw from the Pension Fund to satisfy their long-term withdrawal liability obligations to the Pension Fund through the payment of a discounted lump sum payment of the present value of their future payment obligations. While counsel had met with representatives of Steinway and Local 81102 on several occasions in an effort to reach an agreement, the parties were not successful in reaching an agreement on a withdrawal. Counsel never had any substantive discussions with Sealy's representatives, who had advised that the issue had been referred internally for discussion.

(2) <u>Consideration of Specific Pension Fund Factors</u>

i. Contribution Levels

In creating the Rehabilitation Plan, the Pension Fund's actuaries advised that in order for the Pension Fund to emerge from critical status by the end of its rehabilitation period as defined in the PPA, the Board would need to adopt a contribution schedule that required double-digit, annually compounding increases from all contributing employers. After careful consideration of the available alternatives, the Board concluded that adopting a rehabilitation plan that would require double-digit, annually compounding increases would likely result in a significant number of employer withdrawals from the Pension Fund, or a mass withdrawal, thereby further jeopardizing the funding status of the Pension Fund or resulting in its insolvency. As a result, the Board adopted a preferred schedule under the Rehabilitation Plan that required 5.5% annual contribution increases. **See Exhibit 4.**

ii. Benefit accrual levels, including any prior reductions in the rate of benefit accruals.

As demonstrated above, the Board twice reduced the Pension Fund's accrual rate, with the second reduction bringing the accrual rate to the lowest rate permitted under a rehabilitation plan. First, in 2003, following three consecutive years of losses in the capital markets, the Board adopted a plan amendment reducing the Pension Fund's accrual rate from 3% to 2% of all contributions received on or after September 1, 2003. Thereafter, in 2006, in light of a declining participant base and an uncertain future, the Board again adopted another plan amendment reducing the accrual rate from 2% to 1% of all contributions received on or after September 1, 2006.

iii. Prior reductions of adjustable benefits under Section 432(e)(8).

In creating the Rehabilitation Plan, the Board eliminated (i) any and all death benefits, (ii) any and all withdrawal benefits and (iii) the 36–month benefit guarantee. **See Exhibit 4.**

iv. No Prior Benefit Suspensions.

The Board has not implemented prior benefit suspensions for the Pension Fund under Section 432(e)(9).

v. Measures taken by the plan sponsor to retain contributing employers.

For the reasons described below under the heading "Competitive and other economic factors facing contributing employers," the Pension Fund experienced substantial contraction in its active participant base from the 1980s through the present. This declining base, coupled with several economic crises since 2001, has created severe underfunding in the Pension Fund. Nonetheless, the Board implemented several measures designed to retain contributing employers. First, in creating the Rehabilitation Plan, the Board directed the actuary to project the level of contribution increases and benefit reductions that would be necessary to allow the Pension Fund to emerge from critical status by the end of the rehabilitation period. The actuary concluded that in order to allow the Pension Fund to emerge from critical status within this period, the Rehabilitation Plan would need to require double-digit, annually compounding contribution increases. Upon review of that information, the Board recognized that requiring double-digit, annually compounding contribution increases for contributing employers would likely be unsustainable and result in significant employer withdrawals. As a result, the Board designed the Rehabilitation Plan to require annual contribution increases of 5.5%, thereby fostering continued employer participation in the Pension Fund.

In addition, in 2010, the Board filed the 2010 Partition Application which, if accepted by the PBGC, would have substantially forestalled the Pension Fund's insolvency date, and thereby encouraged contributing employers to remain with the Pension Fund. The PBGC, however, took no action on this 2010 Partition Application.

vi. Impact on plan solvency of the subsidies and ancillary benefits, if any available to active participants.

The Rehabilitation Plan eliminated any and all death benefits and withdrawal benefits and eliminated the 36 – month benefit guarantee, all of which were adjustable benefits under the law. The adjustable benefits that were preserved under the Rehabilitation Plan were: (1) the minimum $50 monthly benefit for participants with more than 10 years of Credited Service, (2) subsidized early retirement for active participants, and (3) unreduced disability benefits. The value of those benefits is immaterial in the aggregate and the Board concluded that preserving those benefits was necessary to retain contributing employers in the Pension Fund. Any further reductions in the Pension Fund's adjustable benefits would have had a de minimis actuarial impact on the Pension Fund, but would have jeopardized the continuing participation of its contributing employers.

vii. Compensation levels of active participants relative to employees in the participant's same industry.

The Pension Fund has not conducted a study to analyze the relative compensation levels of active participants in the Pension Fund as compared to compensation levels for other (presumably non-union) employees in the same industry. However, the Board, comprised of former and current union officials and management representatives, have taken notice that annually compounding increases in contributions required under the Rehabilitation Plan has led to an overall flattening of compensation levels for active Pension Fund participants.

viii. Competitive and other economic factors facing contributing employers.

While there have been a number of competitive and economic factors over the past 40 years that have adversely affected the Pension Fund's contributing employers and have, directly or indirectly, led to a declining active participant base over time, there is no question that a rapid increase in United States furniture imports has been the primary competitive factor facing the contributing employers, and by extension, the Pension Fund.

Furniture imports to the United States from low-wage nations has been a significant and recurring competitive issue for many of the Pension Fund's contributing employers since the early 1970s, leading to numerous plant closings throughout the country. Cornfield, Daniel B., "Becoming a Mighty Voice, Conflict and Change in the United Furniture Workers of America" (1989), p. 159. From the 1970s to 1984, the value of furniture imports to the United States from low-wage countries put enormous economic pressures on all United States furniture manufacturers, particularly unionized furniture manufacturers, including many contributing employers to the Pension Fund.

The competitive pressures brought about by increased furniture imports from low-wage countries became even more acute between 1999 and 2010. In a study conducted by

William G. Luppold and Matthew S. Bumgardner "Thirty-Nine Years of U.S. Wood Furniture Importing: Sources and Products," the authors concluded that "rapid shifts in comparative advantage among international manufacturing regions have radically affected trade competitiveness in the wood furniture industry. These shifts have had profound impacts on the U.S. industry. In 1999, employment in furniture and related products industries less kitchen cabinets was 537 thousand workers, but employment in these industries had declined to 251 thousand workers by 2010. By far, the greatest decline occurred in the [wood household furniture] sector of the overall furniture industry, which employed 130 thousand workers in 1999 but only 39 thousand workers in 2010. While the great recession of 2009 contributed to this decline, most of it was the result of international competition". Luppold & Bumgardener "U.S. Furniture Imports," BioResources 6(4), 4895-4098 (2011). This phenomenon has directly impacted the Pension Fund as its active base shrunk from 4,781 in 2000 to approximately 1,076 today, a decrease of 77% over that period of time.

These competitive and economic factors on furniture manufacturers in the United States have had an adverse impact on the Pension Fund's active participant base over the past 36 years. It is notable that from 1981 to 2009, 35 contributing employers to the Pension Fund filed for bankruptcy protection (or effected an assignment for benefit of creditors) and withdrew from the Pension Fund.

ix. Impact of benefit and contribution levels on retaining active participants and bargaining groups under the Pension Fund.

The Board took various factors into consideration in determining that the Pension Fund would become insolvent in the absence of a joint partitioning and benefits suspension. First, since the Board had reduced the pension accrual rate to 1% of contributions in 2006, the Board in developing the Rehabilitation Plan in 2008 could not, consistent with the PPA, reduce the accrual rate below 1%; the Board did, however, eliminate adjustable benefits under the Pension Fund. Any further benefit reductions would have likely led to a reduction in employer and participant retention. Second, under the Rehabilitation Plan, contributing employers are required to increase contributions by 5.5% each year. The Board determined that any further augmentation of these increases likely would have been unsustainable for the Pension Fund's contributing employers.

x. Impact of past and anticipated contribution increases under the Pension Fund on employer attrition and retention levels.

The impact that past contribution increases required under the Rehabilitation plan have had on employer attrition and retention levels is not clear. When the Rehabilitation Plan was adopted, the Pension Fund had 53 contributing employers making contributions on behalf of 2,459 active participants. Since then, 29 contributing employers have withdrawn from the Pension Fund and there are now 1,076 active participants. Whether these withdrawals were related to the past contribution increases, however, cannot be objectively determined. With respect to the impact that anticipated contribution increases may have on employer attrition and retention levels, the Board has concluded that if the Partition and Benefit Suspension Applications are approved, employer attrition in the Pension Fund will likely cease and retention will likely improve as contributing employers will become incentivized to continue participation and reduce their withdrawal liability exposure.

Section 4. Demonstration That the Pension Fund's Proposed Suspension Satisfies the Statutory Requirements

4.01 Demonstration That Limitations on Individual Suspensions Are Satisfied.

See Exhibit 9 for a demonstration of how the proposed suspension of benefits satisfies the limitations described in Sections 432(e)(9)(D)(i)-(iii) of the Code. The attached exhibit includes three separate illustrations required under this Section 4.01 of the Revenue Procedure including: (1) a sample calculation applying the 110 percent limitation under Section 432(e)(9)(D)(i) for the Pension Fund's participants; (2) a sample calculation applying the age-based limitations of Section 432(e)(9)(D)(ii); and (3) a sample calculation applying the disability limitation under Section 432(e)(9)(D)(iii). A fourth illustration is provided which combines all three limitations; however, given the disability, there is no impact on the participant's final benefit.

4.02 Demonstration that the Proposed Suspension Is Reasonably Estimated to Enable the Pension Fund to Avoid Insolvency.

See Exhibit 10 for a demonstration that, in accordance with Section 432(e)(9)(D)(iv) of the Code, the proposed benefit suspension, if coupled with the Pension Fund's proposed partition, is reasonably estimated to enable the Pension Fund to avoid insolvency.

4.03 Demonstration that the Proposed Suspension Is Reasonably Estimated to Not Materially Exceed the Level Necessary to Avoid Insolvency.

This demonstration is not applicable because the Pension Fund is seeking a partition under ERISA Section 4233 in combination with a benefits suspension. All benefits will be suspended under the Pension Fund to the maximum extent permitted by law.

4.04 Demonstration that the Proposed Benefit Suspension Is Distributed Equitably.

As of March 1, 2016, the Pension Fund had 9,896 participants, beneficiaries and alternate payees, including 9,109 participants, 765 beneficiaries and 22 alternate payees. Before a suspension of benefits, the average monthly benefit is $237.75. After a suspension of benefits, and taking into account the individual limitations imposed by law, the average monthly benefit would be $219.94. The aggregate present value of the reduction in benefits for all individuals is $12,888,641 (valued as of March 1, 2016 based upon the actuary's funding assumptions). See **Exhibit 11** for a demonstration of the distribution of the benefits suspension, including the number of individuals whose benefits will not be reduced, and the number of individuals whose benefit reductions will fall within a series of ranges in ten percent increments as required pursuant to Section 4.04(1)(b) of Revenue Procedure 2016-27.

4.05 Notice

The following describes the Board's methods for satisfying the notice requirements of Section 432(e)(9)(F):

(1) Individual Notices

See Appendix A for each type of notice that has been provided to the participants and beneficiaries of the Pension Fund.

(2) Efforts to Contact Missing Participants

The Pension Fund has provided notice of the proposed suspension of benefits to (i) active participants, retirees, beneficiaries and alternate payees, (ii) each employer that has an obligation to contribute to the Pension Fund and (iii) each employee organization that represents the participants employed by each contributing employer. Only written notices have been sent. The Pension Fund has not provided electronic notices.

As a national multiemployer pension plan with a significant number of terminated vested participants, the Pension Fund experiences, from time to time, a number of missing participants, beneficiaries and alternate payees, particularly those who are no longer in active service. In connection with this suspension of benefits application, in order to find these individuals, the Fund undertook a number of efforts to locate them, including, as appropriate, contacting local unions associated with them, contacting their former employers to obtain updated contact information and utilizing various internet-based search tools. After exhausting these efforts, the Pension Fund contracted with TransUnion LLC, a commercial locator service, in 2016 in order to help locate missing participants, beneficiaries and alternate payees. At that time, the Pension Fund had 1,244 missing participants, beneficiaries and alternate payees. TransUnion conducted searches for that entire group and found addresses for 1,124 of them, a success rate of 90.35%.

In connection with this Application, the Pension Fund again contracted with TransUnion to attempt to locate any additional missing participants, beneficiaries and alternate payees. To date, the Fund has 121 missing participants, beneficiaries and alternate payees, slightly more than 1% of its total participants. The Pension Fund will continue its efforts to locate these individuals.

(3) Notices will not be delivered electronically.

(4) <u>List of Contributing Employers</u>

(a) The following is a list of the contributing employers that have an obligation to contribute to the Pension Fund within the meaning of ERISA Section 4212(a):

<u>Employer Name</u>

UFW Insurance	Steinway & Sons
UFW Pension	Matos Refrigeration
Local 76B	Eastern Wood Products
Local 262	Pennsylvania Bedding
Local 9400	Klise Manufacturing Company
Bauerschmidt & Sons	Simmons Company
Bielecky Brothers	Architectural Plywood Inc
Viziflex Seels	Premier Restoration
Rollhaus Brothers	Westside Wood Refinishing
Vitobob	Sealy Mattress
Sealy Mattress	Sealy Mattress Company
Rollhaus Brothers	Office Furn. Svc.

(b) <u>List of Employee Organizations Representing Participants Under the Pension Fund</u>

<u># Local</u>

Local 76B	Local 415
Local 102	Local 501/628
Local 123	Local 9400
Local 262	International Unit

Section 5. Plan Sponsor Determination Relating to Reasonable Measures Taken to Avoid Insolvency

5.01 Measures Taken to Avoid Insolvency

See Discussion in Section 3.03(1)(i) – (xvi), above.

5.02 Plan Factors

See Discussion in Section 3.03(2)(i) – (viii), above.

5.03 How Plan Factors Were Taken Into Account

See Discussion in Section 3.03(2)(ix) – (x), above.

5.04 Other Factors Considered

One of the significant factors that the Board considered in developing the Pension Fund's Rehabilitation Plan under the reasonable methods approach was whether escalating and annually-compounding contribution increases would likely result in material employer withdrawals from the Plan. In June 2015, representatives from Steinway, one of the Plan's largest contributing employers, contacted Plan counsel to advise that Steinway's labor agreement with CWA Local 81102, F.W., I.U.E.-C.W.A., AFL-CIO ("Local 81102") was due to expire on December 31, 2015, and that negotiations for a successor agreement would commence in the next few months. Steinway's representatives asked Plan counsel if the Pension Fund's board of trustees would be considering a joint partition/benefits suspension as contemplated by MPRA. Further, they asserted that the annual increases required under the Rehabilitation Plan were no longer sustainable, and advised that if the Pension Fund is not inclined to file applications seeking a joint partitioning and benefit suspension under MPRA, Steinway would likely negotiate a complete withdrawal from the Pension Fund during the 2015 negotiations.

In July 2015, Plan counsel advised Steinway's representatives that its proposal to meet with the Board would be discussed at the Board's August 2015 meeting.

In October 2015, Steinway's representatives met with Plan counsel to discuss whether the Pension Fund's board of trustees would be pursuing the benefit suspension/partitioning process. During this meeting, Steinway's attorneys advised Plan counsel that if the Pension Fund does not seek a joint partition/Benefits Suspension Application with the PBGC and the Treasury Department, Steinway will likely exercise its right to withdraw from the Pension Fund when its labor agreement with Local 81102 expires in January 2016.

Steinway is a significant contributing employer to the Pension Fund. The company contributed $1,461,891 to the Pension Fund in Plan year ending February 2016, which represented approximately 39% of the Fund's total annual contributions. Similarly, through the first 11 months of the plan year ending February 28, 2017, Steinway has contributed $1,315,373.42.

Section 6. Other Required Information

6.01 Ballot

See Exhibit 12 for a proposed ballot intended to satisfy the requirements of Section 432(e)(9)(H)(iii) of the Code (without the statement in opposition to the proposed benefit suspension described in Section 4329(e)(9)(H)(iii)(II) or the individualized estimate that was provided as part of the notice described in Section 432(e)(9)(F)).

6.02 Partition

The Board is requesting approval from the PBGC of a proposed partition under Section 4233 of ERISA, with a proposed effective date of September 1, 2017. **See Exhibit 13** for a year-by-year projection of the amount of the reduction in benefit payments that would be attributable to the partition.

6.03 Ten-Year Experience for Certain Critical Assumptions

See Exhibit 14 for a disclosure of the Pension Fund's experience with respect to certain critical assumptions for each of the 10 Plan Years immediately preceding the Plan Year in which the Application is submitted, separately identifying (1) total contributions, (2) total contribution base units, (3) average contribution rates, (4) withdrawal liability payments, and (5) rate of return on plan assets.

6.04 Determination of Sensitivity of Projections

See Exhibit 15 for the following separate projections: (1) a reduction of 1% in the Plan's assumed rate of return of assets; (2) a reduction of 2% in the Plan's assumed rate of return on assets; (3) a change in the assumed future contribution base units from a 0% change year over year to a 16.9% annual reduction for the next ten years; and (4) a change in the assumed future contribution base units from a 0% change year over year to a 17.9% annual reduction for the next ten years.

6.05 Projection of funded percentage

See Exhibit 16 for the Board's 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 Pension Fund's extended period.

6.06 Plan Sponsor Certification Relating to Plan Amendments

See Exhibit 17 for the Board's certification that if they receive final authorization to implement the suspension of benefits as described in Section 432(e)(9)(H)(vi) of the Code, and choose to implement the authorized suspension, then, in addition to the plan amendment implementing the suspension, the following plan amendments will be timely adopted and not modified at any time thereafter before the suspension of benefits expires: (1) a plan amendment 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 Board fails to determine that both: (a) all reasonable measures to avoid insolvency continue to be taken during the period of the benefit suspension and (b), the Plan is projected to become insolvent unless benefits continue to be suspended, and (2) a plan amendment providing that any future benefit improvements must satisfy the requirements of Section 432(e)(9)(C).

6.07 Whether the Pension Fund Is Described in Section 432(e)(9)(D)(vii)

The Pension Fund is not a plan described in Section 432(e)(9)(D)(vii) of the Code.

6.08 Optional Additional Information

See Discussion in Section 3.03(2)(viii), above.

Section 7. Identification and Background Information on the Pension Fund

7.01 Plan Sponsor

The Plan Sponsor is the Board of Trustees of the United Furniture Workers Pension Fund A. The address of the Pension Fund is 1910 Air Lane Drive Nashville, TN. The Pension Fund's telephone number is 615-889-8860. Its email address is ufw.pfa@ufwip.com and its fax number is 615-391-0865. The Board of Trustees does not have a separate employer identification number.

7.02 Plan Identification

The name of the Pension Fund is the United Furniture Workers Pension Fund A. The Pension Fund has been assigned the Plan Number 001. Its Employer Identification Number (EIN) is 13-5511877. The Plan is a multiemployer pension plan within the meaning of Code Section 414(f) and ERISA Section 3(37).

7.03 Retiree Representative

The Pension Fund is not required to appoint a Retiree Representative under the Regulations as it is not a plan with 10,000 or more participants, based on the Pension Fund's most recently filed Form 5500. The Board has not elected to appoint a Retiree Representative.

7.04 Pension Fund's Enrolled Actuary

Christian Benjaminson, FSA, EA (Cheiron, Inc.)
Enrollment #: 14-07015
703-893-1456 x1002
cbenjaminson@cheiron.us
1000 Atrium Way, Suite 403, Mount Laurel, NJ 08054

7.05 Power of Attorney

The Pension Fund's designation of power of attorney is set forth in **Appendix B**.

7.06 Plan Documents

See **Exhibit 18** for the Pension Fund's most recently restated Plan document, the most recent summary plan description as defined under Section 102 of ERISA and any subsequent summaries of material modifications, and the Pension Fund's most recent IRS determination letter.

7.07 Excerpts of Collective Bargaining and Side Agreements

The Pension Fund receives contributions from contributing employers pursuant to various collective bargaining agreements. Excerpts of the collective bargaining agreements and other side agreements that relate to the Pension Fund are contained in **Appendix C**.

7.08 Annual Return

See **Exhibit 19** for the following sections of the Pension Fund's most recently filed Form 5500: (1) pages 1 and 2 of the Form 5500, (2) Schedule MB, including attachments, and (3) the Schedule R with attachments.

7.09 Rehabilitation Plan

See **Exhibit 4** for a copy of the Pension Fund's most recently updated Rehabilitation Plan.

7.10 Completed Checklist

The Checklist of information required to be included in the Pension Fund's Application has been completed and, pursuant to the requirements of Revenue Procedure 2016-27, has been placed on the top of the Application.

7.11 Request for a Meeting

We respectfully request an in-person meeting to discuss the issues involved if the Secretary raises any concerns with this Application.

The Board very much appreciates Treasury's willingness to review this important matter and Application for the Pension Fund. Should you have any questions or require any additional information, please contact the Pension Fund's counsel, Kyle [redacted]

Redacted by the U.S. Department of the Treasury

Very [redacted]

Name: [redacted]

Date: 3-15-17

Title: Chairman, Board of Trustees of the United Furniture Workers Pension Fund A

Second Application of the United Furniture Workers Pension Fund A for Approval Of Suspension of Benefits

EIN: 13-5511877/PN:001

EXHIBIT 1

Penalty of Perjury Statement/Public Disclosure Statement

Pursuant to Sections 2.03 and 2.04 of IRS Revenue Procedure 2016-27, the undersigned Trustee, as Chairman of the Board of Trustees of the United Furniture Workers Pension Fund A, makes the following two statements:

Under penalties of perjury, I declare that I have examined this request, including accompanying documents, and, to the best of my knowledge and belief, the request contains all relevant facts relating to the request, and such facts are true, correct, and complete.

I 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 material, will be publicly disclosed through publication on the Treasury Department website.

Redacted by the U.S. Department of the Treasury [redacted]

Name: [redacted]

Date: 3-15-17

Title: Chairman of the Board of Trustees

Second Application of the United Furniture Workers Pension Fund A for Approval Of Suspension of Benefits

EIN: 13-5511877/PN:001

EXHIBIT 2

- Plan Actuary's Certification of Critical and Declining Status.

United Furniture Workers Pension Fund A
EIN: 13-5511877 / PN: 001

Revenue Procedure 2016-27, Section 3.01
Certification of Critical & Declining Status

As required by Section 3.01 of Revenue Procedure 2016-27, we certify, for the plan year beginning March 1, 2016, that the Fund is classified as being in Critical and Declining status as this term is described in Section 432(b) of the Code and Section 305(b) of ERISA as amended by the Multiemployer Pension Reform Act of 2014. This certification is supported by the data in Appendix I and the analysis and projections are based on the assumptions and methods in Appendix II.

To the best of our knowledge, this certification and its contents have been prepared in accordance with the requirements of Revenue Procedure 2016-27 and generally recognized and accepted actuarial principles and practices that are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this certification. This certification does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

Also, the certification was prepared exclusively for the United Furniture Workers Pension Fund A for the purpose described herein. Other users of this certification are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to such other users.

Finally, in preparing this certification, we have relied on information supplied by the Fund Office and the Board of Trustees. This information includes, but is not limited to, plan provisions, employee data, financial information, and expectations of future industry activity. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice #23. Future analysis may differ significantly from those presented in this certification due to such factors as the following: plan experience differing from that anticipated by the assumptions; changes in assumptions; and changes in plan provisions or applicable law.

Redacted by the U.S. Department of the Treasury [redacted]

Redacted by the U.S. Department of the Treasury [redacted]

Gene Kalwarski, FSA, EA (14-02845) *Christian Benjaminson, FSA, EA (14-07015)*

Attachments: Appendix I: Detail for Actuarial Certification
Appendix II: Methodology and Assumptions

APPENDIX I – DETAIL FOR ACTUARIAL CERTIFICATION

Below we show support for the certification that the Fund is in Critical and Declining status for the plan year beginning March 1, 2016. Pursuant to Section 432(b)(6) the Fund is in Critical status as described in subgraph (B) and is projected to become insolvent within the meaning of Section 418E within the next five plan years. Support for both is shown below based on the assumptions in Appendix II.

Please note, the amounts shown differ from the projections included in the March 1, 2016 PPA Certification dated May 27, 2016. The PPA Certification was based on projections using the March 1, 2015 Actuarial Valuation whereas this analysis is based on the results of the March 1, 2016 valuation and revised assumptions.

CRITICAL STATUS

The Fund is in Critical status because it is projected to have an accumulated funding deficiency for the current plan year in accordance with Section 432(b)(2)(B)(i) of the Code. See projection below.

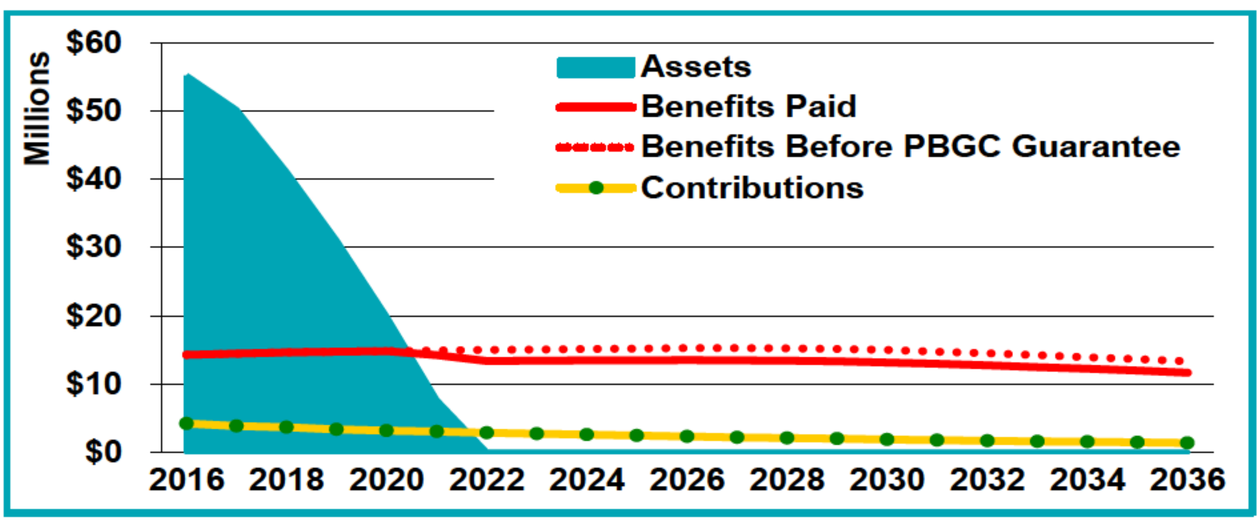
	Credit	adjusted with interest to end of year		
Date	**Balance**	**Charges**	**Credits**	**Contributions**
3/1/2016	$ (48,290,593)	$ 21,018,566	$ 2,768,847	$ 4,342,078
3/1/2017	(65,457,849)			

SOLVENCY PROJECTION

We provide the following projection showing the Fund insolvent during the Plan Year beginning March 1, 2021; see below for both graphical and tabular format. We show the projection using our valuation assumption scenario and our stress testing scenario. Both scenarios result with insolvency in the Plan Year beginning March 1, 2021. We provide the tabular results for both scenarios on the following page.

GRAPHICAL:

The graph below shows the projected solvency and cash flows. The shaded area is the Plan's Market Value of Assets, the solid red line are the Benefit Payments, the dotted red line are the Benefit Payments before cutting to the PBGC Guarantee, and the yellow line are the Contributions.



APPENDIX I – DETAIL FOR ACTUARIAL CERTIFICATION

TABULAR:

Valuation Assumption: ***12.95% for the plan year ending Feb 2017; 6.75% per year thereafter. Note, the 12.95% return takes into account the Investment Consultant's estimated return of 12.34% over the first 11 months and we assumed the Fund would earn 0.55% (based on the 6.75% annual assumption) for the final month.***

		(i)	(ii)	(iii)	(iv)					(v)	(vi)	(vii)
	Assumed				Benefit Payments							
Period Beginning	Annual Return	Beginning MVA	Contributions	Withdrawal Liability Payments	Active	Future New Entrants	Retiree	Terminated Vested	Beneficiary	Administrative Expenses	Investment Earnings	Ending MVA
1/1/2017	12.95%	$51,322,661	$632,519	$67,907	$46,083	$0	$2,057,494	$113,382	$157,734	$235,267	$830,176	$50,243,303
3/1/2017	6.75%	$50,243,303	3,603,460	201,274	629,288	0	11,888,097	1,047,594	903,721	1,426,994	2,990,016	41,142,359
3/1/2018	6.75%	$41,142,359	3,421,485	200,742	937,499	0	11,423,584	1,390,954	861,239	1,443,143	2,364,308	31,072,474
3/1/2019	6.75%	$31,072,474	3,248,700	65,506	1,205,735	0	10,959,643	1,717,928	819,142	1,460,031	1,670,843	19,895,044
3/1/2020	6.75%	$19,895,044	3,084,641	64,158	1,473,080	0	10,502,140	2,050,095	777,603	1,477,653	906,955	7,670,226
3/1/2021	6.75%	$7,670,226	2,928,866	64,158	1,613,067	0	9,607,180	2,275,961	724,692	1,496,003	95,321	0

Stress Testing Scenario: ***12.53% for the plan year ending Feb 2017; 3.00% for the plan year ending Feb 2018, increasing by 1% per year for the next three years, followed by 6.75% thereafter. Note, the 12.53% return takes into account the Investment Consultant's estimated a return of 12.34% over the first 11 months and we assumed the Fund would earn 0.17% (based on a 2.00% annual assumption) for the final month.***

		(i)	(ii)	(iii)	(iv)					(v)	(vi)	(vii)
	Assumed				Benefit Payments							
Period Beginning	Annual Return	Beginning MVA	Contributions	Withdrawal Liability Payments	Active	Future New Entrants	Retiree	Terminated Vested	Beneficiary	Administrative Expenses	Investment Earnings	Ending MVA
1/1/2017	12.53%	$51,322,661	$632,519	$67,907	$46,083	$0	$2,057,494	$113,382	$157,734	$235,267	$620,730	$50,033,857
3/1/2017	3.00%	$50,033,857	3,603,460	201,274	629,288	0	11,888,097	1,047,594	903,721	1,426,994	1,320,992	39,263,889
3/1/2018	4.00%	$39,263,889	3,421,485	200,742	937,499	0	11,423,584	1,390,954	861,239	1,443,143	1,324,310	28,154,006
3/1/2019	5.00%	$28,154,006	3,248,700	65,506	1,205,735	0	10,959,643	1,717,928	819,142	1,460,031	1,090,411	16,396,145
3/1/2020	6.00%	$16,396,145	3,084,641	64,158	1,473,080	0	10,502,140	2,050,095	777,603	1,477,653	595,554	3,859,926
3/1/2021	6.75%	$3,859,926	2,928,866	64,158	1,522,479	0	9,303,978	2,222,526	716,379	1,496,003	-146,751	0

APPENDIX II – METHODOLOGY AND ASSUMPTIONS

A. Actuarial Assumptions

1. **Investment Return (net of investment expenses)**

Discount Rate:	6.75% per year
Valuation Assumption:	12.95%* for the plan year ending Feb 2017; 6.75% per year thereafter
Stress Testing Scenario:	12.53%* for the plan year ending Feb 2017; 3.00% for the plan year ending Feb 2018, increasing by 1% per year for the next three years, followed by 6.75% thereafter

* The Investment Consultant provided the estimated Market Value of Assets in the portfolio as of December 31, 2016; the amount was adjusted to account for cash and receivables. In addition, they estimated a return of 12.34% over the first 11 months of the fiscal year. For the stress testing scenario, we assumed the Fund would earn 0.17% (based on a 2.00% assumption) for the final month for an annual return of 12.53%. Similarly, for the scenario where the Fund earns 6.75% in all years, we assumed the Fund would earn 0.55% (based on the 6.75% assumption) for the final month for an annual return of 12.95%.

2. **Administrative Expenses**
The administrative expense assumption includes:

- **<u>INFLATION:</u>** Based on historical experience, we assume most administrative expenses would increase by our inflation assumption of 1.5% per year (including PBGC premiums). The only exception is the medical and retirement benefits for the Fund Office employees, which we assume, would increase 4% per year (but limited to 100% of payroll). Finally, expenses are limited to 20% of expected benefit payments in all scenarios because at that point (which is 30 or more years out) it would not make sense to allow expenses to grow any further relative to benefit payments, and consideration could be given to annuitization.

- **<u>PARTITION:</u>** We assume administrative fees for fiduciary insurance and certain professional fees will be reduced if the partition is approved. This equates to an approximately 15% reduction in expenses (not including PBGC premiums) in 2018 with 1.6% annual increases thereafter. Expenses are allocated between the Original Plan and Successor Plan based on projected headcounts with PBGC premiums paid by the Original Plan for the 10-year period following the partition effective date. After this 10-year period, we are assuming the premium would be paid 50% by both the Original Plan and Successor Plan.

- **<u>INSOLVENCY:</u>** For scenarios where the Fund is projected to become insolvent, we are assuming that in the Plan Year following insolvency there would be a decrease in fiduciary insurance, that Trustee meetings would be limited to one per year (currently four), and professional fees would be reduced. This equates to an approximately 30% reduction in expenses (not including PBGC premiums) in 2022 and then 1.6% annual increases thereafter.

3. **Rates of Mortality**

- Healthy Lives:	RPH-2014 Healthy Blue Collar Mortality Table adjusted back to 2006 using MP-2014 and brought forward with generational mortality improvements using MP-2016
- Disabled Lives:	RPH-2014 Healthy Blue Collar Mortality Table adjusted back to 2006 using MP-2014 and brought forward with generational mortality improvements using MP-2016

Terminated Vested Participants over age 80 are assumed to be deceased.

In accordance with Actuarial Standard of Practice #35, we have considered the effect of mortality improvement prior to and subsequent to the measurement date in developing this assumption.

4. **Rates of Turnover**

Terminations of employment for reasons other than death, disability or retirement are assumed to be in accordance with annual rates as shown below for illustrative ages. Furthermore, active participants who terminate are assumed to retire at age 61 (the weighted retirement age for terminated vested participants).

	Service			
Age	0 - 1	1 - 2	2 - 3	3+
25	20.5%	20.5%	19.0%	15.0%
35	16.9	16.9	16.9	11.3
45	15.0	15.0	12.4	7.8
55	15.0	15.0	7.0	7.0
62	15.0	15.0	7.0	7.0

5. **Rates of Disability**

Illustrative rates of disablement are shown below:

Age	Rate
25	0.050%
35	0.065
45	0.244
55	0.406
65	0.000

6. **Rates of Retirement**
   Annual rates as shown below for illustrative ages.

For Active Participants		For Terminated Vested Participants	
Age	Rate	Age	Rate
55-59	3.00%	55	15.00%
60	5.00	56-61	5.00
61	10.00	62	20.00
62-64	15.00	63-64	10.00
65-69	50.00	65	100.00
70	100.00		

7. **Normal Form**
   60% of all active and terminated vested participants elect a Single Life Annuity, 15% elect a 50% Joint & Survivor Annuity, and 25% elect a 75% Joint & Survivor Annuity.

8. **Marriage Assumption**
   70% married, with husbands three years older than wives.

9. **Changes in Membership / Contribution Base Units**
   Based on the Trustees' Industry Activity assumption used in the most recent PPA Certification assuming membership will decline 10% per year. However, after the effective date of the suspension / partition we assume stable membership (see response to Section 6.03 of Revenue Procedure 2016-27 in the Benefit Suspension Application).

   Note, stable membership means that active headcount is assumed to be constant starting for the year in which the partition occurs. With a proposed effective date of September 1, 2017 we assume one more year of a 10% decline which results in 968 active participants as of March 1, 2017. Thereafter, each participant that leaves active status is replaced by a new hire and the Fund maintains 968 active participants in each year.

10. New Entrant Profile

New entrants are assumed to annually join the Plan in accordance with the distribution below (which is based on the Plan's most recent five-year history of new entrants, 85% male) and in combination with the Changes in Membership assumption. The benefits for new entrants (normal cost and projected benefit payments) are adjusted (scaled up in this case by factor of 1.6) to follow a "stationary population" assumption which by definition does not rely on a cohort of new entrants, and assumes future new hires would not change the demographic profile of the current active membership.

Age	Distribution of New Entrants
23	22%
28	19
33	13
37	11
43	15
47	10
53	10

11. Contribution Increases / Average Contribution Rate

The Rehabilitation Plan requires 5.5% annual increases each year. However, after the effective date of the suspension / partition, we assume that total contributions to the Pension Fund will increase 1.5% per year in the aggregate. These increases will be attributable to some combination of wage increases and contribution rate increases such that the total employer contributions increase by 1.5% annually.

12. Justification for Actuarial Assumptions

The rationale for our 6.75% actuarial valuation assumption is based on the investment manager's capital market outlook, Trustees' risk preference, and the Fund's current asset allocation. The rationale for our stress testing scenario (12.53% for the plan year ending Feb 2017; 3.00% for the plan year ending Feb 2018, increasing by 1% per year for the next three years, followed by 6.75% thereafter) is based on recognizing current market conditions and future short-term expectations along with the Plan's cash flow characteristics. For our demographic assumptions, the rates of termination and rates of retirement for active participants were initially set after a 2007 Experience Study and are reviewed annually. Other demographic assumptions were adjusted based on actual Plan experience in conjunction with the partition & suspension analysis.

13. Changes in Assumptions Since Last Valuation

- Mortality: the prior assumption for Healthy lives was the RP2000 with blue collar adjustment projected five-years with scale AA. For Disabled lives the prior assumption used the same table with ages set-forward five years.

- Rate of Turnover: the rates remain unchanged, but we previously assumed active participants who terminate would retire at age 65.

- Rates of Retirement: we previously assumed terminated vested participants would retire at age 65

- Marriage Assumption: we previously assumed 80% married

- Normal Form: we previously assumed all active and terminated vested participants elect a Single Life Annuity

B. Actuarial Funding Method

The cost method for determining liabilities for this valuation is the Unit Credit Cost method. This is one of a family of valuation methods known as accrued benefit methods. The chief characteristic of accrued benefit methods is that the funding pattern follows the pattern of benefit accrual. The normal cost is determined as that portion of each participant's benefit attributable to service expected to be earned in the upcoming plan year. The Actuarial Liability, which is determined for each participant as of each valuation date, represents the actuarial present value of the portion of each participant's benefit attributable to service earned prior to the valuation date.