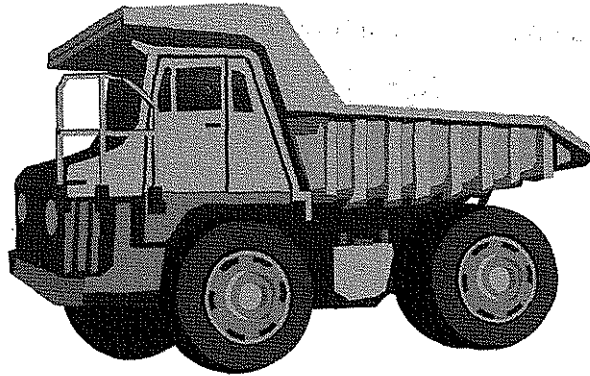


April 2015



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# TEAMSTERS LOCAL 408 PENSION INFORMATION

## BENEFIT NEWS

**Notice of Critical Status  
Teamsters Local Union No. 408 Pension Plan**

April 30, 2015

Participants, Beneficiaries, Contributing Employers and Teamsters Union Local 560:

This is to inform you that on March 31, 2015, the actuary for the Teamsters Local Union No. 408 Pension Plan (the "Fund") certified to the U.S. Department of the Treasury and to the Board of Trustees that the Fund is in critical and declining status for the plan year beginning January 1, 2015. Federal law requires that you receive this notice.

### Introduction

The Pension Protection Act (the "Act"), which became law in 2006, is intended to improve the financial condition of pension plans. The Act introduced several formal safeguards and controls and added notification requirements for Trustees to share more information about a plan's financial circumstances with participants, contributing employers and others directly related to the Plan.

Many of the Act's safeguard provisions relate to funding, which, in simplest terms, is how much a plan has coming in, going out, and what is in reserve (or "in the bank") for the future. The safeguards are intended to create more discipline to prevent future funding problems and correct those that have already developed.

Starting with the 2008 plan year, the Act requires that the Pension Plan be tested by its actuary annually to classify its funding status. Standardized measurements were established for classifying plans based on their funding issues. Plans that are in "seriously endangered" or "endangered" status (yellow zone) or "critical" status (red zone) must notify all Plan participants, beneficiaries, unions, and contributing employers of the Plan's status, as well as take corrective action to restore the Plan's financial health.

## NOTICE

This issue contains important information about rights under the Plans which should be read and retained for future reference.

## **Fund's Status – Red Zone**

On March 31, 2015, our actuary certified the Pension Plan as being in critical and declining status (the red zone) for the plan year beginning January 1, 2015. This is based on the actuary's determination that the Pension Plan had a funding deficiency in calendar year 2009 and is expected to be insolvent within 15 years. This means that contributions are not high enough to meet government standards for funding promised benefits plus those that participants are currently earning.

## **Rehabilitation Plan and Possibility of Reduction in Benefits**

The Act requires that a plan in the red zone adopt a Rehabilitation Plan designed to enable the Plan to improve its funded position to meet statutory funding requirements over time. During 2010, the Trustees adopted an update to the Rehabilitation Plan originally adopted in 2008.

Under the Act, a Rehabilitation Plan may eliminate or reduce adjustable benefits, as well as revise benefit rates for the future and make similar changes. Adjustable benefits include:

- Plan benefits, rights, and provisions, including pre-retirement death benefits (other than qualified joint and survivor annuities), disability benefits not yet in pay status, and similar benefits; and
- Early retirement benefits or retirement-type subsidies.

You may receive a copy of the original rehabilitation plan that the Trustees adopted in 2008 or the update adopted in 2010 by sending a request in writing to the Fund Office. The Trustees will annually review projections of the plan for the future to determine if the rehabilitation plan needs to be amended to comply with the Act.

The Plan cannot accept any new collective bargaining agreement that reduces contribution rates to the Plan or that excludes new employees, such as new hires.

## **Benefit Suspension and Partition**

Under Multiemployer Pension Reform Act of 2014 (MPRA), a plan that has been determined to be in critical and declining status and is projected to become insolvent may be able to adopt certain reductions to accrued benefits, subject to various requirements and limitations, if doing so is projected to prevent insolvency. Generally, in order for the plan sponsor to adopt a benefit suspension, the suspension must be approved by the Department of the Treasury (Treasury) in consultation with the Department of Labor and the Pension Benefit Guaranty Corporation (PBGC), and ratified by a vote of the plan's participants and beneficiaries. MPRA also provides that a plan in critical and declining status that cannot be projected to avoid insolvency by benefit suspension alone, may be eligible to apply to the PBGC for a partition, subject to various requirements and limitations, if a partition (in addition to suspension) is projected to prevent insolvency. Because the Plan is in critical and declining status for the 2015 plan year, the plan sponsor is eligible to apply to Treasury for approval of benefit suspensions and, if necessary, to PBGC for a partition.

## **Employer Surcharge**

The law requires that all contributing employers pay to the Fund a surcharge to help correct the Fund's financial situation, beginning 30 days after the employer is notified that the plan is in critical status. The surcharge is a percentage of the employer's negotiated contribution rate. A 5% surcharge is applicable the first year the Fund is in critical status and the employers are notified of the surcharge. The surcharge goes up to 10% for each succeeding plan year in which the Fund is in critical status, until the employer agrees to a collective bargaining agreement that implements one of the schedules in the Rehabilitation Plan.

The 5% surcharge was due with respect to any contribution for covered employment performed after May 30, 2010, and continued until December 31, 2010. Beginning January 1, 2011, the 10% surcharge applies to contributions for covered employment performed on and after that date. Employers must submit the surcharge payments in a separate check to the fund office for work performed after May 30, 2010.