NEW ENGLAND TEAMSTERS AND TRUCKING INDUSTRY PENSION FUND

Review and Amendment to the Rehabilitation Plan

December 2015

The New England Teamsters and Trucking Industry Pension Fund ("the Fund") has been certified by its actuaries to be in "critical status" or "the Red Zone," as defined by the Pension Protection Act (the "PPA"), since the Plan Year beginning on October 1, 2008. A Rehabilitation Plan was adopted on January 15, 2009 amending the Rules and Regulations of the Fund to include revised contribution and benefit structures which, if adopted, were expected to enable the Fund to emerge from critical status by the end of the ten-year Rehabilitation Period as defined by the PPA.

In compliance with ERISA Section 305(e)(3)(B), the Fund Trustees have reviewed and updated, as necessary, the Rehabilitation Plan on an annual basis. The Board of Trustees of the Fund has undertaken such reviews to determine whether the Rehabilitation Plan will allow the Fund to emerge from critical status within the prescribed Rehabilitation Period, which began on October 1, 2011.

In the review of the Rehabilitation Plan dated December 2013, the Pension Fund set forth (1) the alternatives considered in determining whether the Fund could be reasonably expected to emerge from critical status by the end of the Rehabilitation Period, (2) the basis for the conclusion that no further reasonable measures could be taken at that time to allow the Fund to emerge from critical status by the end of the Rehabilitation Period, and (3) the reasonable measures that were included as part of the adopted Rehabilitation Plan to enable to Fund to emerge from critical status at a later date or to forestall possible insolvency.

At this time, the Pension Fund remains in critical status from which it is not expected to emerge within the Rehabilitation Period. This document summarizes the Trustees' continuing evaluation of factors which influence the financial status of the Fund including changes to the Pension Protection Act, improvements in the economy and the results of the measures it has taken as described in the 2013 Amendment to the Rehabilitation Plan. These included recruitment of new employers with a new employer "plan of benefits" and the establishment of a new withdrawal liability pool using a direct attribution method for new employers and those current employers who agree to pay their withdrawal liability and then immediately transition to the new pool ("the Transition Program.")

As a result of this review, the Pension Fund has amended the Rehabilitation Plan to include new contribution schedules as part of its ongoing measures to forestall insolvency.

I. The Multiemployer Pension Reform Act of 2014 ("the MPRA").

The MPRA, signed into law on December 16, 2014, enacted major changes to multiemployer funds and withdrawal liability rules. For example, it repealed the sunset provisions of the PPA. It limited the effect that future required contribution increases will have on withdrawal liability. It increased the PBGC premiums to be paid by multiemployer plans to improve the solvency of the Pension Benefit Guaranty Corporation, and modified rules regarding mergers and partitions.

A new zone status was added called, "Critical and Declining." A Pension Fund is critical and declining status if 1) it is projected to become insolvent during the current plan year or in the next 14 plan years; or 2) if the plan is projected to become insolvent in the next 19 plan years; and a) the ratio between *inactive participants* and *active participants* exceeds 2:1 or b) The plan is less than 80 percent funded. Pension plans in this new status may reduce or suspend benefits by following a carefully circumscribed set of rules under the Act.

In its annual review, the Pension Fund must determine whether it falls within the critical *and* declining status under the MRPA.

II. Macroeconomic Conditions.

The "Economic Report of the President, Together with the Annual Report of the Committee of Economic Advisors" (https://www.whitehouse.gov/administration/eop/cea/economic-report-of-the-President/2015 Transmitted to Congress in February 2015) documents improvement in the economy marking a significant recovery from the "Great Recession" of 2008. It concluded that the economy grew at an annual rate of 2.8 percent over the preceding two years. The private sector created 11.8 million new jobs in the preceding fifty-nine months citing 2014 as the best year for overall job growth since 1999 and nearly the fasted decline in the unemployment rate since 1983. The unemployment rate dropped to 5.6% at the end of 2104 (p. 21, 41) and further dropped to 5.0% as of October 2015. Although there has been volatility in the financial markets, the DJIA rose at an annualized rate of 8.6% in the prior five years ending September 30, 2015 with the S&P 500 up at an annualized rate of 13.3% in the same period. As always, there remain economic challenges both domestic and international which the Trustees continue to monitor.

The improvement in the economy has been reflected in the addition of 26 new employers to the Fund since 2011. Contribution hours in fiscal year 2015 totaled more than 40 million, the first time since fiscal year 2010 such a level was achieved. Contribution hours increased by more than 3 million hours in fiscal year 2015 over fiscal year 2014, representing an 8.7% increase in hours. Correspondingly, regular employer contributions in fiscal year 2015 totaled more than $233 million, an increase by more than $13 million over fiscal year 2014, representing a 6.1% increase in dollars. Adding withdrawal liability payments made by transition and withdrawn employers, all employer contributions for fiscal year 2015 totaled more than $324 million, $14 million more than fiscal 2014, representing a 4.6% increase in dollars.

The Fund's investment returns have also reflected the improvement in the economy with fiscal year returns as follows:

Fiscal Year	**Rate of Return**
2010	7.8%
2011	2.1%
2012	14.9%
2013	13.2%
2014	9.0%
2015	3.2%

III. Results of Prior Measures Taken by the Board of Trustees to Forestall Insolvency.

A. Recruiting New Employers: New Withdrawal Liability Pool and a New Plan of Benefits.

The prior method of calculating withdrawal liability presented a substantial disincentive for new employers who faced an allocation of the existing unfunded vested liability. On December 22, 2011, the PBGC approved an amendment to Article XV of the Pension Plan to place New Employers in a withdrawal liability pool separate from existing employers for withdrawal liability purposes. New employers' unfunded vested liability is computed by the direct attribution method.

In addition, the Trustees also adopted a New Plan of Benefits for New Employers with no requirement for MOB increases, a later normal retirement date, and limited subsidized benefits. This allowed New Employers to join at a lower contribution rate than would have been required had the new liability pool not been adopted by the Trustees.

Based on the September 2015 remittances, as a result of the participation of New Employers, joining the Pension Fund after 2010, there are 1,959 new active participants in the Fund constituting 257,762 additional hours and $411,817 in new monthly contributions reversing a prior trend during which the number of new employers was negligible. These New Employers now represent 7% of all contribution hours, 8% of all active participants and 2% of all contributions dollars.

B. The Transition Program.

Many existing employers to the Fund were considering withdrawal to avoid increases in already high contribution rates and increasing withdrawal liability. To encourage these employers to pay their withdrawal liability and remain in the Fund, Article XV of the Pension Plan was amended in 2011 to allow a so-called "Transition Employer" to agree to pay its existing withdrawal liability on an extended schedule, and then re-enter the Fund as a "new employer". In many cases, the Transition Employers were able to re-enter the Fund at lower contribution rates and to freeze their contribution rate for a period of years.

The anticipated benefits of the Transition Program have been set forth in the 2013 Amendment to the Rehabilitation Plan and included: 1) the Fund actuaries' analysis that the Transition Agreements will have a positive effect on the Fund's solvency projections;, 2) lower/stable contribution rates for new and transition employers leading to stable/increased contribution hours over time, 3) retention of existing employers who no longer need be concerned with unpredictable increases in withdrawal liability, 4) additional cash flow to the Fund from the payment of withdrawal liability which the Fund can invest to meet its expected return 5) disincentive for transition employers to withdraw to avoid the "snap back" provision of the transition agreement (a transition employer who withdraws for non-permitted reasons must pay the full assessment under the shorter ERISA statutory payment schedule).

As of November 2015, 64 employers have successfully transitioned into the new liability pool with more than $3.0 billion in withdrawal liability agreed to be paid over time and with annual payments of $65 million. Many more employers are considering a transition. Employers who have transitioned now represent 66% of all contribution hours, 66% of all active participants and 65% of all contributions dollars. These employers have committed to remain in the Fund as they make withdrawal liability payments either in a lump sum or over a period of 25 to 30 years.[1] As a result of the improved economy, maintaining the employer constituency through the transition program and attracting 26 New Employers, the contribution hours for the year 2015 have increased by 8.7% over the prior year.

Significantly, since April 2011 (the date of the first transition), $343 million has been paid in withdrawal liability payments by transitioned employers which has grown to more than $389 million with investment gains. These payments have also proven to be a significant boon to managing the Fund's cash flow.

[1] It should be noted that only one Transition Employer negotiated a longer term than 30 years. The employer is the Fund's largest in terms of employees and contributions and is making its payments on a fifty year schedule.

IV. 2015 Amendments

Despite the measures taken by the Trustees, the Fund remains in critical status and the risk of insolvency continues to be a concern. Therefore, the Trustees voted on August 5, 2015 to amend the Rehabilitation Plan as set forth below.

I. Article IIIA of the revised Preferred Schedule was amended to be applicable to those collective bargaining agreements which were deemed compliant with the Rehabilitation Plan of 2011 (have met the required 5 years of 10% MOB increases with one 6% increase as set forth therein and four (4) successive years of 8% MOB increases as set forth in the Rehabilitation Plan of 2013), and by requiring 8% MOB increases indefinitely thereafter.

II. Effective August 2016 the contribution rate of $11.87 per hour was frozen for all Employers whose Employees are earning a $300 per month benefit accrual; provided the Trustees reserved the right to review the contribution rate, from time to time, to make certain it is adequate to support the benefit accrual.

III. The Trustees assumed that contribution rates contained in the initial collective bargaining agreements for New Employers who first had an obligation to contribute to the Fund on or after July 1, 2010 will be negotiated by the Unions and Employers to increase not less than 10% per annum in their successor collective bargaining agreements thereafter.

IV. The Trustees assumed that the contribution rates for those employers who have withdrawn from the Fund and transitioned into the direct attribution liability pool will be negotiated by the Unions and Employers to increase not less than 10% per annum as soon as their Reentry Agreements and their collective bargaining agreements permit such increases.

In addition to the general improvement in the economy, the Trustees determined that the assumed increases in contribution rates are achievable for the following reasons.

1. New Employers and transitioned employers generally have negotiated contribution rates with no increases in their initial collective bargaining agreements for a period of three to five years and in some cases even longer. Therefore, the assumed contribution increases in the 2015 Amendments are not required at least until the following collective bargaining agreements are to be negotiated.

2. Eighty-one percent of transitioned employers did not negotiate higher contribution rates after their transition.

3. A significant number of New Employers have negotiated fairly low contribution rates such that the assumed increases will not result in an unsustainably high contribution rates.

4. Contributions for employers at the accrual rate of $300 will be frozen at $11.87.

Based on the factors outlined in this Rehabilitation Plan, the Fund's actuaries have informed the Trustees that the Fund is expected to remain in critical status but not "critical and declining" as defined by the MPRA for the plan year beginning October 1, 2015. The Fund's status in future plan years will be dependent on factors such as future investment returns, work levels, and actuarial assumptions.

V. REVISED PREFERRED AND DEFAULT SCHEDULES

1. The Revised Preferred Schedules as of August 2015.

Schedule A: The Revised Preferred Schedule A is in effect for employers who first had an obligation to contribute to the Fund prior July 1, 2010. It is applicable to those collective bargaining agreements which were deemed compliant with the Rehabilitation Plan of 2011, i.e. have met the required 5 years of 10% MOB increases as set forth therein and the 6% and four (4) successive years of 8% MOB increases as set forth in the Rehabilitation Plan of 2013). It requires 8% MOB increases indefinitely thereafter.

2015 REVISED PREFERRED
Schedule A

Contribution Rate Increases By Year
(All rate increases are to be compounded annually)

Contract Year	Contribution Rate Increase	Contribution Rate Formula
Year 6	6%	Contribution Rate at the expiration of five years of 10% MOB compliant CBA x 1.06
Year 7	8%	Contribution Rate in effect in Year 6 x 1.08
Year 8	8%	Contribution Rate in effect on Year 7 x 1.08
Year 9	8%	Contribution Rate in effect on Year 8 x 1.08
Year 10	8%	Contribution Rate in effect on Year 9 x 1.08
After Year 10	8%	Contribution Rate in effect on previous year x 1.08

Note: Effective August 2016 for all Employers whose Employees are earning a $300 per month benefit accrual, contribution rates will be frozen at the contribution rate of $11.87 per hour; provided the Trustees reserve the right to review the contribution rate, from time to time, to make certain it is adequate to support the benefit accrual.

2. The Revised Default Schedule.

The following revised default schedule is applicable to collective bargaining agreements extended or renewed after January 1, 2012 and to which the Default Schedule applies as defined by Section III B of the Rehabilitation Plan of 2009.

REVISED DEFAULT SCHEDULE
Schedule B
Contribution Rate Increases By Year
(All rate increases are to be compounded annually)

Contract Year	**Contribution Rate Increase**	**Contribution Rate Formula**
Year 1	14%	Contribution Rate in effect at the expiration of the CBA on or after January 1, 2012
Year 2	14%	Contribution Rate in effect in Year 1 x 1.14
Year 3	14%	Contribution Rate in effect on Year 2 x 1.14
Year 4	14%	Contribution Rate in effect on Year 3 x 1.14
After Year 4	14%	Contribution Rate in effect on previous year x 1.14

V. The Fund will continue additional measures outlined below.

- Closely monitor funding levels.
- Adjust asset allocation to improve return and optimize cash flow.
- Monitor investment management performance and fees and petition for fee reductions where appropriate.
- Advocate for legislative relief in Washington through the National Coordinating Committee for Multiemployer Plans and the Mathis Group, retained by the Fund, with particular focus on partition of benefits paid to orphan retirees which is one of the Fund’s more challenging problems.
- Pursue the employer contribution audit program to insure timely and accurate payment of contributions.
- Reduce Fund expenses, where appropriate, while maintaining core services to members.