NYS Teamsters Conference Pension & Retirement Fund

Pension Protection Act of 2006
("PPA")

- Requires early identification of troubled funds
- Requires action to correct funding issues
- Requires benefit cuts to correct underfunding
- Greater transparency

  a) Annual Funding Notice
  b) Notice of Zone Status
  c) Requires notices to be sent to participants, Local Unions, and contributing employers

Funded Status

- The Actuary certifies the Funded Status to the Trustees and the IRS each year

- As certified by the Fund's Actuary:

  a) Endangered ("yellow zone")
  b) Seriously endangered ("orange zone")
  c) Critical ("red zone")
  d) None of the above ("green zone")

PPA Certification Criteria

"Yellow Zone"
Endangered

- Not in critical status, and
- Funded percentage < 80%

OR

- Accumulated Funding Deficiency (AFD) in current plan year or projected in next 6 years, taking into account PPA amortization extensions

"Orange Zone"
Seriously Endangered

- Not in critical status, and
- Funded percentage < 80%

AND

- AFD in current plan year or projected in next 6 years, taking into account PPA amortization extensions

"Red Zone"
Critical

- AFD in the current plan year or projected in next 3 years (4 years if < 65% funded), without regard to PPA amortization extensions

OR

- Funded percentage < 65% and fails 7-year solvency test

OR

- Expected contributions for current plan year do not cover normal cost plus interest on unfunded liability, PV of inactive liability exceeds PV of active liability, and projected AFD in current or next 4 years

OR

- Fails 5-year solvency test

Funded Status

Plan Year 2008

- On March 27, 2008 the actuaries certified the Plan in Endangered Status “Yellow Zone” @ 76% funded.
- Required the Trustees to adopt a Funding Improvement Plan.
- Funding Improvement Plan went into effect on January 1, 2009

  a) Improve the Plan’s funded status by at least one-third of the difference between 100% and the Plan’s funded percentage by the end of the Funding Improvement Period.

  b) The Funding Improvement Plan’s Schedules were designed to increase the Plan’s funded percentage to 84% within ten years (100% - 76% = 24%; 1/3 of 24% = an 8% increase).

Funded Status

Plan Year 2008

- Three (3) schedules were developed for participation agreements that expired on or after January 1, 2009

    a) Preferred Schedule: A five percent (5%) annual contribution rate increase would maintain the future service accrual rate at 1.3%.

    b) Alternate Schedule: A two percent (2%) annual contribution rate increase would have a future service accrual rate of 0.9%.

    c) Default Schedule: No annual contribution rate increase would have a future service accrual rate of 0.5%.

    No other requirements.

Financial Meltdown of 2008

Plan Year	Market Value of Assets (amounts in millions)	Investment Return
12/31/2007	$2,278	7.83%
12/31/2008	$1,488	-29.59%

Funded Status

Plan Year 2009

- On March 31, 2009 the actuaries certified the Plan in Critical Status "Red Zone" @ 58.46% funded. (*When the audit was completed the final number was 56.6% funded*).
- Government Legislative Relief: The Worker, Retiree, and Employer Recovery Act ("WRERA") of 2008 Section 204 allowed Trustees of multi-employer plans to <u>temporarily freeze</u> the Plan's funded status to be the same as that of the plan year immediately prior to the election year.
- On April 24, 2009 pursuant to Section 204 of the WRERA the Trustees elected to remain in "Endangered Status" (within the meaning of Section 432 of the Internal Revenue Code) for the 2009 Plan Year.
- Funding Improvement Plan requirements for all contracts that expired on or after January 1, 2009 stay in effect. No other requirements.

Significant Events that Impacted the Pension Plan in 2009

- World wide recession, major business contraction, widespread unemployment.
- Asset value as of 12/31/2008 was at $1.488 billion down from a 12/31/07 high of $2.278 billion, less available for investment. This means less investment income.
- The International Brotherhood of Teamsters ("IBT") negotiations with the YRCW, New Penn and USF Holland companies. Based on these negotiations, the Pension Plan "temporarily terminated" this group for the period of July 10, 2009 through December 31, 2010. This group represents the 2nd largest Contributing Employer at 15% of the total pension contribution base or $1.1 million per month.
- Penn Traffic with 400 members filed bankruptcy on November 18, 2009. This was the 5th largest Contributing Employer to the Plan.

Decreasing Actives and Increasing Retirees

Date	Actives	Retirees	Actives:Retirees
12/31/00	16,760	14,380	2,380
12/31/01	16,888	14,449	2,439
12/31/02	15,952	14,891	1,061
12/31/03	16,277	15,014	1,263
12/31/04	15,800	15,150	650
12/31/05	15,569	15,808	(239)
12/31/06	15,570	15,867	(297)
12/31/07	15,242	15,896	(654)
12/31/08	14,794	15,925	(1,131)
* 12/31/09	13,883	16,119	(2,236)

* Actives with less than 500 hours of service in 2009 were 2,590 (18.7%)
* Actives who paid over 500 hours of service in 2009 were 11,293

Market Value of Assets
(amounts in millions)

	Market Value	Investment Return
12/31/00	$2,031	2.97%
12/31/01	1,912	-1.58%
12/31/02	1,666	-7.62%
12/31/03	1,923	23.45%
12/31/04	2,024	12.13%
12/31/05	2,088	7.24%
12/31/06	2,242	14.45%
12/31/07	2,278	7.83%
12/31/08	1,488	-29.59%
12/31/09	1,601	23.57%

Annual Actuarial Assumed Investment Return is 8.5%

Asset Allocations

Allocations	2008 Percentage	2009 Percentage
Interest-Bearing Cash	2.24%	2.95%
U.S. Government Securities	0.56%	0.57%
Corporate debt instruments (other than employer securities):		
Preferred	0.89%	0.96%
All Other	3.34%	5.63%
Corporate stocks (other than employer securities):		
Preferred	0.05%	0.13%
Common	25.06%	21.11%
Partnership/joint venture interests	17.07%	16.39%
Value of interest in common/collective trusts	22.44%	32.07%
Value of interest in registered investment companies (e.g., mutual funds)	27.36%	19.15%
Buildings and other property used in plan operation	0.04%	0.08%
Other	0.95%	0.96%
Total	**100.00%**	**100.00%**

Asset Allocations

- 62 different investment managers.
- Investments with each manager range between $10 million and $100 million.
- Investments include: domestic equity assets, private equity assets, international equity assets, emerging markets assets, domestic fixed income, international fixed income, real estate assets (REITS), hedge funds assets and infrastructure investments.

Increasing Contributions and Benefit Payments

Year	Contributions	Benefits Paid	Difference	Net Change in Fund's Assets
2000	79,822,712	153,377,464	(73,554,752)	(19,368,827)
2001	81,911,937	164,057,433	(82,145,496)	(125,296,746)
2002	79,248,637	177,984,271	(98,735,634)	(258,097,272)
2003	87,807,297	193,954,347	(106,147,050)	(256,454,462)
2004	84,244,575	204,043,019	(119,798,444)	101,377,512
2005	95,166,404	214,142,941	(118,976,537)	17,939,799
2006	95,523,862	227,784,679	(132,260,817)	160,890,444
2007	101,062,928	236,814,862	(135,751,934)	29,780,143
2008	100,561,000	244,678,370	(144,117,370)	(822,182,343)
2009*	85,925,231	254,499,556	(168,574,325)	188,967,723
*Unaudited				

PPA Annual Timeline

For plan year beginning January 1, 2010

Event	Deadline	Latest Date
Actuarial certification	90 days into plan year	3/31/2010
Notice of Status (Critical Status)	30 days after actuarial certification	4/30/2010
Imposition of surcharges (Critical Status)	30 days after notice of surcharge is sent to employers	6/01/2010 (June Reporting)
Adoption of Rehabilitation Plan (effective date 1/1/2011)	240 days after due date for actuarial certification	5/6/2010 (Adopted)
Send Rehabilitation Plan schedules to bargaining parties	30 days after adoption of Rehabilitation Plan	6/05/2010

Funded Status

Plan Year 2010

- March 31, 2010 - The actuaries certified the Plan in Critical Status "Red Zone" @ 62.88% funded.   Notice mailed April 30, 2010.
- **No governmental legislative relief.**
- The Dept. of Labor Employee Benefits Security Administration on February 25, 2010 released a **final rule** (75 Fed. Reg. 8796) implementing a civil penalty of up to $1,100 per day against multi-employer plans in endangered or critical funding status that fail to establish mandatory funding improvement and rehabilitation plans.
- Liability for the penalty is joint and several, which means that any of the trustees can be held responsible for the full amount.

Snapshot 1st Quarter 2010

January - March

Average Monthly Figures	(000's)
Contributions	$6,945
Pension Benefits Paid	$21,714
Difference	$(14,769)
Transfer from Long Term Investments	$15,083
Market Value of Assets as of 3/31/10	$1,602,593
Net of Fee Performance Percentage	2.976%

Rehabilitation Plan

- The Rehabilitation Plan(s) approved by the Trustees will have an effective date of January 1, 2011.
- There is the required Default Schedule and five age related alternative Schedules each with increasing contribution obligations and varying accrual rates.

New York State Teamsters Benefit Funds

Mandatory Changes under Critical Status

After Notice of Critical Status mailed April 30, 2010:

- Law prohibits Lump Sum payments (except accrued benefits with present value less than or equal to $5,000 under Section 6.08 of the Plan Document). The elimination of all Lump Sum payments under the Plan continues under the Rehabilitation Plan.

These benefits must now be paid in a monthly annuity

- Supplemental Social Security Benefit
- Qualified Pre-Retirement Survivor Annuity
- Ancillary Lump Sum Benefits (Death & Disability)

Rehabilitation Plan

- The Rehabilitation Plan(s) approved by the Trustees will have an effective date of January 1, 2011.

<u>Schedules</u>

- Default Schedule
- Alternative Schedule A
- Alternative Schedule B
- Alternative Schedule C
- Alternative Schedule D
- Alternative Schedule E

Contribution Increases

- The following phrases regarding contribution rate increases are contained throughout the Rehabilitation Plan. They are defined as follows:
  - Non-Bearing: This means the contribution rate that is used to calculate benefits for each year into the future will be the contribution rate in effect in 2010. Increases in the contribution rate will not count for benefit accruals.
  - 1% Bearing: This means the contribution rate that is used to calculate benefits for each year into the future will be the contribution rate in effect in 2010 increased by 1% for each year beyond 2010.
  - Regardless, any increases above and beyond the rate increases required by the Schedules will be benefit bearing at the accrual percentage on the amount above minimum required .

Rehabilitation Plan Default Schedule

- As part of a Rehabilitation Plan, the bargaining parties must be offered a Default Plan.
- A Default Plan consists of the contribution increases necessary to meet the requirements of a Rehabilitation Plan given the following changes:
  - Accrual Rate of 1% of contributions
  - Contribution rate increases are Non-Benefit Bearing
  - <u>Cut all adjustable benefits</u>
    - Unreduced Retirement at Age 65 only
    - Reductions for Early Retirement are Actuarially Equivalent
  - <u>Cut all ancillary benefits</u>
    - Non-QPSA death benefits
    - Disability benefits

Default Schedule

Schedule	Accruals	Contribution Increase	Contribution Increases Benefit Bearing
Default Maximum Cuts	1.00%	5.00% for 5 Years 3.50% thereafter	1.00% accrual on amount above minimum required.

Benefits

- Normal Pension – age 65 with 5 years
- Early Pension – any age with at least 15 years, actuarially reduced from age 65
- Qualified Pre-Retirement Survivor Annuity
- 1.0% Accrual Rate

Contribution Increase Requirements

- 5.00% for 5 years
- 3.50% thereafter
- Required Increases are Non-Benefit Bearing
- 1.00% accrual on amount above minimum required

Eliminated

- Ancillary Benefits (Disability, Non-QPSA Death Benefits)
- All Subsidized Early Retirement Benefits (Regular Pension, 30 Year Pension)
- Future Accruals under Supplemental Social Security Benefit

Rehabilitation Plan Alternative Schedules

- Alternative Schedule A
- Alternative Schedule B
- Alternative Schedule C
- Alternative Schedule D
- Alternative Schedule E

Alternative Schedules Transition Protection

<u>30 Year Pension</u>

- Previously 30 years at any age
- Each of the Alternative Schedules now attaches an Age Component to the 30 Year Pension:
  - Still retire after 30 years but reduced if prior to Schedules Age Component.
  - Transitional relief for those already with at least 25 years of service as of 1/1/2011

Alternative Schedules Transition Protection

- Generally, reduction will be 6% per year from Schedules Age Component (Schedule A reductions are greater)

- However, participants with at least 25 years of service as of January 1, 2011 will have lesser reduction factors applied from the Schedules Age Component <u>once they attain 30 years of service</u>:
- With 25 years of service at 1/1/2011: 5% per year from Age Component
- With 26 years of service at 1/1/2011: 4% per year from Age Component
- With 27 years of service at 1/1/2011: 3% per year from Age Component
- With 28 years of service at 1/1/2011: 2% per year from Age Component
- With 29 years of service at 1/1/2011: 1% per year from Age Component
- With 30 years of service at 1/1/2011: 0% per year from Age Component

Schedule A

Schedule	Accruals	Contribution Increase	Contribution Increases Benefit Bearing
Schedule A Age 65 & 5 w/ Transition	0.30%	5.00% for 6 Years 3.50% thereafter	0.30% accrual on amounts above minimum required

Benefits

- Normal Pension – age 65 with 5 years
- Early Pension – any age with at least 15 years, actuarially reduced from age 65
- Transitional Protection for those with at least 25 years of service as of 1/1/2011
- Qualified Pre-Retirement Survivor Annuity
- 0.30% Accrual Rate

Contribution Increase Requirements

- 5.00% for 6 years
- 3.50% thereafter
- Required Increases are Non-Benefit Bearing
- 0.30% accrual on amounts above minimum required

Eliminated

- Ancillary Benefits (Disability, Non-QPSA Death Benefits)
- Subsidized Unreduced Regular Pension (age 60 w/ 15 years of service)
- Future Accruals under Supplemental Social Security Benefit

Schedule A Transition Examples

- With 25 years of service at 1/1/2011: 5% per year from Age Component
- With 26 years of service at 1/1/2011: 4% per year from Age Component
- With 27 years of service at 1/1/2011: 3% per year from Age Component
- With 28 years of service at 1/1/2011: 2% per year from Age Component
- With 29 years of service at 1/1/2011: 1% per year from Age Component
- With 30 years of service at 1/1/2011: 0% per year from Age Component

<u>Examples</u>

- 30 years of service as of January 1, 2011 – 0% reduction from age 65

- <u>29 years of service as of January 1, 2011:</u>
  - Work 1 more year for 30 years of service – age 55
  - 1% reduction each year from 65 to 55 – 10% reduction

- <u>27 years of service as of January 1, 2011;</u>
  - Work 3 more years for 30 years of service – age 55
  - 3% reduction each year from 65 to 55 – 30% reduction

Schedule B

Schedule	Accruals	Contribution Increase	Contribution Increases Benefit Bearing
Schedule B 62&30 w/ Transition	0.50%	5.00% for 1 Year 6.50% for 5 Years 6.00% thereafter	0.50% accrual on amounts above minimum required.

Benefits

- Normal Pension – age 65 with 5 years
- Early Pension – any age with at least 15 years, reduced 6% per year from age 65
- Unreduced 30 Year Pension with Age 62 Component.
- Transitional Protection for those with at least 25 years of service as of 1/1/2011
- Qualified Pre-Retirement Survivor Annuity
- 0.50% Accrual Rate

Contribution Increase Requirements

- 5.00% for 1 year
- 6.50% for 5 years
- 6.00% thereafter
- Required Increases are Non-Benefit Bearing
- 0.50% accrual on amounts above minimum required.

Eliminated

- Ancillary Benefits (Disability, Non-QPSA Death Benefits)
- Subsidized Unreduced Regular Pension (age 60 w/ 15 years of service)
- Future Accruals under Supplemental Social Security Benefit

Schedule B Transition Examples

- With 25 years of service at 1/1/2011: 5% per year from Age Component
- With 26 years of service at 1/1/2011: 4% per year from Age Component
- With 27 years of service at 1/1/2011: 3% per year from Age Component
- With 28 years of service at 1/1/2011: 2% per year from Age Component
- With 29 years of service at 1/1/2011: 1% per year from Age Component
- With 30 years of service at 1/1/2011: 0% per year from Age Component

<u>Examples</u>

- 30 years of service as of January 1, 2011 – 0% reduction from age 62
- <u>29 years of service as of January 1, 2011:</u>
  - Work 1 more year for 30 years of service – age 55
  - 1% reduction each year from 62 to 55 – 7% reduction
- <u>27 years of service as of January 1, 2011;</u>
  - Work 3 more years for 30 years of service – age 55
  - 3% reduction each year from 62 to 55 – 21% reduction

Schedule C

Schedule	Accruals	Contribution Increase	Contribution Increases Benefit Bearing
Schedule C 60&30 w/ Transition	0.30%	5.00% for 1 Year 6.50% thereafter	0.30% accrual on amounts above minimum required.

Benefits

- Normal Pension – age 65 with 5 years
- Early Pension – any age with at least 15 years, reduced 6% per year from age 65
- Unreduced 30 Year Pension with Age 60 Component.
- Transitional Protection for those with at least 25 years of service as of 1/1/2011
- Qualified Pre-Retirement Survivor Annuity
- 0.30% Accrual Rate

Contribution Increase Requirements

- 5.00% for 1 year
- 6.50% thereafter
- Required Increases are Non-Benefit Bearing
- 0.30% accrual on amounts above minimum required.

Eliminated

- Ancillary Benefits (Disability, Non-QPSA Death Benefits)
- Subsidized Unreduced Regular Pension (age 60 w/ 15 years of service)
- Future Accruals under Supplemental Social Security Benefit

Schedule C Transition Examples

- With 25 years of service at 1/1/2011: 5% per year from Age Component
- With 26 years of service at 1/1/2011: 4% per year from Age Component
- With 27 years of service at 1/1/2011: 3% per year from Age Component
- With 28 years of service at 1/1/2011: 2% per year from Age Component
- With 29 years of service at 1/1/2011: 1% per year from Age Component
- With 30 years of service at 1/1/2011: 0% per year from Age Component

<u>Examples</u>

- 30 years of service as of January 1, 2011 – 0% reduction from age 60
- <u>29 years of service as of January 1, 2011:</u>
  - Work 1 more year for 30 years of service – age 55
  - 1% reduction each year from 60 to 55 – 5% reduction
- <u>27 years of service as of January 1, 2011;</u>
  - Work 3 more years for 30 years of service – age 55
  - 3% reduction each year from 60 to 55 – 15% reduction

Schedule D

Schedule	Accruals	Contribution Increase	Contribution Increases Benefit Bearing
Schedule D 57&30 w/ Transition	0.50%	5.00% for 1 Year 10.50% for 3 Years 6.50% thereafter	1.00% of the minimum required and then 0.50% accrual on amounts above minimum required.

Benefits

- Normal Pension – age 65 with 5 years
- Early Pension – any age with at least 15 years, reduced 6% per year from age 65
- Unreduced 30 Year Pension with Age 57 Component.
- Transitional Protection for those with at least 25 years of service as of 1/1/2011
- Qualified Pre-Retirement Survivor Annuity
- 0.50% Accrual Rate

Contribution Increase Requirements

- 5.00% for 1 year
- 10.50% for 3 years
- 6.50 % thereafter
- 1.00% of the minimum required
- 0.50% accrual on amounts above minimum required

Eliminated

- Ancillary Benefits (Disability, Non-QPSA Death Benefits)
- Subsidized Unreduced Regular Pension (age 60 w/ 15 years of service)
- Future Accruals under Supplemental Social Security Benefit

Schedule D Transition Examples

- With 25 years of service at 1/1/2011: 5% per year from Age Component
- With 26 years of service at 1/1/2011: 4% per year from Age Component
- With 27 years of service at 1/1/2011: 3% per year from Age Component
- With 28 years of service at 1/1/2011: 2% per year from Age Component
- With 29 years of service at 1/1/2011: 1% per year from Age Component
- With 30 years of service at 1/1/2011: 0% per year from Age Component

<u>Examples</u>

- 30 years of service as of January 1, 2011 – 0% reduction from age 57

- <u>29 years of service as of January 1, 2011:</u>
  - Work 1 more year for 30 years of service – age 55
  - 1% reduction each year from 57 to 55 – 2% reduction

- <u>27 years of service as of January 1, 2011;</u>
  - Work 3 more years for 30 years of service – age 55
  - 3% reduction each year from 57 to 55 – 6% reduction

Schedule E

Schedule	Accruals	Contribution Increase	Contribution Increases Benefit Bearing
Schedule E 55&30 w/ Transition	0.50%	5.00% for 1 Year 11.50% for 3 Years 6.50% thereafter	1.00% of the minimum required and then 0.50% accrual on amounts above minimum required.

Benefits

- Normal Pension – age 65 with 5 years
- Early Pension – any age with at least 15 years, reduced 6% per year from age 65
- Unreduced 30 Year Pension with Age 55 Component.
- Transitional Protection for those with at least 25 years of service as of 1/1/2011
- Qualified Pre-Retirement Survivor Annuity
- 0.50% Accrual Rate

Contribution Increase Requirements

- 5.00% for 1 year
- 11.50% for 3 years
- 6.50 % thereafter
- 1.00% of the minimum required
- 0.50% accrual on amounts above minimum required

Eliminated

- Ancillary Benefits (Disability, Non-QPSA Death Benefits)
- Subsidized Unreduced Regular Pension (age 60 w/ 15 years of service)
- Future Accruals under Supplemental Social Security Benefit

Schedule E Transition Examples

- With 25 years of service at 1/1/2011: 5% per year from Age Component
- With 26 years of service at 1/1/2011: 4% per year from Age Component
- With 27 years of service at 1/1/2011: 3% per year from Age Component
- With 28 years of service at 1/1/2011: 2% per year from Age Component
- With 29 years of service at 1/1/2011: 1% per year from Age Component
- With 30 years of service at 1/1/2011: 0% per year from Age Component

<u>Examples</u>

- 30 years of service as of January 1, 2011 – 0% reduction from age 55

- <u>29 years of service as of January 1, 2011:</u>
  - Work 1 more year for 30 years of service – age 55
  - 0% reduction as participant has 30 years and is age 55.

- <u>27 years of service as of January 1, 2011;</u>
  - Work 3 more years for 30 years of service – age 55
  - 0% reduction as participant has 30 years and is age 55.

Rehabilitation Plan Schedules

Design	Accruals	Disability	Contribution Increase	Contribution Increases Benefit Bearing
Maximum Cuts (Default)	1.00%	Cut	5.00% for 5 Years 3.50% thereafter	1.00% accrual on amount above minimum required.
Age 65 & 5 w/ Transition (Schedule A)	0.30%	Cut	5.00% for 6 Years 3.50% thereafter	0.30% accrual on amount above minimum required.
62&30 w/ Transition (Schedule B)	0.50%	Cut	5.00% for 1 Year 6.50% for 5 Years 6.00% thereafter	0.50% accrual on amount above minimum required.
60&30 w/ Transition (Schedule C)	0.30%	Cut	5.00% for 1 Year 6.50% thereafter	0.30% accrual on amount above minimum required.
57&30 w/ Transition (Schedule D)	0.50%	Cut	5.00% for 1 Year 10.50% for 3 Years 6.50% thereafter	1.00% of the minimum required and then 0.50% accrual on amount above minimum required.
55&30 w/ Transition (Schedule E)	0.50%	Cut	5.00% for 1 Year 11.50% for 3 Years 6.50% thereafter	1.00% of the minimum required and then 0.50% accrual on amount above minimum required.

Schedule Hours Requirement

- As the Fund is a multi-employer plan with over 200 Contributing Employers, participants may work for numerous employers throughout their career, many with different Schedule elections.

- The participant will accrue benefits after 1/1/2011 according to the provisions of the Schedule in effect during their employment with that employer. For example:

    - 5 years under Default (1.0% accrual, reduced before age 65)
    - 5 years under Schedule E (.50%, 30 Year w/ Age 55 Component)

- Accrued Benefits as of December 31, 2010 will be payable based on the highest Schedule that has been satisfied.

- Those with less than 25 years of service as of January 1, 2011 will satisfy the Hours Requirement by receiving at least 5,000 Hours under a Schedule, counting no more than 1,000 hours in any Plan Year.

- Those with 25 or more years of service as of January 1, 2011 ("in-transition") are exempt from the Hours Requirement to qualify for a Schedule.

New York State Teamsters Benefit Funds

Employer Surcharges

- In the Critical Notice sent out on April 30, 2010, the employer surcharge paragraph stated:

  "The law requires that all contributing employers pay to the Plan a surcharge to help correct the Plan's financial situation. The amount of the surcharge is equal to a percentage of the amount an employer is otherwise required to contribute to the Plan under the applicable collective bargaining agreement. With some exceptions, a 5% surcharge is applicable in the initial critical year and a 10% surcharge is applicable for each succeeding plan year thereafter in which the Plan is in critical status. The surcharge will cease to apply to any employer once its collective bargaining agreement is amended to comply with the rehabilitation plan."

Employer Surcharges

- Mandatory surcharges apply to employer contributions
  - 5% of contributions beginning June 2010.
  - 10% of contributions in subsequent critical years
  - Terminates upon adoption of Participation Agreement consistent with the rehabilitation plan(s).

- Surcharges shall not apply until 30 days after employer receives notice.
  - Notice that the Plan is in critical status and surcharges are in effect.
  - PPA does not specify when surcharge notice must be sent.
  - However, model critical status notice includes surcharge notification. April 30, 2010.
  - Surcharge shall not generate benefit accruals (non-benefit bearing).

Employer Surcharges

- The Trustees have approved the following administration regarding the assessment of surcharges.
  - Effective date is June 1, 2010 - surcharges will be invoiced to the employers.
  - The Fund will state that the employer is compliant if they have the minimum required increase of 5% for 2010.
  - Preferred increase date would be:
    - The calendar month when the negotiated increase has taken place with prior agreements.
    - June 1, 2010.
    - No later than December 1, 2010.
- If the employer will not/cannot commit to the 5% minimum required increase, participation in the Plan will be terminated, employer withdrawal liability (EWL) will be assessed and collection efforts on the past monthly contributions and required surcharge assessment will be commenced.

Employer Surcharges

- The Fund has compiled a listing by Local by employer in the following three categories.

  - **Compliant Contracts** - contracts that already have a minimum of 5% increase negotiated for 2010.
  - **Contracts Expiring in 2010** - contracts that are up for negotiation in 2010.
  - **Non-Compliant** - contracts that are not up for negotiation in 2010 and do not have the required minimum contribution increase of 5%.

Employer Surcharges

- In conjunction with the employer surcharge handling, each local must identify what Rehabilitation Plan Schedule(s) the employer groups are choosing before January 1, 2011.

- All retirees on or after January 1, 2011 will retire under the designated schedule.

- If compliant with the 5% minimum increase and no schedule is chosen, the Default Schedule will be used by the Fund for any retiree within that group.

Questions?