CENTRAL STATES
SOUTHEAST AND
SOUTHWEST AREAS
HEALTH AND WELFARE AND PENSION FUNDS

2011 - SPECIAL BULLETIN - 2011-1

DATE: **JANUARY 2011**

TO: **ALL LOCAL UNIONS PARTICIPATING IN THE CENTRAL STATES, SOUTHEAST AND SOUTHWEST AREAS HEALTH AND WELFARE AND PENSION FUNDS**

RE: **ENHANCED HEALTH BENEFITS/PENSION REHABILITATION PLAN UPDATE**

The purpose of this Special Bulletin is to provide notice of enhanced benefits under the Health and Welfare Plan that became effective on January 1, 2011, and to provide notice concerning the Pension Fund's recently updated Rehabilitation Plan.

ENHANCED HEALTH BENEFITS

As we have noted in prior communications, the Patient Protection and Affordable Care Act (PPACA) mandates certain changes to health plans including the Central States, Southeast and Southwest Areas Health and Welfare Plan. Because Central States already provides a comprehensive package of benefits, many provisions of the PPACA are not applicable to Central States; however there are key benefit enhancements that active participants will see and which are listed below:

For any benefit package that currently has an annual benefit limit of less than $750,000, the annual limit is raised to $750,000 for 2011. This change does not apply to retiree plans or active plans S and BD as the Fund has requested and received a waiver of the annual limit requirement for these plans; the annual limit for these plans remains unchanged. In addition, most active Fund participants are already covered by plans with a $1 million annual benefit limit and this limit will remain in place for 2011. The annual dollar limits for active plans will rise to $1.25 million in 2012, $2 million in 2013, and will be eliminated in 2014 and beyond.

As you were previously informed, Adult Children are now covered until their 26th birthday unless they have other insurance available to them through their own or their spouse's employment. Adult children are covered regardless of marital status, dependency status or place of residence. Adult children will receive all benefits payable under the participant's plan including medical, prescription, dental, orthodontics, vision and life insurance.

The Fund's Wellness Benefit is being expanded and will now cover office visits and immunizations for all children up to age 26. The annual Wellness Benefit limit of $1000 per person per year for adults has been eliminated. There is now no annual limit on wellness benefits for either children or adults but all procedures are subject to review for medical appropriateness. As a reminder, wellness benefits are only payable through a TeamCare provider.

There may be other requirements of the PPACA that you have read or heard about. The PPACA allows plans such as Central States that were already established prior to the law's enactment to maintain "grandfathered" status. A grandfathered plan is exempt from having to comply with certain requirements of the PPACA and allowed to delay implementation of some of the law's other provisions.

REHABILITATION PLAN UPDATE

In early 2008, the Pension Protection Act of 2006 ("PPA") required the Pension Fund's Trustees to adopt a rehabilitation plan designed to improve pension funding.

Soon after the adoption of the Pension Fund's Rehabilitation Plan in the first part of 2008, the disastrous world-wide down-turn of the financial markets ensued. This caused the Pension Fund, like virtually every other investor, to incur significant investment losses during 2008. Since 2008, the Pension Fund has enjoyed excellent investment returns, but these returns have not been sufficient to offset the 2008 losses.

During 2010, the PPA required the Pension Fund's Trustees to update the Fund's Rehabilitation Plan, and this update process also required the Trustees to take additional measures to improve pension funding in light of the 2008 investment experience and related factors. As a result, effective on December 31, 2010, the Trustees adopted an updated Rehabilitation Plan designed to meet the PPA requirements. In adopting this updated rehabilitation plan, the Trustees determined that, consistent with their obligations under the PPA to improve funding, it was necessary to institute the following changes:

1. Minimum Retirement Age 57 (effective July 1, 2011). No Participants, including those covered by a collective bargaining agreement under the "Primary Schedule" of the rehabilitation plan, will be allowed to retire prior to achieving age 57, **except for Participants who commence receipt of retirement benefits on or prior to that date.**

2. Certain pre-age 65 benefit adjustments to be made pursuant to an actuarial table (effective July 1, 2011). Participants who incur a loss of "Adjustable Benefits" under the Rehabilitation Plan (*i.e.*, where their bargaining unit becomes subject to the "Default Schedule" or incurs a "Rehabilitation Plan Withdrawal") will have any age-related reductions determined in accordance with an actuarial equivalency table, rather than under the prior formula which provided for a reduction in the age 65 benefit of 6% per year for each year prior to achieving age 65. **However,** like the change referenced in Paragraph 1 above, this change only becomes effective on July 1, 2011 and is only applicable to Participants who retire after that date. And it should be noted that this change is **not** applicable at all to Participants covered under the Primary Schedule (unless a Primary Schedule bargaining unit incurs a Rehabilitation Plan Withdrawal).

You should also note that the Trustees decided *not* to require any additional increases in pension contribution rates under the updated rehabilitation plan and schedules beyond the rate increases already specified in the initial 2008 Rehabilitation Plan. The Trustees concluded that under the present economic conditions, attempting to specify *additional* contribution rate increases in the rehabilitation plan schedules would risk irreparable harm to the financial condition of many of the Fund's contributing employers, and would therefore also imperil the Pension Fund and run counter to the PPA's funding improvement mandate.

In fact, the Trustees decided to put in a dollar cap on the contribution increases required by the Rehabilitation Plan, so that as of June 1, 2011, (i) with respect to the National Master Automobile Transporter Agreement (or other agreements currently qualifying for benefit Class 18+), a contribution rate of $348 per week for each full-time employee will be deemed to comply with the Rehabilitation Plan's Primary Schedule without the need for further contribution rate increases, and, (ii) with respect to any other collective bargaining agreement (such as the National Master Freight Agreement or other agreements currently qualifying for benefit Class 18), $342 per week will be deemed sufficient to achieve Primary Schedule compliance (again, without the need for increases above that rate).

Additional information will be provided soon concerning the updated Rehabilitation Plan, but we wanted to advise you of the significant changes as soon as possible. Finally, please note that the Trustees are under a continuing obligation to monitor the funding condition of the Pension Fund and to adjust or update the rehabilitation plan accordingly.

For local unions with questions regarding this Special Bulletin, please contact your Field Services Representative at 1-800-323-2152, extension 3080.

Sincerely,

BOARD OF TRUSTEES, CENTRAL STATES,
SOUTHEAST AND SOUTHWEST AREAS
HEALTH AND WELFARE AND
PENSION FUNDS, BY:

Thomas C. Nyhan
Executive Director