

CENTRAL STATES PENSION FUND RESCUE PLAN

OVERVIEW GUIDE TO CENTRAL STATES PROPOSED PENSION RESCUE PLAN

BACKGROUND: HOW WE GOT HERE/WHY A RESCUE PLAN IS NECESSARY

The long-lasting impact of trucking industry deregulation, declining union membership and two devastating national economic recessions have left Central States Pension Fund severely underfunded.

Hundreds of employers who at one time made contributions to the Fund on behalf of their employees, have closed their doors or gone bankrupt, including some giants of the trucking industry. Currently, the Fund pays out \$3.46 for every \$1 taken in, which means that we are paying out **\$2 billion** more than we are taking in every year through employer contributions. That math will never work. And even though the economy is recovering and our investment returns are comparable to those of other similarly sized pension funds, there is simply no way to make up for the lost employer contributions.

Previous efforts to improve the Fund's financial position included increased employer contribution requirements; reduced early retirement benefits; and targeted ongoing benefit modifications, such as a lower benefit accrual rate (the amount of benefit participants build up based upon their employer's contributions). Unfortunately, these efforts have not been sufficient.

A realistic rescue plan is needed now. The longer we wait to act, the larger that benefit reductions will have to be. And, if we wait too long, the Central States Pension Fund will run out of money and won't be able to be saved.

OUR PROPOSED PENSION RESCUE PLAN: KEY COMPONENTS

On September 25, 2015, the Central States Pension Fund submitted a proposed pension rescue plan to the U.S. Department of the Treasury under the Multiemployer Pension Reform Act of 2014 (MPRA), which includes benefit reductions for Central States participants. The goal of our rescue plan is to remove both risk and doubt for both Central States participants—risk that their pension fund will run out of money, and doubt about whether benefits will be there for them in the future.

The Central States Pension Fund Trustees have developed what we believe is a fair rescue plan to ensure that our participants will receive retirement benefits based primarily on the amount of contributions made on their behalf by their employers. The continued participation of active members is vital, and we recognize that retirees have given up their jobs and may have been out of the workforce for many years. Therefore, our proposed pension rescue plan applies lower benefit reductions to retirees, active participants, terminated participants with 20 or more years of service credit and surviving beneficiaries, as compared to terminated participants with less than 20 years of service credit.

MPRA includes some very specific requirements about how benefit reductions may be implemented under an approved pension rescue plan.

- **Age Protections:** MPRA mandates that the pension benefits of participants age 80 or older are fully protected from benefit reductions. Pension benefits reductions for participants who are at least 75, but less than 80 years old, are partially protected from reductions.
 - **41% of all Central States Retirees will receive some or complete protection from MPRA reductions due to their age**
- **Disability Protections:** Under MPRA, participants who are receiving a disability benefit from a multiemployer pension fund are protected from reductions. Under the terms of Central States' proposed rescue plan, pension benefits for participants who previously received a disability benefit from our Fund and subsequently converted to a regular pension upon reaching retirement age will be maintained at or above the level of their disability benefit prior to conversion.
 - **5,000 Central States Retirees are protected from MPRA reductions due to disability.**





- **Orphans:** MPRA mandates that maximum benefit reductions (110% of the PBGC benefit) must be implemented first for ‘orphans,’ participants and their beneficiaries whose **employers failed to pay their full employer pension withdrawal obligations** (as required under pension law or pursuant to a settlement with the Fund).

- *There are 43,400 plan participants in the Orphan Group – roughly 12% of the total Fund participants – for who 90% or more of their service was with one these Employers. An additional 56,000 participants have some work history with one of these Employers and that portion of their benefits will be subject to “maximum reduction” by law.*

- **UPS Transfer Group:** MPRA requires that benefits for participants whose employers withdrew from a multiemployer pension plan, but paid their full withdrawal liability and guaranteed their benefits be placed in a protected group. Under the terms of its 2007 withdrawal from Central States, UPS paid the Fund its full withdrawal liability. UPS subsequently promised in a labor agreement that a UPS Pension Plan would cover any future reductions in Central States benefits “permitted or required by law” for participants who were active or terminated UPS employees on December 29, 2007 (“UPS transfer group”). Because UPS has committed to making up benefits lost, there should be no net loss of pension benefits for protected UPS transfer group participants or their beneficiaries under our proposed pension rescue plan—even though these participants’ Central States pension benefits may be reduced.

- *There are 48,000 plan participants in the UPS Transfer Group – roughly 12% of the total Fund participants.*

Additional components of Central States’ proposed pension rescue plan include:

- **Future Accruals For Active Participants:** The continued participation of active members is vital, as a portion of the contributions paid on their behalf help support the retirees. Therefore, our proposed pension rescue plan also allows active workers to continue to build additional pension credits in the future. **Actives will earn 0.75% of contributions as opposed to the 1% of contributions they are currently earning.** In this way actives can continue to increase the amount of their pension at retirement.
- **New Re-employment Guidelines:** If the Rescue Plan is approved, **Central States will remove all re-employment restrictions for participants who retired on or before October 1, 2015 whose benefits are reduced under our pension rescue plan.** We have also relaxed re-employment restrictions for those who retire after this date.

Retired on or before October 1, 2015	Retire after October 1, 2015	
<p>NO RESTRICTIONS</p>	<p>Retire from active between age 62 and 64</p> <p>Re-employment outside Core Teamster Industries OK</p> <p>No re-employment with any Contributing Employer from year prior to retirement</p>	<p>Upon reaching age 65, regardless of retirement age</p> <p>NO restrictions</p> <p>EXCEPT those who last worked for a Contributing Employer in a non-bargaining unit capacity</p> <p>Can not work for same employer for a one year after retirement</p>

- **Early Retirement Phase-Out:** Between 2021 and 2025, Central States will gradually increase the minimum age at which participants can retire without early retirement reductions from age 62 to age 65.

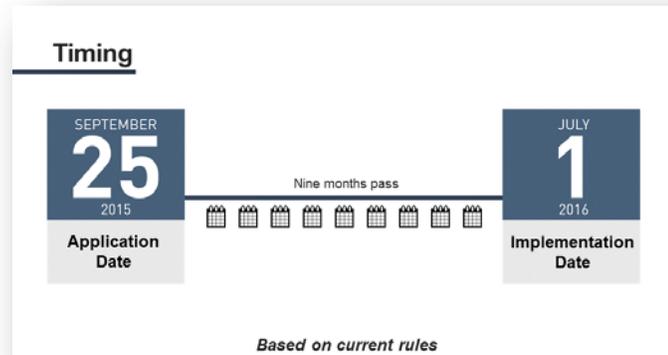


TIMING AND PROCESS

Treasury has up to 225 days to review Central States' proposed rescue plan. If Treasury approves the plan, all participants will receive a ballot via U. S. mail and have the opportunity to vote on whether the plan should be implemented. Treasury has sole responsibility for the voting process, which will be conducted by a third-party administrator that they select. Based on Treasury guidance, voting will be completed online or by phone.

However, because of the size of Central States Pension Fund and the impact that failure of our Fund could have on our participants and millions of other multiemployer pension fund participants across the nation, Treasury, by law, can override a negative participant vote and order that the rescue plan be implemented and/or modified.

Treasury's MPRA guidance states that rescue plans may not be implemented until nine months after the date the plan was filed. Based on Central States' filing date of September 25, 2015, our proposed rescue plan would be implemented on July 1, 2016.



PARTICIPANT COMMUNICATIONS

With over 250 Local Unions covering 400,000 participants in 37 states - including over 220,000 retirees, the Fund has created a comprehensive communication plan that will provide our participants with Rescue Plan details which will include multiple avenues to get their individual specific questions answered.

We will be communicating to our participants, employers and local union leaders not only through direct written communication, but also through our interactive website, information hotline and video/audio tele-town hall presentations. This will allow the Fund to reach the largest possible audience. This is NOT a one-size-fits-all plan. It is very specific and different to every participant.



Personal letters with rescue plan summary and full Notice with detailed info on pre-/post rescue plan benefits mailed today



Local Union and employer meetings conducted on Friday, October 2, 2015



Video presentation and online town hall meeting(s) - The first is scheduled for: October 15 at 5:00 p.m. Central



www.CSPensionRescue.com for updates, comments and general questions and 1-800-323-7640 for recorded message with current information



To protect participant privacy and confidentiality, benefit inquiries must be submitted in writing via U.S. Mail



BY THE NUMBERS OUR PROPOSED PENSION RESCUE PLAN

	TOTAL	With MPRA Reductions	No MPRA Reductions
Orphans (Tier 1)	43,400	28,400	15,000
All Other Participants (Tier 2)	315,600	197,300	118,300
UPS Transfer Group (Tier 3)	48,000	46,900	1,100
TOTAL	407,000	272,600	134,400

- 22.6%** Average MPRA benefit reduction for all participants
- 33.0%** Percent of all Central States participants who will have **NO IMPACT** to their pension benefits
 - 12%* The additional percent of UPS Transfer Group participants who will be made whole by UPS from MPRA reductions
- 27.0%** Percent of retirees age 80+ with exemption from MPRA reductions
- 14.0%** Percent of retirees age 75-79 with sliding scale MPRA reductions
- 41.0%** **Total percent** of all Central States retirees who will receive some or complete protection from MPRA benefit reductions due to age
- 5,000** Number of Central States participants protected from benefit reductions due to disability
- 74%** Percent of surviving spouses with **NO IMPACT** to pension benefits due to age or disability
- 7.0%** Average MPRA benefit reduction for surviving spouses