NEW ENGLAND TEAMSTERS AND TRUCKING INDUSTRY PENSION FUND

EIN: 04-6372430 PN: 001

Notice to Employers and Employee Organizations
Modification of the Withdrawal Liability Allocation Rule

This is to notify you that at a Board Meeting on May 27, 2010 the Trustees of the New England Teamsters and Trucking Industry Pension Fund amended the withdrawal liability rules of the Fund (Article XV of Rules and Regulations) to adopt a revised allocation method pursuant to ERISA Section 4211 and Regulations made there under. In accordance with PBGC regulations:

- The modification requires approval by the Pension Benefit Guaranty Corporation.
- The Trustees have an obligation to explain the modification to you.

The purpose of modification is to remove the disincentive for new employers to enter the Fund. Attracting new employers maintains the contribution base of the Fund which is crucial to its overall and continued fiscal health.

The Fund's unfunded vested liability has increased in recent years as a result of two major factors affecting all U.S. pension plans: 1) the investment market collapse of 2008 leading to a significant loss in value of the Fund and 2) the concomitant recession triggering an acceleration of retirements, a reduction in the number of contributing employers and a diminution of contribution hours. Under the old withdrawal liability method, a new employer entering the fund starts to accrue a portion of the unfunded vested liability even though the unfunded arose prior to the employer joining the Fund. The modified method treats new employers separately from existing employers so that new employers are unlikely to be faced with an allocation of the current unfunded vested liability, thus removing the principal disincentive for new employers to enter the Fund.

Existing employers are not disadvantaged because their withdrawal liability amount under this new method is the same as under the prior method with no new employers joining the Fund. Indeed, to the extent new employers join the Fund, a portion of the new employers' contributions above the actuarial cost of providing the benefits to the workforces of the new employers will serve to reduce the future unfunded vested liabilities. As of the date of this Notice, the Fund consists solely of existing employers.

Calculation of the New Employers Withdrawal Liability

The New Employers Unfunded Vested Liability is computed by a method of direct attribution. A record of the assets attributable to the New Employers is kept. The Fund Office records the contributions (including withdrawal liability payments, if any, made by New Employers), benefit payments and expense allocation made for New Employers' participants over each year.

The vested liability for new employers is the vested liability directly attributable to the vested liability for collective bargaining unit employees at each new employer.

The New Employer unfunded vested liability is the difference between the New Employer liability and the New Employer assets but not less than $0.

New Employers who withdraw are assessed a withdrawal liability equal to a fraction of the unfunded vested liability. The fraction is equal to the sum of the withdrawing employer's contributions to the Fund over the last ten years divided by the sum of all contributions to the Fund made by New Employers who had not withdrawn before the start of the current plan year.

Note: There is no change to the following elements of the withdrawal liability calculations from the prior method:

- valuation of the vested liability
- the contribution period for allocating the vested liability
- the application of the *de minimis* provisions

Calculation of the Existing Employers Withdrawal Liability

The Existing Employers Unfunded Vested Liability is calculated as the vested liability for the Fund as a whole less the whole of Fund's assets and then less the New Employers Unfunded Vested Liability, if any.

For this purpose the assets of the Fund are taken at market value and include the value of future withdrawal liability payments for all employers who had withdrawn at the end of the plan year.

The vested liabilities are valued using the same actuarial assumptions as for New Employers as described in the section above.

Existing Employers who withdraw are assessed a withdrawal liability equal to a fraction of the unfunded vested liability. The fraction is equal to the sum of the employer's contributions to the Fund over the last ten years divided by the sum of all contributions to the Fund made by Existing Employers who had not withdrawn before the start of the current plan year.

<u>Note: If no New Employers join the Fund the withdrawal liability calculated under the prior and new methods would be identical.</u>

Option to Change Status

An Existing Employer may elect to pay its entire withdrawal liability and become a New Employer for contributions and credited service after the date of change. For this purpose the *de minimis* reduction to the withdrawal liability for amounts below $150,000 will not be applied. In addition, the withdrawal liability must be paid in a lump sum, or otherwise guaranteed by an acceptable letter of credit. Contributions (including the withdrawal liability payment), and benefits accrued prior to the change of status shall not be included as assets or liabilities of New Employers.

Summary

The change in withdrawal method serves to strengthen the Fund as follows:

- The new withdrawal liability method will remove a significant disincentive for new employers to join the Fund;
- The addition of new employers will increase contributions to the Fund improving the overall health of the Fund;
- Without new employers, the existing employers are liable for all of the unfunded vested liability, to be apportioned between them should an employer withdraw;
- Without new employers, contributions paid to the Fund are likely to decrease as employers withdraw, making the task of funding much more difficult;
- Permitting existing employers to become new employers allows the fund to collect withdrawal liability far more quickly than under the ERISA payment schedule further strengthening the Fund; and
- To the extent new employers join the Fund, a portion of the new employers' contributions above the actuarial cost of providing the benefits will serve to reduce the current unfunded liabilities.