

# **NEW ENGLAND TEAMSTERS PENSION FUND**

## **REHABILITATION PLAN**

### **I. INTRODUCTION**

On December 29, 2008, the New England Teamsters Pension Fund (the “Fund”) was certified by its actuaries to be in “Critical Status” or “the Red Zone” as defined by the Pension Protection Act (the “PPA”) for the Plan Year beginning on October 1, 2008. The Board of Trustees of the Fund (the “Trustees”) subsequently notified the Fund’s Contributing Employers, Local Unions or other parties obligated under agreements to participate in the Fund and adopted a rehabilitation plan on January 15, 2009 to comply with the PPA. The Fund was subsequently certified by its actuaries to be in “Critical and Declining Status.” The Trustees currently are in the process of preparing the Fund’s application to the Pension Benefit Guaranty Corporation for Special Financial Assistance (“SFA”), for submission in early 2023. The grant of SFA is expected to substantially improve the financial health and long-term viability of the Fund.

On November 3, 2022, the Trustees adopted this administrative restatement of the rehabilitation plan (the “Rehabilitation Plan”), which will take effect on January 1, 2023. Based on the Fund’s reasonably anticipated experience and actuarial assumptions, this Rehabilitation Plan sets forth the current contribution and benefit structures (the “Schedules”) that are intended to enable the Fund to emerge from Critical Status by the end of the Rehabilitation Period as defined by the PPA (or other time period permitted by any subsequent legislation or regulation). This Rehabilitation Plan does not, however, contain any changes to Schedules or other terms that were in place previously.

The required schedules are the “Preferred Schedule” and the “Default Schedule.” The Trustees continue to strongly recommend that the Bargaining Parties adopt the Preferred Schedule of contribution increases, as this is the only option that will allow Participants to maintain the level of benefits available as of October 1, 2008 with the exception of certain adjustable benefits for Inactive Vested Participants and the payment of Lump Sums as discussed herein. If the parties adopt the Default Schedule, future benefit accruals will be reduced by sixty percent (60%) and adjustable benefits will be eliminated as indicated in Section IV, Paragraph B. The Default Schedule will be automatically imposed for bargaining parties who fail to adopt the Preferred Schedule. All benefit adjustments are subject to ERISA’s notice requirements.

The Rehabilitation Plan amends the Rules and Regulations of the Fund (“the Rules and Regulations”) in order to comply with the requirements of the PPA. The Board has the sole and absolute power, authority and discretion to amend, construe and apply the provisions of this Rehabilitation Plan including the Schedules. Unless otherwise indicated, all capitalized terms used in these Schedules shall have the definitions and meanings assigned to them in the Rules and Regulations.

## **II. EFFECTIVE DATES**

The Schedules described in this Rehabilitation Plan apply to members covered under collective bargaining agreements and participation agreements (“CBAs”) that are renewed or extended after December 31, 2022. The schedule of contributions will be valid for the duration of such renewed or extended CBA.

Pursuant to the PPA, the Trustees must review the Rehabilitation Plan on an annual basis and may update the Rehabilitation Plan to reflect future investment market conditions, participation levels in the Fund, percentage of members covered under the Preferred Schedule, legislative or regulatory action with respect to PPA compliance and other factors that may have a material impact on such future Rehabilitation Plan. Therefore, CBAs that are renewed or extended after December 31, 2022 will be subject to the Rehabilitation Plan as amended at the time of such renewal or extension. For purposes of the Rehabilitation Plan, a CBA that expires on the stated expiration date in the agreement irrespective of any evergreen or automatic renewal clause.

Pension benefits of Pensioners and Beneficiaries with pension effective dates on or before January 1, 2009 are not affected by this Rehabilitation Plan. Pension benefits of Pensioners and Participants with pension effective dates after January 1, 2009 will be awarded benefits pursuant to the terms of the applicable Rehabilitation Plan.

## **III. THE TRANSITION PROGRAM**

Effective July 1, 2010, the Trustees requested that the Pension Benefit Guarantee Corporation (“PBGC”) approve an amendment of the Rules and Regulations to create two pools of unfunded vested benefits, the then current pool known as the “Existing Employer Pool” and the newly-created pool known as the “New Employer Pool,” and establish a program for Existing Employers to transition from the Existing Employer Pool to the New Employer Pool. An Existing Employer that withdraws from the Existing Employer Pool and enters into an agreement (a “Re-Entry Agreement”) to participate in the New Employer Pool is known as a “Transition Employer.” An Existing Employer that chooses to remain in the Existing Employer Pool is known as a “Legacy Employer.” Any employer that was not an Existing Employer who enters into an agreement (an “Entry Agreement”) to participant in the New Employer Pool is known as a “New Employer.”

## **IV. SCHEDULES OF CONTRIBUTION AND BENEFIT LEVELS**

The Trustees mandate the following Preferred and Default Schedules to the parties charged with bargaining over agreements requiring contributions to the Fund. Subject to the sole discretion of the Trustees, a Schedule is deemed compliant and adopted when the Trustees determine that a CBA or other agreement requiring contributions to the Fund includes terms consistent with the requirements of a Schedule in the Rehabilitation Plan.

Prior to negotiations, the bargaining parties must request in writing from the Fund Office contribution rate sequences that will conform to the Preferred Schedule. Subsequent to negotiations, the bargaining parties must submit all contribution rate sequences in any CBA renewal or extension to the Fund office for approval. The Fund Office will notify the bargaining

parties if the rate sequence in the CBA is not consistent with the schedules of the Rehabilitation Plan.

## **A. Preferred Schedule**

The Preferred Schedule requires Contributing Employers to make annual contribution rate increases during the Rehabilitation Period. However, with the exception of eliminating Lump Sum payments as was required by law, no changes in benefits options were made for employees in bargaining units whose employers make contributions in compliance with the Preferred Schedule.

### **1. Contributions**

For Legacy Employers whose CBAs renewed or extended after January 1, 2023, the Preferred Schedule requires annually compounded contribution rate increases of eight percent (8%).<sup>1</sup> Such contribution increases must be effective on the one-year anniversary date of the last increase in the preceding CBA and on each anniversary date thereafter during the term of the new CBA.

For New and Transition Employers, the contribution rate of a CBA that complies with the maintenance of benefits requirements or contribution rate increases of a New or Existing Employer's respective Entry or Re-Entry Agreement, as applicable, shall be deemed to be compliant with the contribution rate requirements under the Preferred Schedule and adopted by such New or Existing Employer.

Effective August 1, 2016, for any Contributing Employers whose employees were earning a \$300 per month benefit accrual, a CBA of such a Contributing Employer that reflects no contribution rate increases and a frozen contribution rate of \$11.87 per hour shall be deemed to be compliant with the contribution rate requirements under the Preferred Schedule and adopted by such Contributing Employer; provided that the Trustees reserve the right to review the contribution rate, from time to time, to make certain the contribution rate is adequate to support the level of benefit accrual.

### **2. Benefits**

For Participants whose Contributing Employers are in compliance with the Preferred Schedule, there are no changes in benefit formulas, levels or payment options available to Participants under the Rules and Regulations of the Fund as they existed on October 1, 2008, with the exception of eliminating the payment of Lump Sums as was required by law. Under the Preferred Schedule, Participants continue to accrue benefits at their then current levels. The current monthly benefit accrual value is that value in effect on July 31, 2005, also known as the Frozen Accrual. Current benefits include all adjustable benefits.

---

<sup>1</sup> **Rounding rule:** Contribution Rates determined under the formulae above are rounded to the nearest 1¢ increment.

*Example #1:*  $\$5.26 \times 1.08 = \$5.681$ . This Contribution Rate is rounded to \$5.68.

*Example #2:*  $\$4.06 \times 1.08 = \$4.385$ . This Contribution Rate is rounded to \$4.39.

## B. Default Schedule

Pursuant to the PPA, this Rehabilitation Plan must contain a Default Schedule under which Contributing Employers shall be subject to contribution increases necessary to emerge from Critical and Declining Status after future benefit accruals and other adjustable benefits have been reduced to the maximum extent permitted by law. If the Bargaining Parties adopt the Default Schedule, Contributing Employers are required to make contributions as required by such Schedule and future benefit accruals and adjustable benefits will be reduced as stated below. If the Bargaining Parties fail to adopt or are not deemed to comply with either the Preferred or the Default Schedules, the Default Schedule will be imposed as required by law.

### 1. Contributions

For Contributing Employers whose CBAs renewed or extended after January 1, 2023, if adopted or imposed, the Default Schedule requires annually compounded contribution rate increases of fourteen percent (14%).<sup>2</sup> Such contribution increases must be effective on the one-year anniversary date of the last increase in the preceding CBA and on each anniversary date thereafter during the term of the new CBA.

### 2. Future Benefit Accruals

For Participants whose Bargaining Parties agree to adopt the Default Schedule, or for whom a Default Schedule is imposed by law, the rate at which such Participants will accrue future benefits will be reduced by sixty percent (60%) of the current accrual rate. Thus, future benefit accruals will be forty percent (40%) of the Frozen Accrual Value established on July 31, 2005 or forty percent (40%) of the Adjusted Frozen Accrual Value, if applicable.

### 3. Benefit Reductions

Under the Default Schedule, the following adjustable benefits will be eliminated:

- a. Elimination of all early retirement options, i.e., the right to receive a Pension prior to age 64 including:
  - 1) Early Retirement Pensions
  - 2) 30 Year Full Service Pensions
  - 3) All Partial Pensions to the extent any such pension is tied to one or more of the adjustable benefits listed above.
- b. Elimination of all Disability Pensions prior to age 64
- c. Elimination of all Benefit Payment Options including:

---

<sup>2</sup> **Rounding rule:** Contribution Rates determined under the formula above are rounded to the nearest 1¢ increment.

*Example #1:*  $\$5.26 \times 1.14 = \$5.9964$ . This Contribution Rate is rounded to \$6.00.

*Example #2:*  $\$4.10 \times 1.14 = \$4.6740$ . This Contribution Rate is rounded to \$4.67.

- 1) 120 Certain Payment Option
- 2) Christmas Benefit
- d. Elimination of Death Benefits including:
  - 1) Single Payment Death Benefit
  - 2) 36 Month Annuity for Unmarried Participants

Provided, however, nothing in this Paragraph shall be construed to reduce the level of a Participant's accrued benefit payable at Normal Retirement Age.

4. Conversion from Default Schedule to Preferred Schedule

If a Contributing Employer agrees to the Default Schedule or the Default Schedule is imposed with respect to a particular Bargaining Unit, subsequent CBAs for that unit which are compliant with the Preferred Schedule will only be accepted under the terms and conditions as determined by the Trustees in their discretion.

## **V. RESTORATION OF BENEFITS**

Participants who have worked under CBA containing a Default Schedule may have benefits restored if thereafter they work and earn one year of Pension Credit under CBA containing the Preferred Schedule.

## **VI. ANNUAL STANDARDS AND REVIEW OF REHABILITATION PLAN AND SCHEDULES**

The Rehabilitation Plan is based on the Fund information as of November 3, 2022 and upon the Fund's reasonably anticipated experience and actuarial assumptions as well as assumptions regarding the adoption of the revised contribution rates and plan of benefits by the Bargaining Parties. The Fund's experience, related actuarial assumptions, schedules of benefits and contribution rates will be reviewed annually. The Rehabilitation Plan will be updated as necessary to allow the Fund to emerge from Critical and Declining Status by the end of the Rehabilitation Period as defined by the PPA (or other time period permitted by any subsequent legislation or regulation) or, to the extent it is determined that this is not reasonably possible, take all reasonable measures to delay insolvency. In addition, the Board of Trustees will consider all options available to the Fund, including but not limited to reducing Fund expenditures that may assist the Fund in emerging from Critical and Declining Status.