

Central States, Southeast and Southwest Areas Pension Plan  
Item #18

Does the application include information on past and current measures taken to avoid insolvency.  
See section 5.01.

Information on past and current measures taken to avoid insolvency is attached as document  
number 18.

## **SECTION 5. PLAN SPONSOR DETERMINATION RELATING TO REASONABLE MEASURES TAKEN TO AVOID INSOLVENCY**

**With respect to the plan sponsor's determination required under section 3.03 of this revenue procedure that the plan is projected to become insolvent unless benefits are suspended, the application must include the following information:**

**.01 Measures taken to avoid insolvency. A detailed description of measures taken in order to avoid insolvency over the past 10 plan years immediately preceding the plan year in which the application is submitted.**

As described in detail below, the Trustees have taken all reasonable measures to avoid insolvency of the Plan. Because Congress has provided that the Trustees must take all reasonable measures to avoid insolvency, the Trustees determined that they must take those measures that are feasible under the Plan's particular circumstances and likely to further the statutory goal of avoiding insolvency, but that they need not take measures that, while theoretically available, would in practice not promote the goal of avoiding insolvency.

The primary measures available to the Trustees to allow the Plan to avoid insolvency are contribution rate increases and benefit reductions.<sup>1</sup> Over the past years and decades, the Trustees have worked with the bargaining parties to develop sustainable combinations of contributions and benefit levels. In doing so, however, both the Trustees and the bargaining parties are constrained by what the active, voting members of the union can reasonably be expected to accept and by what the employers can afford to pay.

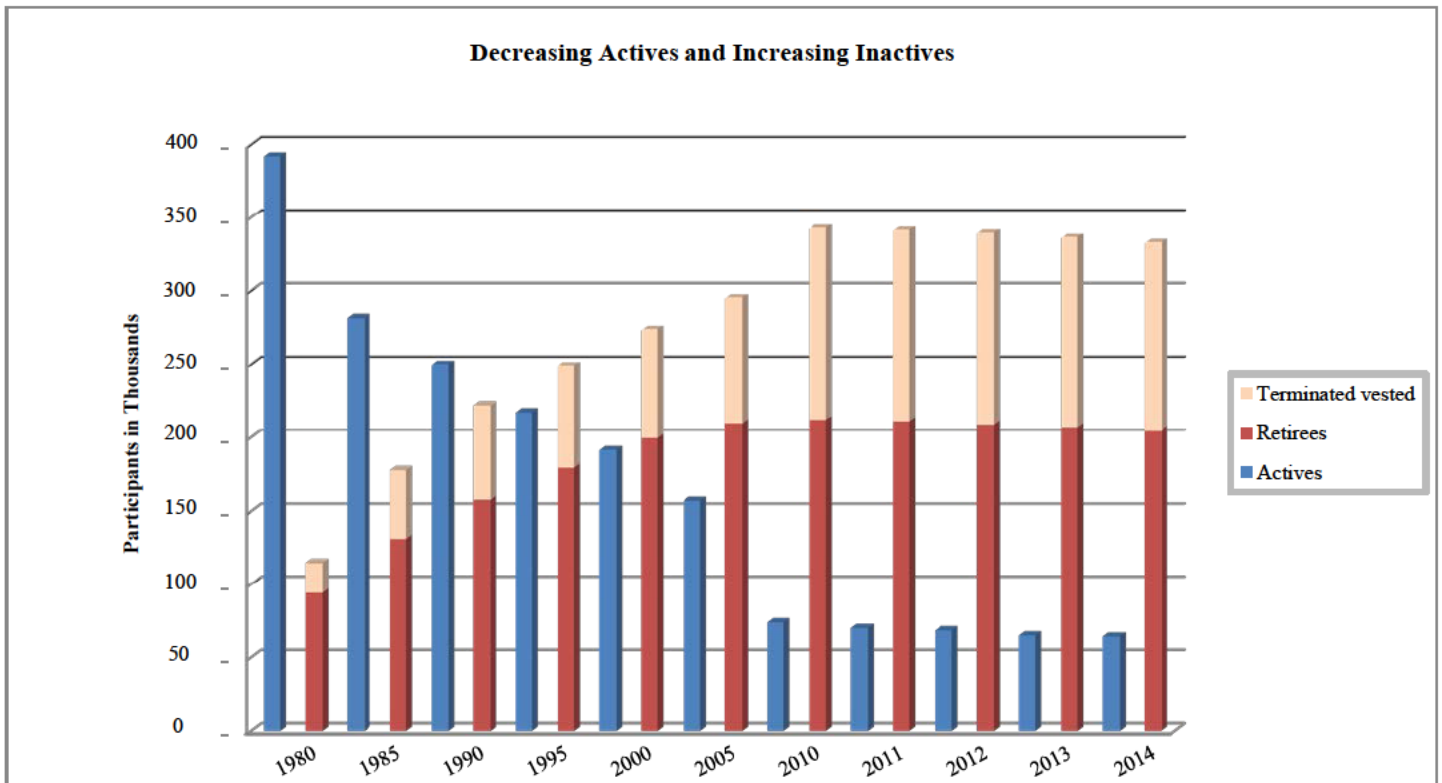
In particular, the Trustees' ability to increase the annual contribution rate is limited by the rate that employers can afford to pay and not be compelled to withdraw from the Plan. Although withdrawal liability is generally intended to put the plan in the same position it would have been had the employer continued to contribute and to fund its share of the plan's unfunded benefit liabilities, in practice withdrawal liability often fails to achieve that goal, for reasons discussed in detail below. Therefore, the Trustees did not consider a measure to be reasonable if it would impose contribution increases so great that they would precipitate employer withdrawals, thereby further undermining the actuarial soundness of the Plan.

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<sup>1</sup> In theory, reducing administrative expenses and increasing investment returns could also improve the funded status of the Plan. However, as one of the largest multiemployer pension plans in the United States, the Plan enjoys substantial economies of scale, and the Plan's administrative expenses already are very low. Annually, expenses are only about 1.35 percent of annual benefit payments. Even if *all* expenses of administering the Plan could be and were eliminated, the savings would be vastly insufficient to allow the Plan to avoid the projected insolvency. With respect to investments, the Plan's assets, pursuant to a consent decree between the Plan and the Department of Labor, are managed by several major financial institutions that are screened by the Department of Labor and approved by a federal judge. Those financial institutions maintain exclusive management and control over the Plan's investment function.

For this reason, the ongoing determination of which measures would aid the Plan in avoiding insolvency, and therefore would be reasonable to pursue, has required in-depth consideration by the Trustees of economic and industry conditions as they have developed over the recent years and decades, beginning with the passage of the Motor Carrier Act in 1980. With that Act, Congress took the first and most significant step toward complete deregulation of the trucking industry. Deregulation exposed the Plan’s Contributing Employers (then numbering 11,657) to intense competition, as hundreds of new trucking companies were formed. According to the IRS, “It became increasingly difficult for the trucking companies to operate with union drivers. Their compensation is usually 35 percent more than non-union drivers. To reduce operating costs, new corporations were formed to operate with non-union drivers or independent contractors.” “Trucking Industry Overview” (MSB 04-1107-075) ([www.irs.gov/Business/Trucking-industry-overview-history-of-trucking](http://www.irs.gov/Business/Trucking-industry-overview-history-of-trucking)).

The effects of deregulation were severe and continue to impact the Plan today. In the decade following deregulation, one third of the 100 largest trucking companies were forced out of business. Of the 50 largest Contributing Employers that participated in the Plan in 1980, almost all are out of business and only 3 contribute to the Plan today. More than 600 trucking companies that contributed to the Plan have gone bankrupt since 1980, and thousands of others have gone out of business without filing for bankruptcy. While in 1980 there was only one retiree for every four active employees in the Plan, today that ratio has flipped, and there are 5.2 retired or inactive participants for every active employee, as reflected in the chart below.



Although the ratio of actives to retirees had steadily decreased since deregulation, actives continued to outnumber retirees until the late 1990s. Then in 1999, the trucking industry entered a particularly difficult period. *Id.* A price collapse in the used truck market, along with skyrocketing fuel prices and an ongoing driver shortage, led to widespread bankruptcies among trucking companies. *Id.* On top of those difficulties, in 2000, the “tech bubble” burst, sending the stock market and the U.S. economy generally into steep decline. *Id.*

The economy entered a recession in March of 2001, and the industry experienced another rash of bankruptcies in this period. *Id.* An overabundance of used trucks, the worsening economy, and high diesel prices combined to push profit margins downward. *Id.* In 2002, Consolidated Freightways, once the nation’s largest long-haul trucking company and, at that time, among the largest Contributing Employers to the Plan, filed for bankruptcy, at the cost of more than 15,000 trucking jobs. *Id.* Meanwhile, the ongoing recession caused the Plan to experience investment returns far below its long term return assumption in 2000, 2001, and 2002, which erased the majority of the considerable gains the Plan had experienced during the tech boom. *Id.*

As the economy struggled to recover in 2003, the average price of a gallon of diesel fuel hit a record high. *Id.* Between 2001 and 2003, 11,500 trucking companies went out of business. *Id.* Another major Contributing Employer, Fleming Foods, withdrew from the Plan, and, together with Consolidated Freightways, failed to pay \$290 million of a total of more than \$403 million in withdrawal liability. By the end of 2003, only 3,172 of the 11,687 Contributing Employers that the Plan relied upon in 1980 remained, and the Plan was projected to experience annual funding deficiencies as early as 2004.

In response, the Trustees took a number of significant measures on both the benefits side and the contribution side of the equation to improve the Plan’s actuarial soundness going forward. Effective January 1, 2004, the Trustees amended the Plan to provide that the contribution-based benefit accrued by a participant would be reduced going forward from 2 percent of the contributions his employer made on his behalf to 1 percent of those contributions. In addition, the Trustees froze early retirement and “and-out” pensions at an amount based on years of service earned at that point, while still allowing participants to grow into eligibility for a portion of those benefits by earning additional years of service. Finally, the Trustees froze the various “Classes” of Contributory Service Pensions, meaning that the Plan would no longer allow any bargaining unit to bargain up to a higher Benefit Class.

On the contribution side, the Trustees worked with the bargaining parties to the major national contracts (National Master Freight Agreement (“NMFA”) and National Master Auto Transporter’s Agreement (“NMATA”), and National Master UPS Agreements) to reallocate employee benefit plan contribution rate increases from health plan contributions to the Plan from 2004 through 2007, resulting in additional revenue of approximately \$500 million per year to the Plan during that period.

Despite these measures, the Plan’s actuary estimated that the Plan faced a \$1.3 billion funding deficiency for plan year 2004, along with significant funding deficiencies in subsequent years. The Trustees concluded that imposition of this liability, along with associated excise taxes,

on the Plan's Contributing Employers would have caused additional catastrophic business failures among those employers, accelerating the deterioration of the Plan's own financial condition. As a result, in January 2004, the Plan filed a request with the Internal Revenue Service for a 10-year extension of the period for amortizing liabilities.

In 2004, the economy was finally on the path to recovery, and carriers experienced increased demand, particularly late in the year. *See* Trucking Industry Overview. Due to the recent years of contraction in the industry, however, many carriers lacked sufficient drivers to meet this increased demand. *Id.* As a result, they were forced to increase driver compensation. *Id.* Meanwhile, in summer and fall of 2004, diesel prices, pushed higher as a result of the Iraq War, repeatedly reached record highs. *Id.*

Entering the 10-year period immediately prior to the year of this application, the population of active participants had declined so that there were 156,744 active participants, 208,666 retirees, and 86,213 inactive participants. Compared to the roughly 11,657 employers that contributed to the Plan in 1980, only 2,783 contributed in 2005, a decline of nearly 80 percent.

On July 13, 2005, the IRS granted the Plan's request for an amortization extension, subject to the Plan satisfying certain funding targets going forward. To meet those funding targets and set the Plan on a stable path, the Trustees recognized, it would be necessary to couple the benefit reductions made in the previous year with contribution increases going forward. Thus, in November 2005, the Trustees determined to accept renewals of collective bargaining agreements expiring in 2006 only if they included compound contribution rate increases of 7 percent per year for the duration of the renewal agreement.

Meanwhile, the price of diesel fuel had more than doubled since 2002, and the trucking industry experienced a significant shortage of drivers in the wake of new post-9/11 government security regulations that made obtaining and maintaining certain licenses and certifications more difficult. *Id.*

Similarly in 2006, diesel prices hit new record highs, and regulatory issues continued to burden the trucking industry. *Id.* The economy was strong, however, and the Trustees determined that it was reasonable to require additional contribution increases of the Plan's Contributing Employers. In November 2006, the Trustees determined to accept renewal agreements for those CBAs expiring in 2007 only if they provided for compounded 8 percent annual contribution rate increases.

In 2007, United Parcel Service ("UPS") withdrew from the Plan. Although UPS paid its withdrawal liability in full, the withdrawal resulted in a loss of 44,400 active participants in the Plan. This in turn resulted in a loss of more than \$500 million in contribution revenue (which constituted about one third of total contribution revenue at that time).<sup>2</sup> The loss of a substantial

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<sup>2</sup> Taking into account scheduled contribution rate increases, the current loss of annual revenue due to UPS's withdrawal is nearly \$800 million, not considering that UPS has likely experienced growth in bargaining unit members since withdrawal. This current amount of lost contribution

portion of the active population made the Plan more vulnerable to future investment losses. (Unfortunately, this withdrawal could not have come at a worse time for the Plan, as dramatic investment losses occurred in the very next year.) Nonetheless, the aggressive measures the Trustees had taken in recent years to increase income and reduce liabilities had set the Plan on a path toward full funding. As of January 1, 2008, the Plan's actuaries projected that the Plan would be fully funded by 2029, assuming normal investment returns.

Unfortunately, 2008 was a far from normal year in terms of investment returns, and the Plan, like practically all investors, experienced significant losses in the wake of the stock market collapse. The Plan suffered investment losses of \$7.6 billion that year. This forced the Plan to expend \$1.8 billion—the amount by which benefits exceeded contributions that year—out of principal.

The Pension Protection Act of 2006 (“PPA”) took effect in 2008, providing the Trustees with additional tools to help address the Plan's financial difficulties. In March 2008, the Plan's actuary certified the Plan to be in critical status under PPA. In developing their rehabilitation plan as required by PPA, the Trustees concluded that, having recently imposed the significant benefit reductions and contribution increases discussed above, mandating the additional benefit cuts and/or contribution increases that would be necessary to emerge from critical status by the end of the 10-year rehabilitation period would not be reasonable because it would substantially accelerate the rate at which employers would withdraw from the Plan.

In reaching this conclusion, the Trustees considered the views of the International Brotherhood of Teamsters (“IBT”), the collective bargaining representative of active employees. The IBT submitted a letter to the Trustees on this topic, stating that, if the Plan adopted “a contribution schedule at this time or in the reasonably foreseeable future which would require additional benefit cuts, the result would be a serious erosion of support for the Fund among the rank-and-file Fund participants and their bargaining representatives.” February 19, 2008 Letter from C. Thomas Keegel to Thomas C. Nyhan. The IBT further explained that “it would be virtually impossible to obtain membership support for a proposal which combines increased benefit contributions (and lower or no wage increases) with pension benefit cuts. If confronted with an employer's insistence on such a proposal, . . . members would likely become receptive to suggestions from their employers that they should simply bargain out of the Fund completely.” *Id.*

The Trustees also recognized that active employees already had borne a 50 percent reduction in their benefit accrual rate as a result of the benefit changes adopted effective January 2004. At the same time, their ability to earn additional fully-subsidized early retirement benefits was frozen. Coupled with the greater contribution rate increases agreed to during the same time period, the Trustees concluded that bargaining parties may be at or near the limit of their ability and willingness to agree to further benefit reductions for active participants.

Because additional contribution rate increases would be likely to cause employers to withdraw, the Trustees considered whether withdrawal liability would fully compensate the Plan

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revenue would be nearly 150% of current actual contribution revenue.

for any loss of employers resulting from application of the benefit reductions and contribution increases necessary to emerge from critical status by the end of the rehabilitation period. As noted above, employers often do not pay the entire amount of their withdrawal liability. Indeed, Congress recognized as much when it created a separate tier under MPRA for benefits attributable to an employer that has withdrawn from the plan and failed to pay the full amount of its withdrawal liability. Despite the Trustees' vigorous collection efforts, the Plan's projected collection rate for future withdrawn employers was 25 percent of the assessed withdrawal liability.

As noted above, withdrawal liability often fails to compensate a plan for unfunded vested benefits ("UVBs") for a number of reasons. First, even if all employers complied with all statutory requirements of ERISA and made all of their withdrawal liability payments, the duration of the payments is capped at 20 years, even if the payments do not pay the employer's full share of the UVBs. ERISA § 4219(c)(1)(B). Other rules further limit collection of an employer's full share of UVBs. *See, e.g.*, ERISA § 4209 (reducing employer's UVBs by *de minimis* amount), § 4225 (limiting UVBs allocable to employer based on employer liquidation or insolvency).

Second, the addition of withdrawal liability to an employer's debt load could cause the employer to file for bankruptcy. The Internal Revenue Service ("IRS") acknowledged this risk in connection with the Plan's amortization extension. *See* July 13, 2005 Letter to Thomas C. Nyhan from James E. Holland, Jr. ("Extension Letter"). The Extension Letter explains that, according to information submitted with the application for an extension, "if the extension is not granted, the potential increases in employer contributions necessary to avoid funding deficiencies . . . would severely harm the majority of the contributing employers to the plan. The authorized representative of the Fund represents that, in many cases, the additional expenses would wipe out the net income of the employers and potentially force them into bankruptcy. The additional expense and cash outflows would likely cause many employers to violate debt covenants or hamper their access to credit markets further straining their financial conditions." *Id.* at 4. In bankruptcy, the Plan has historically collected roughly 23.5 cents per dollar of assessed withdrawal liability, and several bankruptcies of large employers in recent years are likely to cause this figure to decline to less than 5 cents on the dollar.

Indeed, the risk of bankruptcy by Contributing Employers was high at this time even absent the imposition of further contribution increases. The Trustees recognized that 2008 had been a particularly difficult year for trucking companies due to factors such as the high cost of diesel fuel, a major expense of trucking companies. *See* Hearing Before the Subcomm. on Highways and Transit of the H. Comm. on Transportation and Infrastructure (July 9, 2008) (statement of Michael J. Smid, President and Chief Executive Officer, YRC North American Transportation) (hereinafter "Congressional Subcomm. Hearing"). Bankruptcies in the trucking industry had been on the rise in 2008, with June numbers showing a 143 percent increase over the previous year. Samantha Bomkamp, *Analysts Say Trucking Capacity Cutbacks and Bankruptcies to Speed Up and Help Balance Industry*, Associated Press, June 9, 2008. Nearly 1000 trucking companies with at least five trucks failed in the first quarter of 2008 alone. *See* Congressional Subcomm. Hearing.

Finally, each employer withdrawal shrinks a plan's contribution base. A smaller number of employers will likely be less able to absorb any contribution rate increases that become necessary in the future. Similarly important, as the number of Contributing Employers shrinks, the plan becomes more heavily dependent on investments, which makes the plan's source of income less diverse and riskier. As the number of active participants shrinks, each active participant must bear a greater share of the plan's liabilities. Employer withdrawals also lead to a shrinking asset base as benefit payments far exceed contribution income, so that as the market recovers there is less opportunity for the plan to realize gains.

Applying the draconian measures that would have been required for the Plan to emerge from critical status in ten years, the draft 2008 ten-year default schedule and alternative ten-year schedules projected that the number of active participants at emergence from critical status would decrease from approximately 100,000 to roughly 38,000, at best, and possibly as low as 12,000. The Trustees concluded that as the number of active participants and Contributing Employers to the Plan shrinks, remaining employers would likely become concerned about being the "last man" in the Plan. This, in turn, could cause additional employers to withdraw and lead to a downward spiral of withdrawals, ending in a mass withdrawal and termination of the Plan.

For these reasons, the Trustees concluded that the contribution increases and/or benefit reductions necessary to allow the Plan to emerge from critical status by the end of the rehabilitation period would cause employers to withdraw from the Plan and increase the risk of a catastrophic downward spiral toward eventual mass withdrawal. On this basis, the Trustees instead developed primary and default schedules of contribution increases and reductions to adjustable benefits designed to allow the Plan to emerge from critical status by the year 2028. The Primary Schedule maintained the current pension benefit levels for all bargaining units that adopted it, and generally required that all Contributing Employers and bargaining units agree to five years of compounded eight percent annual contribution rate increases, three years of six percent compounded increases, and then continuous four percent compounded annual increases. The Default Schedule required continuous compounded annual rate increases of four percent but eliminated all adjustable benefits under PPA (essentially any benefits other than those already in pay status prior to 2008, disability benefits in pay status at any time, and the accrued benefits (*i.e.*, Contribution Based Pensions) payable at age 65). In addition, bargaining units that voluntarily withdraw from the Plan, or are complicit in a withdrawal (called a "Rehabilitation Plan Withdrawal"), incur the elimination of all adjustable benefits).

In 2009, as a result of the stock market declines and global economic crisis, the Plan was not only certified to be in critical status under PPA, but was for the first time projected to become insolvent. The Plan's actuaries projected that the Plan would become insolvent in 2022. Recognizing the impact that the financial crisis would have on multiemployer plans, Congress had, in 2008, passed the Worker Retiree and Employer Recovery Act, which permitted plans to elect an exemption from updating their rehabilitation plans. Upon concluding that the Plan's Contributing Employers could not withstand additional contribution increases in the midst of the financial crisis, the Trustees elected to take advantage of that exemption. They continued the measures already in place to improve the Plan's funded status, including those in the existing



rehabilitation plan, and they sought a waiver of certain conditions of the 2005 amortization extension.<sup>3</sup>

For the 2010 plan year, the Plan's actuary again certified the Plan to be in critical status. Concluding that the contribution increases necessary to emerge from critical status would not constitute reasonable measures to improve the Plan's funded status but rather would accelerate possible insolvency by driving Contributing Employers out of business, the Trustees adopted schedules of benefit reductions and contribution increases designed to allow the Plan to forestall possible insolvency by the year 2023. In addition, the 2010 rehabilitation plan increased the minimum retirement age under the Plan to 57, effective after July 1, 2011.

Also as part of the 2010 rehabilitation plan update process, the Plan engaged Stout Risius Ross ("SRR"), a financial consulting firm, to study the capacity of the Plan's Contributing Employers to continue to absorb contribution rate increases. In November 2010, SRR reported to the Trustees that a number of the Plan's larger, publicly-traded Contributing Employers—whose pension contribution rates were already (or would soon be) at \$342 per week under the NMFA and \$348 per week under the NMATA—could not reasonably be expected to absorb additional contribution rate increases. Accordingly, in November 2010, the Trustees approved an amendment to the rehabilitation plan that froze the top NMFA and NMATA rates at such levels. For other Contributing Employers, the \$342 per week rate became the maximum rate necessary to be deemed to be in compliance with the Primary Schedule without the need for additional rate increases.

During this time period, the Trustees recognized that the trucking industry, along with the rest of the economy, was struggling through the recession and the slow recovery from that economic low. *See* Trucking Economic Review, American Trucking Association, Inc., at 4 (July 22, 2011) ("[C]arriers are getting hit very hard with price increases and have to contain costs as much as possible; otherwise, bottom-lines are going to suffer dramatically. . . . [T]here is no denying that trucking, like the rest of the economy, hit a soft patch so far this year."). Carriers faced continued high fuel costs throughout 2011 as the result of political uncertainty in the Middle East and other economic forces. *See* Harnessing American Resources to Create Jobs and Address Rising Gasoline Prices: Impacts on Businesses and Families, Statement of William P. Graves on behalf of the American Trucking Association before the U.S. House of Representatives Committee on Natural Resources (Mar. 31, 2011) ("Graves Statement"), at 3-5; Critical Issues in the Trucking Industry – 2011, The American Transportation Research Institute (Oct. 2011) ("Critical Issues"), at 7 (citing an industry report finding that "fuel and oil was the second highest motor carrier cost center after driver wages and benefits"). The Trustees understood that the trucking industry is "a highly competitive industry with very low profit margins" and that "the price of diesel fuel and motor carrier failures are highly correlated." Graves Statement at 2-3. The Trustees recognized that many trucking companies would not be able to withstand these increased economic pressures.

During this difficult economic time, the Trustees continued to seek innovative solutions to minimize employer withdrawals from the Plan. In particular, the Trustees in February 2011

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<sup>3</sup> The waiver request remains pending with the Internal Revenue Service ("IRS").

adopted a special “Distressed Employer Schedule” under the rehabilitation plan to avoid the withdrawal of one of the major Contributing Employers to the Plan, YRC, Inc. and its affiliates (“YRC”). YRC, which at that time had more than 14,000 active participants in the Plan, had suffered a severe financial decline and become severely delinquent in its contributions to the Plan. The Distressed Employer Schedule allowed YRC to continue to contribute to the Plan at a reduced contribution rate (25 percent of the previously-agreed rate) without contribution rate increases, in exchange for benefit reductions approximately equivalent to those required under the rehabilitation plan’s Default Schedule. The Trustees approved the Distressed Employer Schedule and applied it to YRC because they determined, based on rigorous financial and actuarial analysis, that (a) YRC would likely liquidate in bankruptcy (with minimal or no recovery of withdrawal liability by the Plan) unless the Trustees approved the application of the Distressed Employer Schedule, and (b) the Plan was better off financially with YRC’s continued participation in the Plan than under a scenario in which the Plan insisted on higher contribution rates that resulted in the dissolution and withdrawal of YRC.

Also in 2011, the Trustees took an additional innovative step designed to encourage continued participation in the Fund and increase withdrawal liability collections. In October, the Trustees obtained approval by the Pension Benefit Guaranty Corporation (“PBGC”) to use an alternative method of determining employer withdrawal liability. Under this alternative method, a current Contributing Employer can effectively limit its exposure to future withdrawal liability growth by paying the current withdrawal liability amount in a lump sum and then continuing to contribute to the Plan as a “New Employer.” An employer that is not currently contributing to the Plan and does not owe any outstanding withdrawal liability or other obligations to the Plan can also qualify as a New Employer and become eligible for the alternative withdrawal liability method. Under this alternative (or “hybrid”) method approved by the PBGC, the New Employers’ withdrawal liability is to be determined based on the benefits accrued by each New Employer’s employees, plus a proportionate share of any underfunding that develops among the New Employers as a whole (the “New Employer Pool”). However, because the New Employer Pool is fully funded (approximately 200% funded, in fact), and current contribution rates are more than sufficient to fund current benefits, the New Employers have a very low risk of incurring withdrawal liability in the future. The hybrid method helps to retain existing Contributing Employers and to attract new Contributing Employers by alleviating their concerns about potential growth in withdrawal liability exposure. Further, the Plan will not enter an agreement resolving a Contributing Employer’s withdrawal liability and deeming the employer to be a New Employer under the hybrid method unless the employer commits to continue to contribute to the Plan for an extended period (usually 5-10 years) and at a guaranteed level of participation. Approximately 80 employers have qualified as New Employers under the hybrid method to date, and these employers have paid approximately \$130 million in withdrawal liability while continuing to contribute to the Plan.

Between 2011 and 2014, the Plan remained in critical status, and the Trustees reviewed the rehabilitation plan annually to consider whether there existed any other reasonable measures they might take to avoid insolvency. Each year, the Trustees concluded that requiring additional contribution increases above those included in the 2010 rehabilitation plan update, or adopting additional benefit reductions, would not have a significant positive impact on the projected insolvency of the Plan, and instead would increase the likelihood of additional employer

withdrawals.<sup>4</sup> For example, in a November 2014 Board Meeting, the Plan's actuary presented a variety of possible benefit reduction scenarios, including reducing the rate of future benefit accrual and further cutting adjustable benefits. As reflected in the chart below, none of these scenarios resulted in more than nine months of additional solvency, even disregarding the impact that the changes would have on employer withdrawals. In large part, the inability of additional measures available under PPA to materially improve the Plan's funding projections resulted from the fact that insolvency was expected to occur in the near future, leaving very little time for the changes to have a significant positive impact.<sup>5</sup>

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<sup>4</sup> In 2013, the Trustees determined that, under the Plan's rules permitting participants to contribute to the Plan on their own behalf ("self-contributions"), many participants were able to gain just enough Contributory Service Credit to enable them to improve their pension benefits significantly. Permitting self-contributions to increase pension benefits in this way was very costly to the Plan because the value of the benefits gained by the participants nearly always greatly exceeded the value of the self-contributions. In November 2013, the Trustees eliminated the ability of participants to make self-contributions on a prospective basis.

<sup>5</sup> The proposed MPRA benefit suspensions, on the other hand, are accompanied by proposed increases in the rehabilitation plan contribution rate schedules and reductions in the rate of future benefit accruals because the proposed benefit suspensions extend solvency sufficiently to allow these changes to have a meaningful positive impact on the future funding levels.

<b>Chart of Effect of Time Horizon on Plan Changes</b>	Estimated year and month of insolvency and approximate number of months insolvency is forestalled/(accelerated)			
	Attrition Assumed to Vary by Change		Ignores Impact of Change on Attrition	
Current Rehabilitation Plan	2/26		2/26	
Hypothetical Changes to Primary Schedule Benefits:				
1. 1% benefit unreduced at age 65 effective 1/1/2015	4/26	2	4/26	1
2. 1% benefit unreduced at age 65 effective 1/1/2017	3/26	1	3/26	1
3. Future contribution increases not subject to benefit accruals	2/26	0	2/26	0
4. Actuarial equivalent reduction from unreduced age (see page...)	3/26	1	3/26	1
5. Maximum Red Zone cuts effective 1/1/2020	11/26	-3	3/26	1
6. Maximum Red Zone cuts effective 1/1/2015	10/25	-4	7/26	5
7. Future benefit accruals limited to \$100/year effective 1/1/2015	3/26	1	3/26	1
8. Total benefit capped at higher of \$3,000 or current active 1/1/2015	3/26	1	3/26	1
9. Benefit freeze effective 1/1/2015	1/26	-1	6/26	4
10. Maximum Red Zone cuts plus benefit freeze 1/1/2015	1/16	-1	11/26	9
11. All Withdrawals are Rehabilitation Plan Withdrawals	3/26	1	3/26	1
12. Minimum retirement age of 65 for future Rehabilitation Plan Withdrawals effective 1/1/2015	2/26	0	2/26	0
13. Minimum retirement age of 58 effective 1/1/2015	3/26	1	3/26	1
14. Minimum retirement age of 59 effective 1/1/2015	4/26	2	4/26	2
15. Minimum retirement age of 60 effective 1/1/2015	5/26	3	5/26	3
16. Maximum retirement age of 58 effective 1/1/2015, 59 effective 1/1/2017, and 60 effective 1/1/2019	4/26	2	4/26	2
17. Maximum Red Zone cuts to current and future terminated vested participants effective 1/1/2015	3/26	1	3/26	1
Mass withdrawal effective 12/31/2014; 20% of contributions continue as withdrawal liability payments	3/25	-11	3/25	-11

In sum, excluding the application of the distressed employer schedule to YRC, the average contribution rate at which employers contribute to the Plan increased 83.2% from 2005 to 2014. This figure represents an excess of 57.9% over inflation, during a period of great

economic challenge for both the Contributing Employers and the Plan. Also during this period, various early retirement benefits were frozen and the rate at which employees pension benefits were earned was reduced from 2% of contributions to 1% of contributions. This combination of the contribution rate increases and benefit cuts means that participants are now sacrificing far more out of their pay packages in order to fund the Plan, in return for far less in benefit accruals. The remaining Contributing Employers are shouldering the increased costs while struggling to maintain their competitiveness in the face of a variety of severe, industry-specific and economy-wide challenges.

Moreover, approximately \$0.50 of every dollar contributed to the Plan is now used to pay benefits for inactive participants whose employers withdrew as a result of bankruptcy or financial distress and did not satisfy their withdrawal liability obligation to the Plan. Both the active participants and the Contributing Employers are acutely aware that half of the money going into the Plan is used to support the benefits of inactive participants who worked for companies that did not pay for those benefits. As a result, the bargaining parties' willingness to withstand further contribution increases in order to remain in the Plan, the Trustees believe, is particularly low. Thus, the Trustees have concluded that, during the 10 years preceding the year of this application, the Trustees have taken all reasonable measures to avoid insolvency. Notwithstanding those measures, the Plan remains on that path and is projected to become insolvent in 2026.