

TEAMSTERS LOCAL 560 BENEFIT FUNDS

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Notice of Critical Status

Trucking Employees of North Jersey Welfare Fund, Inc. - Pension Fund

April 23, 2013

Participants, Beneficiaries, Contributing Employers and Teamsters Local 560:

This is to inform you that on March 29, 2013, the actuary for the Trucking Employees of North Jersey Welfare Fund, Inc. - Pension Fund (the "Fund") certified to the U.S. Department of the Treasury and to the Board of Trustees that the Fund is in critical status for the Plan year beginning January 1, 2013. Federal law requires that you receive this notice.

Introduction

The Pension Protection Act ("PPA"), signed into law in 2006, is intended to improve the financial condition of pension funds. The Act introduced several formal safeguards and controls and added notification requirements for Trustees to share more information about a fund's financial circumstances with participants, contributing employers and others directly related to the pension plan.

Many of the Act's preservation provisions relate to funding, which, in simplest terms, is how much money a pension plan has coming in, going out, and what is in reserve (or "in the bank") for the future. The preservation provisions are intended to create more discipline and mandate certain procedures with the object of deterring future funding problems and directed to correct those that have already developed.

Starting with the 2008 plan year, the Act requires us to test the Fund annually to classify its funding status. Standardized measurements were established for classifying pension plans based on their funding issues. Funds that are in "seriously endangered" or "endangered" status (commonly known as yellow zone) or "critical" status (or, red zone) must notify all fund participants, beneficiaries, unions, and contributing employers of the fund's status, as well as take corrective action to restore the fund's financial health.

Fund's Status – Red Zone

The Fund is in critical status (red zone) as of January 1, 2013 based on the actuary's determination that the Fund has a funded percentage of 44.3% and is projected to have an accumulated funding deficiency by the year ending December 31, 2013. This means that contributions will not be enough to meet government standards for funding promised benefits plus those that participants are currently earning.

Rehabilitation Plan and Possibility of Reduction in Benefits

The PPA requires the Board of Trustees to develop a Rehabilitation Plan aimed at restoring the Pension Fund's financial health, or forestalling insolvency. Because the Pension Fund first entered critical status in 2010, the Trustees adopted a Rehabilitation Plan on October 21, 2010.

Under the Rehabilitation Plan, parties to each collective bargaining agreement are required to make or negotiate increases in the employers' contribution obligations. The Rehabilitation Plan included a schedule that the bargaining parties can adopt to implement the Plan. The bargaining parties can wait until negotiations on a new collective bargaining agreement to agree on the schedule, or they can re-open their current agreement to incorporate the schedule. The law provides for imposition of the schedule after the current agreement expires if the parties are unable to agree.

The Board of Trustees will be required by law to annually assess whether the Pension Fund is on track to meet the goals of the Rehabilitation Plan. Adjustments to the Rehabilitation Plan may be necessary or appropriate over time depending on investment performance and other developments.

Under the law, a Rehabilitation Plan can include contribution rate requirements and revisions to the Fund's benefit schedule for future accruals, as well as reductions in, or elimination of, so-called "adjustable benefits." In November 2010, you received a notice explaining the reductions in adjustable benefits included in the schedule of the Rehabilitation Plan. If the Trustees of the Pension Fund determine that additional reductions in adjustable benefits are necessary in the future, you will receive a separate notice in the future identifying and explaining the effect of those reductions. No change in adjustable benefits will reduce any participant's accrued benefit payable at Normal Retirement Age. Further, no reduction in adjustable benefits will be applied to any pensioner or beneficiary whose benefits began (benefit commencement date) on or before April 30, 2010.

The level of benefits already earned that are payable at normal retirement age as a single life or qualified joint and survivor annuity cannot and will not be reduced under these PPA rules. Any reductions pursuant to the Rehabilitation Plan will apply only to participants and beneficiaries whose benefit commencement date is after April 30, 2010. You will be notified at least 30 days before any benefit reduction is put into effect.

As of May 2010, the Plan cannot accept any new collective bargaining agreement that reduces contribution rates to the Plan or that excludes new employees, such as new hires.

Benefit Restrictions

Effective April 30, 2010 and until the Pension Fund emerges from red zone status, the Fund is not permitted to pay lump sum benefits or any other payment in excess of the monthly amount paid under a single life annuity, such as the High/Low Option, while it is in critical status. This means that anyone with an annuity starting date of May 1, 2010 or later will not be able to elect the High/Low option.

Employer Surcharge

The law requires that all contributing employers pay to the Fund a surcharge to help correct the Fund's financial situation, beginning 30 days after the employer is notified that the plan is in critical status. The surcharge is a percentage of the employer's negotiated contribution rate. A 5% surcharge is applicable the first year the Fund is in critical status and the employers are notified of the surcharge. The surcharge goes up to 10% for each succeeding plan year in which the Fund is in critical status, until the employer agrees to a collective bargaining agreement that implements one of the schedules in the Rehabilitation Plan.

The 5% surcharge was due with respect to any contribution required to be paid on or after May 30, 2010, or actually paid after that date even if the obligation to the Fund arose earlier, and continued until December 31, 2010. For subsequent Plan years, beginning January 1, 2011, the 10% surcharge will apply to contributions required to be paid or actually paid on and after that date.

For more information about this notice or the Fund, or to receive a copy of the Rehabilitation Plan, contact the Fund Office at the address or phone number listed at the top of this letter.

Sincerely,
Board of Trustees