

TEAMSTERS LOCAL 560 BENEFIT FUNDS

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Notice of Critical and Declining Status Trucking Employees of North Jersey Pension Plan

April 29, 2016

Participants, Beneficiaries, Contributing Employers and Teamsters Local 560:

This is to inform you that on March 30, 2016, the Actuary for the Trucking Employees of North Jersey Pension Plan (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, 2016. Federal law requires that you receive this notice.

Introduction

The Pension Protection Act ("PPA"), signed into law in 2006, was passed by the U. S. Congress with the intention of assisting pension funds improve their financial condition. 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 how much funding is in reserve (or "in the bank") for the future. The preservation provisions are intended to create more discipline as well as 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.

Critical Status

For the previous Fund year, notice was provided that The Fund was in critical and declining status (red zone). As of January 1, 2016 the Fund remains in critical and declining status and based on the Actuary's determination the Fund has a funded percentage of 32%. The Fund also has an accumulated funding deficiency in the Funding Standard Account, This means that contributions will neither be enough to meet government standards for funding promised benefits or for the benefits participants are currently earning.

Critical and Declining Status

Also, as required by the Multiemployer Pension Reform Act of 2014, the Plan was certified as being in critical and declining status because: (1) the Actuary determined that the plan is projected to become insolvent during the 2020 Plan Year, (2) there is a deficiency in the Funding Standard Account, (3) the funded percentage is less than 65%, and (4) the sum of assets plus the present value of contributions is less than the present value of benefit payments and administrative expenses over the next seven years.

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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 its initial Rehabilitation Plan on October 21, 2010.

Under the initial Rehabilitation Plan, parties to each collective bargaining agreement were required to make or negotiate increases in the employers' contribution obligations. The Rehabilitation Plan included a schedule that the bargaining parties could adopt to implement the Plan. The bargaining parties could either wait until negotiations on a new collective bargaining agreement to agree on the schedule, or they could 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 is required by law to annually assess whether the Pension Fund is on track to meet the goals of the Rehabilitation Plan, and to adopt adjustments to the Rehabilitation Plan that may be necessary or appropriate over the passing of 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. The Rehabilitation Plan also provided that if the Trustees of the Pension Fund determine that additional reductions in adjustable benefits are necessary in the future, you will then receive a separate notice 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 was to be applied to any pensioner or beneficiary whose benefits began (benefit commencement date) 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. Notification of at least 30 days is required to be sent 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.

On September 6, 2012 the Trustees adopted amendment to the Rehabilitation Plan, and on October XX, 2014, further amended the Rehabilitation Plan to provide for a Default Schedule, and an Alternative Schedule, of Contribution Rates and Benefit Changes.

Benefit Suspension and Partition

Under the Multiemployer Pension Reform Act of 2014 (MPRA), a plan that has been determined to be in critical and declining status and is projected to become insolvent may be able to adopt certain reductions to accrued benefits, subject to various requirements and limitations, if doing so is projected to prevent insolvency. Generally, in order for the plan sponsor to adopt a benefit suspension, the suspension must be approved by the Department of the Treasury (Treasury) in consultation with the Department of Labor and the Pension Benefit Guaranty Corporation (PBGC), and ratified by a vote of the plan's participants and beneficiaries. MPRA also provides that a plan in critical and declining status that cannot be projected to avoid insolvency by benefit suspension alone, may be eligible to apply to the PBGC for a partition, subject to various requirements and limitations, if a partition (in addition to suspension) is projected to prevent

insolvency. Because the Plan is in critical and declining status for the 2016 plan year, the plan sponsor is eligible to apply to Treasury for approval of benefit suspensions and, because of necessity, to apply to the PBGC for a partition. The Board of Trustees has initiated discussions with the PBGC regarding the filing of application for partition and benefit suspensions.

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 and declining 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. The Fund is not expected to emerge from red zone status.

Employer Surcharge

The law requires that all contributing employers that do not adopt or become subject to the Rehabilitation Plan to 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 and declining 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 and declining 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 and declining 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, i.e., beginning January 1, 2012, 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 current Rehabilitation Plan, contact the Fund Office at the address or phone number listed at the top of this letter.

Sincerely,
Board of Trustees