LOCAL 705

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PENSION FUND

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LOCAL 705, INTERNATIONAL BROTHERHOOD OF TEAMSTERS PENSION FUND

NOTICE OF PLAN STATUS

April 2016

Participants, Beneficiaries, Participating Unions, and Contributing Employers:

The Pension Protection Act ("PPA" or "Act"), signed into law in 2006 and extended by the Multiemployer Pension Reform Act of 2014 ("MPRA"), is intended to improve the financial condition of pension plans. The Act implemented several safeguards as well as notification requirements to share more information about a plan's "financial health" with participants and others directly related to the plan.

Many of the Act's safeguard provisions relate to funding, which, in simplest terms, is how much money a plan has coming in, going out, and what is in reserve (or "in the bank") for the future. The safeguards are intended to prevent and correct funding problems to ensure that plans are able to pay benefits to participants and beneficiaries when due.

PPA, as amended by MPRA, requires that a pension plan be tested annually to determine how well it is funded. Benchmarks for measuring a plan's funding level, with formal labels, were established by the Act. Plans that are in "endangered", "seriously endangered", "critical", or "critical and declining" status must notify all plan participants, beneficiaries, unions, and contributing employers of the Plan's status, as well as take corrective action to restore the plan's financial health.

Fund's Status – Critical Status

On March 30, 2016, the Local 705, International Brotherhood of Teamsters Pension Fund ("Fund"), which funds the benefits under the Local 705, International Brotherhood of Teamsters Pension Plan (the "Plan"), was certified by its actuary to be in critical status (also known as the "Red Zone") for the plan year beginning January 1, 2016. This is based on the actuary's determination that the Fund is projected to have a funding deficiency within a year. This means that contributions, coupled with likely investment earnings, are not expected to be high enough to meet government standards for funding both current and future benefits. Despite this, the Fund does not have any immediate problem paying benefits to current and future pensioners and beneficiaries under the Plan. As of January 1, 2016, the Plan is projected to have sufficient assets to pay its benefit obligations for more than 20 years.

Rehabilitation Plan

Federal law requires that a plan in critical status adopt a "Rehabilitation Plan" aimed at restoring the financial health of the plan.

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The law permits pension plans in critical status to eliminate or change benefits called "adjustable benefits" as part of a Rehabilitation Plan. These include:

- Plan benefits, rights, and provisions, including pre and post-retirement death benefits (other than qualified joint and survivor annuities), disability benefits not yet in pay status, and similar benefits; and
- Early retirement benefits or retirement-type subsidies.

This is the fifth year the Plan has been in critical status, and the Trustees adopted a Rehabilitation Plan on April 5, 2012. On April 27, 2012, you were notified about the Rehabilitation Plan that reduced and/or eliminated some of the adjustable benefits. **Benefits for pensioners and beneficiaries in pay status on April 27, 2012 were not affected.** The Rehabilitation Plan was reviewed during 2015 and no changes were made. You should know that whether or not the Fund reduces adjustable benefits in the future, effective as of April 27, 2012, the Plan is not permitted to pay lump sum benefits (or any other payment in excess of the monthly amount paid under a single life annuity) while it is in critical status. If the Trustees determine that further benefit reductions are necessary, you will receive a separate notice in the future identifying and explaining the effect of those reductions. Any reduction of adjustable benefits will not reduce the level of a participant's accrued benefit payable at the Plan's normal retirement age of 65.

Employer Surcharge

The law requires that all contributing employers pay a surcharge to a plan in critical status when the contribution rate in the collective bargaining agreement is less than the amount required by the Rehabilitation Plan adopted by the Trustees. If a surcharge is assessed, it will be equal to a percentage of the amount an employer is required to contribute to the plan under the applicable collective bargaining agreement. For contributions payable in 2016 and thereafter, a 10% surcharge is payable until the Plan leaves critical status, or after the bargaining parties negotiate a collective bargaining agreement consistent with the Rehabilitation Plan.

What's Next

We understand that legally required notices like this one can create concern about the Fund's future. While the "critical" status or "Red Zone" classification is required to be used by law, the fact is that we are working with our actuaries and consultants to continue to review the Fund's condition and address its issues. We will take the actions necessary to improve the Fund's financial condition. However, since the Fund is influenced by economic and financial variables beyond our control (such as market volatility and changes in participation and/or the number of contributing employers), unexpected developments can affect the Fund's status and any future corrective actions needed.

The Rehabilitation Plan and any benefit, contribution, or other plan provision changes (other than the statutorily required suspension of the partial lump sum option) will be communicated to all affected individuals and parties before any changes are made.

For more information about this notice or the Fund in general, please contact the Fund's Administrator, Jack F. Witt, Fund Administrator at 1645 West Jackson Boulevard, 7th Floor, Chicago, Illinois 60612.

Sincerely,
Board of Trustees

As required by law, this notice is being provided to the Pension Benefit Guaranty Corporation (PBGC) and the Department of Labor.

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