CENTRAL STATES SOUTHEAST AND SOUTHWEST AREAS PENSION FUND

2011 – SPECIAL BULLETIN – 2011-6

DATE: AUGUST 4, 2011

TO: ALL EMPLOYERS AND LOCAL UNIONS

RE: ADOPTION OF HYBRID WITHDRAWAL LIABILITY METHOD

This Special Bulletin is sent to advise you that on July 27, 2011, the Pension Fund's Board of Trustees have amended the Pension Plan to provide for a hybrid method for calculating withdrawal liability. This amendment is subject to and effective upon approval by the Pension Benefit Guaranty Corporation ("PBGC").

In the last few years, both participating employers and local unions have approached the Pension Fund with concerns about the amount of withdrawal liability that participating employers will incur if they withdraw from the Pension Fund. Local unions wish to ensure that their members continue to have the opportunity to accrue benefits with the Pension Fund, and also wish to protect their members from suffering a reduction in benefits that would result from bargaining out of the Pension Fund. Employers do not wish to bargain out of the Pension Fund, but they do wish to mitigate the risk of potential increases in withdrawal liability. Further, local unions advise that there are new employers that might agree to participate in the Pension Fund but for the risks associated with withdrawal liability.

In response to these concerns, the Trustees authorized the Pension Fund's staff to explore options to address the issues raised by the employers and local unions. After investigation and deliberation, the Trustees have adopted a hybrid withdrawal liability method as described in the next section.

Under the Amendment, existing employers will have their withdrawal liability calculated under the modified presumptive method as in the past. Generally speaking, under this method each employer pays its pro rata share of the Pension Fund's Unfunded Vested Benefits ("UVB"). However, new employers (and those existing employers that choose to do so) will have their withdrawal liability calculated under the direct attribution method. Under this method, each employer's withdrawal liability is measured based upon the contributions paid and the benefits accrued by that particular employer on a go forward basis. Due to the fact that the benefit accrual is only a fraction of the contributions paid, use of the direct attribution method is almost certain to result in the employer owing no withdrawal liability.

Existing employers may become part of the direct attribution pool by paying their existing withdrawal liability (as calculated under the modified presumptive method). This payment may be paid in a lump sum, or in accordance with a payment schedule as calculated under ERISA (with a bond or escrow agreement posted for the entire payment schedule). At that point, the employer may participate on a go forward basis in the direct attribution pool. This approach allows the employer to continue participating in the Pension Fund while mitigating the risk of future increases in withdrawal liability that may occur in the modified presumptive pool. Further, it presents an approach which allows the participants to retain their existing benefits without the benefit reductions that would occur if the employer and local union bargained out of the Pension Fund.

It bears emphasis that no existing participating employer or local union is required to take advantage of the new direct attribution pool. Employers may continue to participate as they have in the past and remain part of the modified presumptive pool. However, the Trustees hope that the direct attribution pool option may assist those employers and local unions that wish to maintain participation in the Pension Fund while mitigating the risk of withdrawal liability increases.

Please feel free to contact Pete Priede at (847) 518-9800, ext. 3053 should you have any questions about this Special Bulletin.

Sincerely,

BOARD OF TRUSTEES,
CENTRAL STATES, SOUTHEAST AND
SOUTHWEST AREAS PENSION FUND,

BY:

THOMAS C. NYHAN
EXECUTIVE DIRECTOR