

**REHABILITATION PLAN OF THE  
UNITED FURNITURE WORKERS PENSION FUND A**

**ADOPTED: DECEMBER 3, 2008**

**FIRST AMENDMENT: DECEMBER 29, 2008**

The United Furniture Workers Pension Fund A (the “Pension Fund”) was certified on May 29, 2008 by its actuary as being in “critical status” as defined by the Pension Protection Act of 2006 (the “PPA”). The Pension Fund’s Board of Trustees, as plan sponsor of the Pension Fund, is required under the PPA to develop a “Rehabilitation Plan,” which is designed to improve the financial condition of the Pension Fund over time in accordance with standards set forth in the PPA. In order to comply with this statutory mandate, the Board of Trustees of the Pension Fund has adopted this Rehabilitation Plan, which will become effective on March 1, 2009, and will serve as an amendment to the Pension Fund’s plan document.

Under this Rehabilitation Plan, Pension Fund retirees and beneficiaries with benefit commencement dates before March 1, 2009 and participants and former participants who either file for a pension benefit or otherwise become eligible for a benefit from the Pension Fund prior to March 1, 2009 shall not be affected by this Rehabilitation Plan to the extent permitted by applicable law. All other Pension Fund participants and former participants, except as otherwise provided herein, shall be subject to this Rehabilitation Plan.

As explained in greater detail below, this Rehabilitation Plan consists of two schedules, the Preferred Schedule and the Default Schedule. These schedules set forth the alternative benefits and contribution requirements under this Rehabilitation Plan. The Contributing Employers<sup>1</sup> and the CWA/IUE Local Unions (the “Bargaining Parties”) will determine, through

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<sup>1</sup> For purposes of this Rehabilitation Plan, a “Contributing Employer” shall mean any employer which is obligated to make contributions to the Pension Fund pursuant to the terms of a collective bargaining agreement or other written agreement requiring contributions to the Pension Fund.

collective bargaining, which schedule a Contributing Employer will elect for the benefit of its employees who participate in the Pension Fund. In addition, all Contributing Employers will be required to pay to the Pension Fund the surcharges mandated by ERISA Section 305(e)(7)(A), and as explained in Section 4(A) and (B) below, the increases mandated under both the Preferred Schedule and the Default Schedule shall be inclusive of the amount of the surcharges imposed on all Contributing Employers hereunder. Effective for bargaining unit work performed on or after August 1, 2008, the surcharge required by ERISA Section 305(e)(7)(A) is 5% of the contributions otherwise required under the applicable collective bargaining agreement or other written agreement requiring contributions to the Pension Fund. Effective March 1, 2009, the surcharge required under ERISA Section 305(e)(7)(A) shall increase to 10% of the contributions required under such agreements.

As required by the PPA, the Board intends to review the terms of this Rehabilitation Plan from time to time to determine whether the plan is consistent with the Board's objective of improving the Pension Fund's funding status over time.

#### **SECTION 1 – RELEVANT STANDARDS UNDER THE PPA**

Under the PPA, a rehabilitation plan must include one (1) or more schedules showing revised benefit structures, revised contributions, or both, which, if adopted by the plan sponsor and agreed upon by the bargaining parties, may reasonably be expected to enable a pension fund to emerge from critical status by the end of the pension fund's rehabilitation period, or where that is not reasonable, to emerge from critical status at a later time.

The PPA also provides that one of the rehabilitation plan's schedules of benefits and contributions shall be designated as being the "default" schedule. Under the PPA, the default schedule must consist of (i) the reduction of all future benefit accruals to the extent permitted by law, (ii) the elimination of all adjustable benefits and, to the extent necessary, (iii) an increase in

contribution rates, which, taken together, are projected to allow a pension fund to emerge from critical status by the end of the pension fund's rehabilitation period. Adjustable benefits that may be eliminated include post-retirement death benefits, early retirement benefit or retirement type subsidies, disability benefits or related subsidies or any other benefits that may be described in ERISA Section 305(e)(8)(A).

## **SECTION 2 – BOARD'S DETERMINATION TO UTILIZE ALTERNATIVE MEASURES TO EMERGE FROM CRITICAL STATUS**

Under the PPA, a rehabilitation plan is a plan which is intended, through various changes in benefits and contributions and reasonably anticipated experience and reasonable actuarial assumptions, to enable a pension fund to emerge from critical status by the end of its rehabilitation period. However, under the PPA, if the plan sponsor of a pension fund "determines that, based on reasonable actuarial assumptions and upon exhaustion of all reasonable measures," the pension fund is not reasonably expected to emerge from critical status by the close of the plan's rehabilitation period, then the plan sponsor can fashion a rehabilitation plan that includes reasonable measures that are designed to allow the pension fund to emerge from critical status at a later time or forestall possible insolvency under ERISA Section 4245. A plan sponsor may adopt this "exhaustion" approach upon its determination that "based on reasonable actuarial assumptions and upon exhaustion of all reasonable measures," it would not be reasonable to conclude that the pension fund would emerge from critical status by the end of its rehabilitation period.

For the reasons set forth in greater detail below, the Board of Trustees of the Pension Fund has determined that, on the basis of reasonable actuarial assumptions and upon the exhaustion of all reasonable measures, and upon consideration of various alternatives, it would not be reasonable to conclude that the Pension Fund would emerge from critical status under the PPA by the end of its rehabilitation period. (The Pension Fund's rehabilitation period is the ten (10) year period beginning on March 1, 2011 and ending on February 28, 2021).

**A. Alternatives Considered**

The Board of Trustees considered numerous alternatives (including combinations of contribution rate increases and benefit adjustments) that, together with applicable amortization extensions, were projected to enable the Pension Fund to emerge from critical status by the end of its rehabilitation period. The Pension Fund’s actuary projected that in order for the Pension Fund to emerge from critical status by the end of its rehabilitation period, the Board would need to adopt one of the following schedules (or a similar schedule):

<u>Benefit Reductions</u>	<u>Contribution Rate Increases (All Increases Compound Annually)*</u>		
	<u>Alternative 1</u>	<u>Alternative 2</u>	<u>Alternative 3</u>
Immediate elimination of all Adjustable Benefits (benefit accruals are already at lowest level permitted by law)	Yr. 1 – 6.7% increase Yr. 2 – 7.7% increase Yr. 3 – 8.7% increase Yr. 4 – 9.7% increase Yr. 5 – 10.7% increase Yr. 6 – 11.7% increase Yr. 7 – 12.7% increase Yr. 8 – 13.7% increase Yr. 9 – 14.7% increase Yr.10 – 15.7% increase	Yrs. 1-10 - 10.4% increases	Yr. 1-15% increase Yrs. 2-10- 9.6% increases

\* Depending upon the expiration dates of existing collective bargaining agreements to which the Bargaining Parties may be bound as of the date of the adoption of this Rehabilitation Plan, the number of years in which a default schedule may be applicable to Contributing Employers who become subject to that schedule will generally range from 10 to 12 years, in each case to the end of the rehabilitation period, which is February 28, 2021.

**B. Rationale for Rejecting Alternatives**

After careful consideration of all of the foregoing alternatives, the Board concluded that none of those alternatives is reasonably expected to enable the Pension Fund to emerge from critical status by February 28, 2021. Rather, the Board determined that adopting a rehabilitation plan which would require the Pension Fund’s Contributing Employers to increase their contribution rates at the levels set forth above, compounded annually, would likely result in a significant number of

employer withdrawals from the Pension Fund, or a mass withdrawal, thereby further jeopardizing the funding status of the Pension Fund or resulting in the Pension Fund's insolvency.

### **SECTION 3 – ELIMINATION OF ADJUSTABLE BENEFITS**

As required by law, the Pension Fund ceased paying all lump sum payments in excess of \$5,000 effective June 28, 2008, and the elimination of all such lump sum payments under the Pension Fund shall continue under this Rehabilitation Plan. Moreover, effective for benefit commencements occurring on or after March 1, 2009, the Pension Fund shall cease to provide any of the following benefits, rights and features:

- Any and all death benefits;
- Any and all withdrawal benefits;
- The 36-month benefit guarantee;
- Any and all lump sum benefits.

In addition, effective for Pension Fund participants (A) who are employed by Contributing Employers who become subject to the Default Schedule or (B) on whose behalf contributions are no longer required to be made to the Fund, such participants shall not be eligible, upon their retirement or other employment separation, for the Pension Fund's early retirement or disability benefit subsidies, to the extent permitted by applicable law.

### **SECTION 4 – SCHEDULES OF CONTRIBUTIONS**

The Board of Trustees hereby establishes the contribution schedules that Contributing Employers may elect under this Rehabilitation Plan. Section 4(A) sets forth the Rehabilitation Plan's Preferred Schedule and Section 4(B) sets forth the Rehabilitation Plan's Default Schedule.

If a Contributing Employer and a Local Union do not have a collective bargaining agreement (or other written agreement requiring contributions to the Pension Fund) in effect as of March 1, 2009, and if the those Bargaining Parties do not accept the Preferred Schedule herein by

May 31, 2009, then the Default Schedule will be imposed on that Contributing Employer on the earlier of 180 days after March 1, 2009 or the date that the Secretary of Labor declares an impasse in bargaining. If a Contributing Employer and a Local Union do have a collective bargaining agreement (or other written agreement requiring contributions to the Pension Fund) in effect as of March 1, 2009, and if, upon expiration of that agreement the Bargaining Parties do not accept the Preferred Schedule within the earlier of 180 days after such expiration or the date the Secretary of Labor declares an impasse in bargaining, then the Default Schedule will be imposed, as required by the PPA on the Contributing Employer. The Pension Fund hereby reserves the right to impose, to the greatest extent permitted by applicable law, the Default Schedule upon any Contributing Employer whose collective bargaining agreement (or other written agreement requiring contributions to the Pension Fund) expires and who fails or refuses to accept the Preferred Schedule within 180 days of such expiration. For purposes of this Rehabilitation Plan, in the event that a Contributing Employer is required to contribute to the Pension Fund pursuant to an agreement to contribute for indefinite period of time, such Contributing Employer will be required to adopt the Rehabilitation Plan on or before May 31, 2009, or will be subject to having the Default Schedule imposed upon it within 180 days thereafter.

**A. Preferred Schedule (Preserves Some Adjustable Benefits; Eliminates Others)**

2009-2035: Increase contributions by 5.5% each year.

Effective immediately upon the expiration of a collective bargaining agreement (or other agreement requiring contributions to the Pension Fund), each Contributing Employer who elects to contribute to the Pension Fund under the Preferred Schedule set forth above shall be required to increase its contributions to the Pension Fund each year by an amount equal to 5.5% of (i) the contributions required under its prior collective bargaining agreement and (ii) the amount of

any surcharge required pursuant to ERISA Section 305(e)(7).<sup>2</sup> (The first annual increase shall be effective the month following the date upon which the Contributing Employer elects the Preferred Schedule. In all subsequent years, the annual increase shall be effective on the earlier of the anniversary of the collective bargaining agreement or March 1).

By way of illustration, if a Contributing Employer's total contribution obligation under its immediately preceding collective bargaining agreement and by application of the surcharges required pursuant to ERISA Section 305(e)(7) amounted to \$5,000 per month, then under this Preferred Schedule, that Contributing Employer would be required to increase its monthly contributions by an additional \$275 per month (to \$5,275), assuming all other assumptions remained constant. In the subsequent year (and again assuming all other assumptions remain constant), that Contributing Employer's contributions to the Pension Fund would increase by an additional \$290.13 per month (to \$5,565.13 per month).

Notwithstanding the provisions of Section 3, all active Pension Fund participants whose Contributing Employers have elected the Preferred Schedule will remain eligible for a disability benefit subsidy and the early retirement subsidy to the same extent that such participants were eligible for such benefits immediately before the effective date of this Rehabilitation Plan.

The Board of Trustees anticipate reviewing, from time to time, the impact that this Preferred Schedule is having on the Pension Fund's funding status, and anticipate making adjustments to this Schedule, as appropriate, over time.

**B. Default Schedule (Eliminates All Adjustable Benefits)**

2009-2021: Increase contributions by 10.4% each year.

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<sup>2</sup> The 5.5% annually compounding contribution increases required to be made by each Contributing Employer hereunder are intended to improve the funding status of the Pension Fund and will not generate any additional benefit accruals for Pension Fund participants, to the extent permitted by applicable law.

Any Contributing Employer who becomes subject to the Default Schedule shall be required to increase its contributions to the Pension Fund each year in an amount equal to 10.4% of (i) the contributions required under its expired collective bargaining agreement and (ii) the amount of the surcharge required pursuant to ERISA Section 305(e)(7).<sup>3</sup> (The first annual increase shall be effective the month following the date upon which the Default Schedule becomes subject to the Contributing Employer. In all subsequent years, the annual increase shall be effective on the earlier of the anniversary of the collective bargaining agreement, if any, or March 1).

As required under the PPA, the Default Schedule under this Rehabilitation Plan consists of the elimination of all adjustable benefits permitted by applicable law, and an increase in contributions, which, taken together, are designed to allow the Pension Fund to emerge from critical status by the end of its rehabilitation period. Based upon the actuary's assumption that Contributing Employers who become subject to the Default Schedule are less likely to remain as Contributing Employers in the Pension Fund for an extended period of time, and consistent with the design of the PPA, the Board has determined that the contribution increases required from such Contributing Employers should be based upon enabling the Pension Fund to emerge from critical status within its rehabilitation period, i.e., by February 28, 2021.

By way of illustration, if a Contributing Employer's total contribution obligation under its expired collective bargaining agreement and by application of the surcharges required pursuant to ERISA Section 305(e)(7) amounted to \$5,000 per month, then under this Default Schedule, that Contributing Employer would be required to increase its monthly contributions by an additional \$520 per month (to \$5,520), assuming all other assumptions remained constant. In the

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<sup>3</sup> The 10.4% annually compounding contribution increases required to be made by each Contributing Employer hereunder are intended to improve the funding status of the Pension Fund and will not generate any additional benefit accruals for Pension Fund participants, to the extent permitted by applicable law.

subsequent year (and again assuming all other assumptions remain constant), that Contributing Employer's contributions to the Pension Fund would increase by an additional \$574.08 per month (to \$6,094.08 per month).

**SECTION 5 – ANNUAL STANDARDS AND PROJECTED EMERGENCE FROM CRITICAL STATUS**

Under this Rehabilitation Plan, the Board has established the annual standards set forth below for improving the Pension Fund's funding status from 2010 through the date that it is projected to emerge from critical status in 2036.

The Board has determined, upon consultation with the Pension Fund's actuary, that the reasonable measures contemplated under this Rehabilitation Plan, which include substantial, yet more attainable, contribution increases and less onerous benefit adjustments, are less likely to result in mass employer withdrawals and are reasonably designed to allow the Pension Fund to emerge from critical status at a later time. Assuming that all of the Contributing Employers elect the Preferred Schedule set forth in Section 4(A) above, and based upon the attainment of all of the Pension Fund's other reasonable actuarial assumptions, the Board, in consultation with the Pension Fund's actuary, has concluded that the Pension Fund's funding status is projected to improve over time as follows:

March 2010 -69% funded	March 2023 -58% funded
March 2011 -67% funded	March 2024 -58% funded
March 2012 -64% funded	March 2025 -58% funded
March 2013 -63% funded	March 2026 -59% funded
March 2014 -62% funded	March 2027 -61% funded
March 2015 -61% funded	March 2028 -63% funded
March 2016 -60% funded	March 2029 -65% funded
March 2017 -59% funded	March 2030 -68% funded
March 2018 -59% funded	March 2031 -73% funded
March 2019 -58% funded	March 2032 -78% funded
March 2020 -58% funded	March 2033 -84% funded
March 2021 -58% funded	March 2034 -92% funded
March 2022 -57% funded	March 2035 -99% funded
	March 2036 – Projected to

be fully funded

Under this projection, it is anticipated that the Pension Fund's financial condition would improve incrementally over time and the Pension Fund would emerge from critical status by February 29, 2036.

#### **SECTION 6 – ENFORCEMENT OF REHABILITATION PLAN**

In addition to all of the rights and remedies that are available under applicable law, including, without limitation, Title I and Title IV of ERISA, the Board of Trustees of the Pension Fund hereby expressly reserve the right to find and determine, in their discretion, that any Contributing Employer who fails and/or refuses, after written notice, to comply with the terms and conditions of this Rehabilitation Plan, shall be deemed to have effected a complete or partial withdrawal from the Pension Fund within the meaning of ERISA Sections 4203 or 4205, as applicable. Upon such a finding and determination, the Board of Trustees hereby expressly reserve the right to pursue all of the Pension Fund's remedies against such withdrawing employer as are available under ERISA and other applicable law.

#### **SECTION 7 – CONSTRUCTION AND MODIFICATIONS**

The Board of Trustees of the Pension Fund reserves the right to construe, interpret and/or apply the terms and provisions of this Rehabilitation Plan in a manner that is consistent with its intent and design of improving the financial condition of the Pension Fund over time, and any all constructions, interpretations or applications of this Rehabilitation Plan by the Board shall be final and binding unless arbitrary or capricious. The Board further reserves the right to make any prospective or retroactive modifications to this Rehabilitation Plan that, in their discretion, may become necessary or appropriate or that may be required by applicable law.