

**2018 ANNUAL FUNDING NOTICE  
FOR  
CENTRAL STATES, SOUTHEAST AND SOUTHWEST AREAS  
PENSION PLAN**

Introduction

This notice includes important information about the funding status of your multiemployer pension plan ("the Plan"). It also includes general information about the benefit payments guaranteed by the Pension Benefit Guaranty Corporation ("PBGC"), a federal insurance agency. All traditional pension plans (called "defined benefit pension plans") must provide this notice every year regardless of their funding status. This notice does not mean that the Plan is terminating. It is provided for informational purposes and you are not required to respond in any way. This notice is required by federal law. This notice is for the plan year beginning January 1, 2018 and ending December 31, 2018 ("Plan Year").

How Well Funded Is Your Plan

The law requires the administrator of the Plan to tell you how well the Plan is funded, using a measure called the "funded percentage." The Plan divides its assets by its liabilities on the Valuation Date for the plan year to get this percentage. In general, the higher the percentage, the better funded the plan. The Plan's funded percentage for the Plan Year and each of the two preceding plan years is shown in the chart below. The chart also states the value of the Plan's assets and liabilities for the same period.

<b>Funded Percentage</b>			
	2018	2017	2016
Valuation Date	January 1, 2018	January 1, 2017	January 1, 2016
Funded Percentage	27.2%	37.8%	42.1%
Value of Assets	\$14,636,917,318	\$15,591,062,869	\$16,425,541,620
Value of Liabilities	\$53,716,610,057	\$41,246,553,973	\$39,046,354,526

Year-End Fair Market Value of Assets

The asset values in the chart above are measured as of the Valuation Date. They also are "actuarial values." Actuarial values differ from market values in that they do not fluctuate daily based on changes in the stock or other markets. Actuarial values smooth out those fluctuations and can allow for more predictable levels of future contributions. Despite the fluctuations, market values tend to show a clearer picture of a plan's funded status at a given point in time. The asset values in the chart below are market values and are measured on the last day of the Plan Year. The chart also includes the year-end market value of the Plan's assets for each of the two preceding plan years.

	December 31, 2018	December 31, 2017	December 31, 2016
Fair Market Value of Assets	\$13,168,043,720	\$15,011,652,100	\$15,267,533,341

Endangered, Critical, or Critical and Declining Status

Under federal pension law, a plan generally is in "endangered" status if its funded percentage is less than 80 percent. A plan is in "critical" status if the funded percentage is less than 65 percent (other factors may also apply). A plan is in "critical and declining" status if it is in critical status and is projected to become insolvent (run out of money to pay benefits) within 15 years (or within 20 years if a special rule applies). If a pension plan enters endangered status, the trustees of the plan are required to adopt a funding improvement plan. Similarly, if a pension plan enters critical status or critical and declining status, the trustees of the plan are required to adopt a rehabilitation plan. Funding improvement and rehabilitation plans establish steps and benchmarks for pension plans to improve their funding status over a specified period of time. The plan sponsor of a plan in critical and declining status may apply for approval to amend the plan to reduce current and future payment obligations to participants and beneficiaries.

The Plan was in critical and declining status in the Plan Year ending December 31, 2018 because the Plan's Actuary determined that: (1) the plan has an accumulated funding deficiency for the current plan year and over the next three plan years, the plan is projected to have an accumulated funding deficiency for the 2019 through 2021 plan years; (2) the funded percentage of the plan is less than 65%, the plan has an accumulated funding deficiency for the current plan year, and over the next four plan years, the plan is projected to have an accumulated funding deficiency for the 2019 through 2022 plan years; (3) the sum of the plan's normal cost and interest on the unfunded benefits for the current plan year exceeds the present value of all expected contributions for the year; the present value of vested benefits of inactive participants is greater than the present value of vested benefits of active participants; the plan has an accumulated funding deficiency for the current plan year, and over the next four plan years, the plan is projected to have an accumulated funding deficiency for the 2019 through 2022 plan years; (4) the plan was in critical status last year, the plan has an accumulated funding deficiency for the current plan year, and over the next 9 years, the plan is projected to have an accumulated funding deficiency for the 2019 through 2027 plan years; and (5) the plan is projected to become insolvent in 2025.

In an effort to improve the Plan's funding situation, the trustees adopted a rehabilitation plan on March 25, 2008, and the trustees have made subsequent updates to the rehabilitation plan. The rehabilitation plan is expected to last indefinitely. The rehabilitation plan generally requires, as a condition of maintaining current benefit levels (with the limitation that benefits are not payable prior to age 57), that all contributing employers enter into contracts providing for 8% annual pension contribution rate increases for a period of five years, followed by 4%-6% increases in

later years (the rehabilitation plan's "Primary Schedule"). However, contribution rate increases are not required beyond \$348 per week for employers covered by the National Master Automobile Transporters Agreement and \$342 per week for all other employers. As required by law, the rehabilitation plan also includes a "Default Schedule" which eliminates various "adjustable benefits." The Default Schedule requires 4% annual contribution rate increases, and reduces or eliminates all "early retirement," pre-age 65 benefit subsidies for bargaining units that agree to adopt it, or units that become subject to it by operation of law. In many instances, the rehabilitation plan also eliminates the adjustable benefits of bargaining units that withdraw completely from participation in the Plan, by (for example) agreeing to a new collective bargaining agreement that eliminates the contribution obligation to the Plan. The rehabilitation plan defines withdrawals of this type, which cause a loss of adjustable benefits, a "Rehabilitation Plan Withdrawal." Under the Default Schedule or a Rehabilitation Plan Withdrawal, the benefits of participants who retire prior to age 65 are reduced under an actuarial equivalency table.

Also, the rehabilitation plan includes a Distressed Employer Schedule that applies to participants whose last year of Contributory Service Credit was earned with YRC Worldwide, Inc. companies (including YRC, Inc. and USF Holland, Inc.). Generally, the Distressed Employer Schedule has a benefit structure similar to the Default Schedule with certain exceptions for participants that had retired prior to September 24, 2010 or met certain age and service requirements as of the date of the Distressed Employer's termination of participation in the Fund.

In addition, the rehabilitation plan includes a New Employer "Hybrid Method" Schedule. This schedule applies to those employers that qualify as New Employers under the Plan's "hybrid withdrawal liability method." Generally, an employer is a New Employer if the employer has satisfied its withdrawal liability obligations to the Plan but has agreed to continue contributing to the Plan for a period of time at a specified minimum level. Contribution rate increases are not required for those employers that become part of the direct attribution (Hybrid Method) plan by satisfying their withdrawal liability and continuing to contribute to the plan. Further, effective with the expiration of a collective bargaining agreement after December 31, 2016, these employers may agree with the bargaining representative to lower the contribution rate to the Plan in an amount acceptable to the Plan provided that the participants receive the savings from such reduction in a manner acceptable to the bargaining representative.

You may get a copy of the Plan's rehabilitation plan, any update to such plan and the actuarial and financial data that demonstrate any action taken by the Plan toward fiscal improvement by contacting your plan administrator. Your plan administrator is identified below under "Where To Get More Information."

If the Plan is in endangered, critical, or critical and declining status for the plan year ending December 31, 2019, separate notification of that status has or will be provided.

### Participant Information

The total number of participants and beneficiaries covered by the Plan on the valuation date was 390,079. Of this number, 64,834 were current employees, 197,655 were retired and receiving benefits, and 127,590 were retired or no longer working for the employer and have a right to future benefits.

### Funding & Investment Policies

Every pension plan must have a procedure to establish a funding policy for plan objectives. A funding policy relates to how much money is needed to pay promised benefits. The funding policy of the Plan is established by the Trustees who set contribution rate increases and benefit levels in the rehabilitation plan schedules.

Pension plans also have investment policies. These generally are written guidelines or general instructions for making investment management decisions. The investment policy of the Plan is that assets will be managed in a prudent manner and allocated among different asset classes to maximize investment return, increase funding status, manage risk and ensure adequate liquidity to meet the Fund's benefit payments and other expenses. Assets may include any securities, derivative instruments (including but not limited to forwards, options, futures contracts, options on futures contracts and swaps), investment vehicles and/or types of properties which are in conformity with provisions of the Employee Retirement Income Security Act of 1974 and the Consent Decree (as amended to date) with the Department of Labor.

Under the Plan's investment policy, the Plan's assets were allocated among the following categories of investments, as of the end of the Plan Year. These allocations are percentages of total assets:

<u>Asset Allocations</u>	<u>Percentage:</u>
Stocks	26%
Investment grade debt instruments	71%
High-yield debt instruments	3%
Other	0%

### Right to Request a Copy of the Annual Report

Pension plans must file annual reports with the US Department of Labor. This report is called the "Form 5500." These reports contain financial and other information. You may obtain an electronic copy of your Plan's annual report by going to [www.efast.dol.gov](http://www.efast.dol.gov) and using the search tool. Annual reports also are available from the US Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1513, Washington, DC 20210, or by calling 202.693.8673. Or you may obtain a copy of the Plan's annual report by making a written request to the plan administrator. Annual reports do not contain personal information, such as the amount of your accrued benefit. You may contact your plan administrator if

you want information about your accrued benefits. Your plan administrator is identified below under "Where To Get More Information."

### Summary of Rules Governing Insolvent Plans

Federal law has a number of special rules that apply to financially troubled multiemployer plans that become insolvent, either as ongoing plans or plans terminated by mass withdrawal. The plan administrator is required by law to include a summary of these rules in the annual funding notice. A plan is insolvent for a plan year if its available financial resources are not sufficient to pay benefits when due for that plan year. An insolvent plan must reduce benefit payments to the highest level that can be paid from the plan's available resources. If such resources are not enough to pay benefits at the level specified by law (see Benefit Payments Guaranteed by the PBGC, below), the plan must apply to the PBGC for financial assistance. The PBGC will loan the plan the amount necessary to pay benefits at the guaranteed level. Reduced benefits may be restored if the plan's financial condition improves.

A plan that becomes insolvent must provide prompt notice of its status to participants and beneficiaries, contributing employers, labor unions representing participants, and PBGC. In addition, participants and beneficiaries also must receive information regarding whether, and how, their benefits will be reduced or affected, including loss of a lump sum option.

### Benefit Payments Guaranteed by the PBGC

The maximum benefit that the PBGC guarantees is set by law. Only benefits that you have earned a right to receive and that can not be forfeited (called vested benefits) are guaranteed. There are separate insurance programs with different benefit guarantees and other provisions for single-employer plans and multiemployer plans. Your plan is covered by PBGC's multiemployer program. Specifically, the PBGC guarantees a monthly benefit payment equal to 100 percent of the first \$11 of the Plan's monthly benefit accrual rate, plus 75 percent of the next \$33 of the accrual rate, times each year of credited service. The PBGC's maximum guarantee, therefore, is \$35.75 per month times a participant's years of credited service.

*Example 1:* If a participant with 10 years of credited service has an accrued monthly benefit of \$500, the accrual rate for purposes of determining the PBGC guarantee would be determined by dividing the monthly benefit by the participant's years of service ( $\$500/10$ ), which equals \$50. The guaranteed amount for a \$50 monthly accrual rate is equal to the sum of \$11 plus \$24.75 ( $.75 \times \$33$ ), or \$35.75. Thus, the participant's guaranteed monthly benefit is \$357.50 ( $\$35.75 \times 10$ ).

*Example 2:* If the participant in Example 1 has an accrued monthly benefit of \$200, the accrual rate for purposes of determining the guarantee would be \$20 (or  $\$200/10$ ). The guaranteed amount for a \$20 monthly accrual rate is equal to the sum of \$11 plus \$6.75 ( $.75 \times \$9$ ), or \$17.75. Thus, the participant's guaranteed monthly benefit would be \$177.50 ( $\$17.75 \times 10$ ).

The PBGC guarantees pension benefits payable at normal retirement age and some early retirement benefits. In addition, the PBGC guarantees qualified preretirement survivor benefits (which are preretirement death benefits payable to the surviving spouse of a participant who dies before starting to receive benefit payments). In calculating a person's monthly payment, the PBGC will disregard any benefit increases that were made under the plan within 60 months before the earlier of the plan's termination or insolvency (or benefits that were in effect for less than 60 months at the time of termination or insolvency). Similarly, the PBGC does not guarantee benefits above the normal retirement benefit, disability benefits not in pay status, or non-pension benefits, such as health insurance, life insurance, death benefits, vacation pay, or severance pay.

For additional information about the PBGC and the pension insurance program guarantees, go to the Multiemployer Page on PBGC's website at [www.pbgc.gov/multiemployer](http://www.pbgc.gov/multiemployer). Please contact your employer or plan administrator for specific information about your pension plan or pension benefit. PBGC does not have that information. See "Where to Get More Information," below.

#### Where to Get More Information

For more information about this notice, you may contact Thomas C. Nyhan, Executive Director at Central States, Southeast and Southwest Areas Pension Plan, 9377 West Higgins Road, Rosemont, IL 60018, phone number 1-800-323-5000. For identification purposes, the official plan number is 001 and the plan sponsor's name and employer identification number or "EIN" is Trustees of the Central States, Southeast and Southwest Areas Pension Plan, EIN 36-6044243.