

**TEAMSTERS LOCAL 639—EMPLOYERS PENSION TRUST FUND
401(h) RETIREE MEDICAL PLAN
3130 Ames Place N.E., Washington, D.C. 20018**

**NOTICE TO THE PARTICIPANTS IN THE TEAMSTERS LOCAL 639-EMPLOYERS
PENSION TRUST FUND AND THE 401(h) RETIREE MEDICAL PLAN
AND SUMMARY OF MATERIAL MODIFICATIONS**

Date: November 11, 2016
From: The Board of Trustees of the Teamsters Local 639-Employers Pension Trust Fund
Subject: Notice of Plan Changes

Dear Participant:

This Notice reports changes to the benefits provided by the Teamsters Local 639-Employers Pension Trust Fund and the 401(h) Retiree Medical Plan. You should read it carefully and keep it in a safe place.

We are writing to inform you of important developments concerning the Teamsters Local 639 – Employers Pension Trust Fund (the “Pension Plan”) and the 401(h) Retiree Medical Plan (the “401(h) Plan”).

Although your Pension Plan is better funded than many other pension plans in the country, in the present economy, we continue to experience serious challenges in maintaining the financial health of the Pension Plan as well as the 401(h) Plan. These challenges include an unpredictable financial climate, shrinking contributing employer and active participant populations, an increasing retiree population, and the rapid escalation of retiree healthcare costs.

After consulting with the Plans’ professionals, in order to keep the Pension Plan healthy and continue to provide retiree healthcare through the 401(h) Plan, we need to make several changes to both Plans, but the most significant adjustments will affect the 401(h) Plan.

Therefore, the Trustees have adopted the following changes to the Pension Plan and 401(h) Plan **effective January 1, 2017.**

PENSION PLAN CHANGES

1. Increase in the Pension Plan’s Direction of Contributions to the 401(h) Plan.

Effective January, 1, 2017, we are increasing the amount of employer contributions that are being directed to the 401(h) Plan from \$3 million per year to \$5 million per year, which will be spread evenly throughout the year.

2. **Change to the Preferred Schedule Benefit Factor**

For benefits earned on and after January 1, 2017, the benefit factor for level pensions will be modified as follows.

Under the Plan, if your employer and Local 639 have agreed to the Preferred Schedule (and annual contribution rate increases of at least 4.9%), the monthly benefit amount earned for each year beginning January 1, 2017 will be determined by multiplying:

- the total dollars of contributions made to the Plan (or required to be made to the Plan) on your behalf for a calendar year (based on the lesser of the contribution rate in effect on March 31, 2010 or the contribution rate in effect at the time Credited Service is earned*);
- by **1.6%**.

*If your employer first began contributing to the Plan after March 31, 2010, the contribution rate shall be the lesser of the contribution rate on the effective date of your employer's first collective bargaining agreement or the rate in effect at the time Credited Service is earned. As before, if your employer and Local 639 agree to a successor collective bargaining agreement that includes annual contribution rate increases of greater than 4.9%, your total dollars of contributions will include all contributions attributable to the contribution rate in excess of 4.9%.

Example

Assuming 150 hours worked per month, a participant who is currently working for an employer whose existing collective bargaining agreement contains a scheduled contribution rate of \$5.00 per hour effective January 1, 2010 with 4.9% annual contribution rate increases in each subsequent year would accrue benefits for 2016 and 2017 as follows:

Prior Plan

- Benefit Accrual for hours worked in 2016:
 $150 \times 12 \times \$5.00 \times \mathbf{1.8\%} = \162.00 per month
- Benefit Accrual for hours worked in 2017:
 $150 \times 12 \times \$5.00 \times \mathbf{1.8\%} = \162.00 per month

Revised Plan

- Benefit Accrual for hours worked in 2016:
 $150 \times 12 \times \$5.00 \times \mathbf{1.8\%} = \162.00 per month

- Benefit Accrual for hours worked in 2017:
 $150 \times 12 \times \$5.00 \times 1.6\% = \144.00 per month

Although the hourly contribution rates in these examples would increase annually by 4.9% each year from \$5.00 in 2010, the benefit accruals in each year after 2010 are based on the \$5.00 hourly contribution rate in effect on March 31, 2010.

3. No Change to the Default Schedule Benefit Factor

The Default Schedule benefit factor multiplier applicable to those employees whose employers do not negotiate annual contribution rates increases of at least 4.9% **will remain at 0.8%.**

401(h) RETIREE MEDICAL PLAN CHANGES

1. All Non-Medicare Retirees and Spouses.

Effective January 1, 2017, the monthly contributions of all eligible current and future Non-Medicare Retirees and Spouses will be a percentage of the cost of the 401(h) Plan's Non-Medicare coverage, based upon the Retiree's retirement and entry age into the Plan, as set forth below:

Retirement Entry Age	Cost % of the Plan's Coverage	2017 Monthly Contribution Rate
Entry age 55 or less	60%	\$662 per person
Entry age 56 but less than age 57	56%	\$618 per person
Entry age 57 but less than age 58	52%	\$573 per person
Entry age 58 but less than age 59	48%	\$529 per person
Entry age 59 but less than age 60	44%	\$485 per person
Entry age 60 or greater	40%	\$441 per person

The previous caps on the monthly contribution rates have been eliminated.

2. All Medicare Retirees and Spouses

Effective January 1, 2017, the monthly contributions of all eligible current and future Medicare Retirees and Spouses will be 100% of the cost of the 401(h) Plan's Medicare Supplemental coverage. There are two exceptions to this rule that will apply in 2017:

A. Medicare Retirees who retired on or after March 1, 2008 and their Spouses, as well as all future Medicare Retirees and Spouses: For the Calendar Year 2017 only, Medicare Retirees who retired on or after March 1, 2008 and their Spouses, as well as all future Medicare Retirees and Spouses will pay a fixed monthly contribution rate of **\$165 per person.**

B. Medicare Retirees who retired before March 1, 2008 and their Spouses. For the 2017 Calendar Year only, Medicare Retirees who retired before March 1, 2008 and their Spouses will pay a fixed monthly contribution rate of **\$165 per person, subject to a 10% pension benefit contribution rate cap.**

(Note that the 10% cap on contribution rates is based on the Retiree's monthly pension benefit as of his or her retirement date, adjusted for any subsequent increases adopted by the Trustees, payable in the form of a straight life annuity. The 10% cap applies separately to the Retiree and the Spouse. The 10% cap does not apply to any person receiving a Partial Pension under the Plan. Finally, the 10% cap will not apply if it has the effect of reducing any Retiree's or Spouse's monthly contribution rate below the amount they paid in December 2016.)

All contribution rates listed above apply only for the 2017 Plan Year and do not apply for any future Plan Years. Increases or decreases in the Retiree and Spouse contribution rates for future Plan Years will be determined by the Trustees annually and in advance of January 1 effective dates.

The Trustees continue to reserve the right to amend, modify, or terminate the 401(h) Plan and any or all benefits provided thereunder.

IT IS IMPORTANT TO NOTE THAT THESE AMENDMENTS TO THE PENSION AND RETIREE MEDICAL BENEFITS WILL NOT AFFECT OR CHANGE BENEFITS EARNED PRIOR TO JANUARY 1, 2017 AND WILL NOT AFFECT OR CHANGE THE BENEFITS CURRENTLY BEING RECEIVED BY ANY RETIREES.

We believe these changes will allow us to continue to provide outstanding pension benefits and a more financially secure retiree healthcare program. The decision to make these changes was made only after extensive study and analysis by the Trustees in coordination with the Plans' professionals. We will continue making the Pension and 401(h) Plans some of the best benefit plans available in the country.

Sincerely,

The Board of Trustees

This notice is intended to satisfy the requirements of section 204(h) of ERISA and section 4980F of the Code. This notice also serves as a Summary of Material Modifications for the Plan changes described in this notice, modifies the information previously provided to you regarding the Fund and should be kept with your Plan materials for future reference. If there are conflicts between this notice or other communications and the official Plan document, the official Plan document will govern.