Q&A: Pension and Health and Welfare Benefit Plans

What exactly is a Non-permanent Pension Contribution Termination?

During the period of the non-permanent cessation of the Company's obligation to make pension contributions, the Company's participation in the funds will be terminated and there will be no accrual of additional benefits or credit for covered participants.

Because the cessation of the obligation to make contributions is not considered a permanent cessation, the MOU contemplates that the funds will not assess withdrawal liability.

At the same time, participants with vested benefits under any of the affected Teamster plans will not lose what they have already accrued.

How long will the Company not pay Pension Contributions?

The proposed MOU provides for the non-permanent cessation of this obligation effective from July 1, 2009 through December 31, 2010 – a period of 18 months.

The MOU provides that effective January 1, 2011, or earlier if the Company satisfies financial benchmarks to be established by a joint labor management committee described in the MOU, the Company's obligation to make pension contributions will resume, at "rates, terms and conditions approved by the funds."

What does the non-permanent cessation provide to the company?

YRCW contributes roughly $40 million per month to various Teamster pension funds. The net effect of this non-permanent cessation of the obligation to make pension contributions is as much as $760 million in additional liquidity and cost savings for the Company during the period of the temporary cessation.

What about the deferral of the contributions from earlier this year that I've heard so much about?

The MOU also addresses several months (four months for most funds covering March thru June) of pension contributions the Company did not make immediately prior to July 1, 2009.

How is the deferral different than the non-permanent cessation?

For the deferred months, the Company and the banks arranged for collateral to be provided to the funds with respect to these unpaid pension contributions, and has asked the funds to sign pension deferral agreements.

- During the period of pension contribution deferrals (i.e., this several month period – which differs slightly based on the funds involved), participants earned pension accruals and credits.
- The Company has agreed to repay the deferred contributions with interest, at which time the collateral will be released.
- The net effect of this deferral is roughly $120 million in additional liquidity for the Company, (but with no cost savings since the obligation must be paid in the future with interest).

Why didn't the MOU just defer payment for all months?

Deferrals require the amount to be repaid with interest. The Company's financial position and existing debt load isn't sufficient for it to take on more debt or pay interest on that debt.

What about Health and Welfare Fund contributions?

Under the NMFA, the Company was obligated to pay an additional $1 per hour on August 1, 2009, August 1, 2010, August 1, 2011 and August 1, 2012, which was to be allocated between health and welfare and pension contributions.

The MOU provides that the contribution increases scheduled for August 1, 2009 and August 1, 2010 will be reduced to $.20 and $.40, respectively, and allocated entirely to health and welfare. The MOU does not change the 2011 and 2012 contribution increases.

The Company has otherwise agreed to continue to make health and welfare contributions to the funds for the duration of the contract.