



Pension Benefit Guaranty Corporation
1200 K Street, N.W., Washington, D.C. 20005-4026

ORDER PARTITIONING THE UNITED FURNITURE WORKERS PENSION FUND A

Pursuant to section 4233 of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), the United Furniture Workers Pension Fund A (the “Plan”) applied for an order partitioning the Plan. The Pension Benefit Guaranty Corporation (“PBGC”), pursuant to its authority under section 4233 of ERISA, has ensured that notice of the application has been provided to the Affected Participants (as defined below) of the Plan and made findings under section 4233 of ERISA.

Upon review of the Plan’s application dated February 28, 2017, and the entire record, PBGC hereby FINDS:

1. The Plan is in critical and declining status, as certified by the Plan’s actuary. ERISA § 4233(b)(1).
2. After consultation with the Participant and Plan Sponsor Advocate, the Plan sponsor has taken all reasonable measures to avoid insolvency. ERISA § 4233(b)(2).
3. A partition of the Plan is necessary for the Plan to remain solvent. ERISA § 4233(b)(3)(B).
4. The Plan’s representatives have demonstrated that, with a partition, the Plan will remain solvent, based on reasonable assumptions, including:
 - a. Contribution Rate: Employers will increase contributions by 1.5% annually.
 - b. Contribution Base Units (“CBU”): Employers will maintain a stable number of active participants;
 - c. Investment Return: Expected return on assets, net of investment expenses, is 3.00% in 2017, increases annually by 1% to a 6% expected return in 2020, and then to 6.75% in 2021 and thereafter.
 - d. Administrative Expenses: Expense projections are based on 2016 expenses and are expected to increase for most expenses by the inflation assumption of 1.5% per year (including PBGC premiums) with the exception of the medical and retirement benefits for the Fund Office employees, which are expected to increase 4% per year (but limited to 100% of payroll). The partition is projected to result in an approximately 15% reduction in fiduciary insurance and certain professional fees (not including PBGC premiums) in 2018 with an increase of 1.6% per year thereafter. Expenses are allocated between the Plan and a Successor Plan (as defined below) based on projected headcounts with

PBGC premiums paid by the Original Plan (as defined below) for 10 years following the partition.

5. The partition will reduce PBGC's expected long-term loss with respect to the Plan by \$68 million, as of September 1, 2017. ERISA § 4233(b)(3)(A).
6. The partition will not impair PBGC's ability to meet existing financial assistance obligations to other plans (including any liabilities associated with multiemployer plans that are insolvent or that are projected to become insolvent within 10 years), and will result in PBGC's projected insolvency date to be an estimated five days earlier. ERISA § 4233(b)(4).
7. Financial assistance to the Successor Plan will be paid exclusively from the multiemployer insurance fund. ERISA § 4233(b)(5).

Based on its findings, PBGC hereby concludes that the requirements for partition under section 4233 of ERISA are satisfied.

WHEREFORE, it is hereby ORDERED that the Plan shall be partitioned on the terms and conditions below:

1. This Order is effective as of September 1, 2017, at 12:01 a.m. (Eastern Time) ("Effective Date").
2. Pursuant section 4233 of ERISA, the minimum amount of the liabilities necessary for the Plan to remain solvent will be transferred from the Plan (the "Original Plan") to a newly created plan (the "Successor Plan"), on September 1, 2017.
3. PBGC will provide financial assistance to the Plan up to the amount of the PBGC guaranteed benefits attributable to the Successor Plan, as memorialized in the Financial Assistance agreement.
4. The Plan's Board of Trustees (the "Board") will serve as plan sponsor and administrator for the Original and Successor Plans.
5. For each participant or beneficiary of the Plan whose benefit was transferred to the Successor Plan created by this Order (as provided in Appendix A), including future alternate payees, surviving spouses and beneficiaries thereof (the "Affected Participants"), the Original Plan shall pay a monthly benefit to such participant or beneficiary for each month in which such benefit is in pay status following the Effective Date in an amount equal to (i) the monthly benefit that would be paid to such participant or beneficiary for such month under the terms of the Plan (taking into account benefit accruals, benefit suspensions and any plan amendments following the Effective Date) if the partition had not occurred, less (ii) the monthly benefit for such participant or beneficiary accrued through August 31, 2017, that is guaranteed under section

4022A of ERISA. The Board may, but is not required to, pay monthly benefits payable under the Original Plan and Successor Plan, respectively, in a single monthly payment pursuant to a written cost-sharing or expense allocation agreement between the plans.

6. If PBGC reduces Financial Assistance to the Successor Plan as a consequence of PBGC's Multiemployer Program's insolvency, the Original Plan will be responsible for the benefits due under this Order to participants in the Successor Plan.

7. In any case in which the Original Plan provides a benefit improvement (as defined in ERISA § 305(e)(vi)) that takes effect after the Effective Date, the Original Plan shall pay to PBGC, for each year during the 10-year period following the Effective Date, an annual amount equal to the lesser of (i) the total value of the increase in benefit payments for such year that is attributable to the benefit improvement, or (ii) the total benefit payments from the plan created by the partition for such year. Such payment shall be made at the time of, and in addition to, any other premium imposed by PBGC.

8. The Original Plan shall pay the premiums imposed by PBGC with respect to participants whose benefits were transferred to the Successor Plan for each year during the 10-year period following the Effective Date.

9. The unfunded vested benefits ("UVBs") to be allocated to an employer who contributed to the Original Plan before the Effective Date and who withdraws from the Original Plan during the 10 plan years after the Effective Date is the sum of the UVBs allocable to that employer under the Original Plan and under the Successor Plan. The UVBs of the Successor Plan allocable to such an employer is equal to the value of the benefits of the Successor Plan as of the end of the plan year preceding the plan year in which the employer withdraws, less the value as of the end of such year of all outstanding claims for withdrawal liability that can reasonably be expected to be collected from employers who withdrew before such year, multiplied by a fraction: the numerator of which is the total amount required to be contributed by the employer to the Original Plan (or to the pre-partitioned Plan, as applicable) for the last 5 plan years ending before the date of withdrawal; and the denominator of which is the total amount contributed to the Original Plan (or to the pre-partitioned Plan, as applicable) for the last 5 plan years ending before the withdrawal by all employers who had contributed to the Original Plan prior to the Effective Date, increased by any employer contributions owed with respect to earlier periods that which were collected in those plan years and decreased by any amount contributed

to the plan during those plan years by (a) employers who withdrew from the plan under this section during those plan years and (b) employers who first had an obligation to contribute after September 1, 2017. The Successor Plan's liability is to be valued in accordance with section 4213 of ERISA, but in no event may it result in liability less than that valued using assumptions consistent with the partition application. The withdrawal liability of an employer who withdraws from the Original Plan after the end of the 10th full plan year after the Effective Date will be computed only with respect to the Original Plan. In either case, withdrawal liability is payable to the Original Plan and not the Successor Plan.

10. For all withdrawals after the Effective Date, an employer's withdrawal liability under section 4201 of ERISA – specifically, its annual payments and schedule of payments under section 4219 – will be computed in accordance with section 4219, subject to a minimum requirement for deemed CBUs and contribution rate, based on the employer's contribution rate and CBUs in effect on the Effective Date, and adjusted by the Plan's underlying assumptions. The amount of an Employer's annual payment will be the greater of: (i) the amount resulting from the calculation under ERISA section 4219(c)(1)(C)(i) or (ii) the expected contributions consistent with the assumptions in the Plan's partition application and PBGC's approval, i.e., assuming contribution increases of 1.5% per year and a stable active participant base. For example, if an employer's annual contribution in 2017 was \$1,000,000, its annual payment calculation would be based on, at a minimum, \$1,000,000 (assuming the amount determined under ERISA § 4219(c)(1)(C)(i) is less), and in 2018, the \$1,000,000 will be assumed to be \$1,000,000 adjusted by a 1.5% contribution increase (assuming the amount determined under ERISA § 4219(c)(1)(C)(i) is less), consistent with the partition application and PBGC approval.

11. The Board shall amend the Original Plan or otherwise adopt withdrawal liability rules that conform to the rules governing the calculation of withdrawal liability as set forth in paragraphs nine and ten of this Order.

12. The Board shall amend the Original Plan and Successor Plan to reflect the benefits payable to participants and beneficiaries as provided in this Order.

13. The Board, as plan sponsor of the Original and Successor Plans, must maintain a written record of each plan's compliance with the terms of this Order, section 4233 of ERISA, and 29 CFR § 4233.14.

14. The Board is subject to the following reporting requirements for the Original and Successor Plan, respectively:

- a. For the Original Plan, the Board must annually provide to PBGC (i) zone status certification; (ii) actuarial valuation report; (iii) a long-term projection of the solvency of the Original Plan; (iv) real-time reporting of any proposed merger or transfer; (v) notice of the adoption of a Plan Amendment; and (vi) notice of any employer withdrawals.
- b. For the Successor Plan the Board must provide to PBGC actuarial valuation reports for any valuation performed.

15. PBGC will continue to have jurisdiction over the Original Plan and Successor Plan to carry out the purposes, terms, and conditions of this Order. PBGC may, upon providing notice to the Plan Sponsor, make changes to this Order in response to changed circumstances consistent with section 4233 of ERISA.

Issued at Washington, DC, on this 31st day of August, 2017.