

UNITED FOOD AND COMMERCIAL WORKERS UNION AND PARTICIPATING FOOD INDUSTRY EMPLOYERS TRI-STATE PENSION FUND

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IMPORTANT NOTICE OF FUNDING STATUS – PLEASE READ

NEW FEDERAL FUNDING RULES. Beginning on January 1, 2008, the Pension Protection Act of 2006 (the "PPA") imposes new rules aimed at accelerating the funding of defined benefit plans, such as the United Food and Commercial Workers Union and Participating Food Industry Employers Tri-State Pension Plan (the "Plan"). Under prior law, defined benefit plans were required to address a funding problem only when a plan would not satisfy minimum funding standards for the current year. Unlike prior law, the PPA requires plans to **accelerate funding** and to **anticipate future funding issues based upon projections**. Federal law also requires the Board of Trustees ("the Board") to send you this notice.

THE PLAN'S ACTUARY MUST CERTIFY FUNDING CATEGORY. Under the PPA, within the first 90 days of each plan year, the Plan's Actuary must certify whether a plan is endangered, seriously endangered or in critical status. In general, the two most relevant factors used by the Plan's Actuary to categorize a plan are the ratio of the plan's assets to its liabilities (the funded percentage of the plan) and whether the plan will be able to satisfy the new minimum funding standards within the next three to seven years without additional contribution income changes or additional benefit changes.

PLAN'S CURRENT STATUS. On March 30, 2008, the Plan's Actuary certified to the U.S. Department of the Treasury and to the Board of Trustees that the Plan will be in critical status for the 2008 Plan Year because:

- The Plan's funded percentage for 2008 is less than 65% and the Plan is expected to have a funding deficiency within the next five years.
- The Plan is expected to have a funding deficiency within the next four years.
- The present value of vested benefits of inactive participants is greater than the present value of vested benefits of active participants and the Plan contributions during the upcoming Plan Year are less than the Plan's normal cost plus interest on its unfunded liability for that year.

WHY HAS THIS HAPPENED? Even though the Board has been proactive in addressing the Plan's funding problem, the PPA established new rules that require faster funding of plans than under prior law. Also, like most multiemployer plans, and even most single employer pension plans sponsored by U.S. companies, the Plan was negatively impacted in 2000 through 2002 by the significant downturn in the stock market, which caused a drop in the value of the Plan's assets. The economy and the stock market remain unpredictable and these affect the projections which the PPA now requires to determine the Plan's funding status.

WHAT ACTION HAS THE BOARD TAKEN TO DATE? The Board has been concerned about the Plan's funding status for some time, and has taken numerous steps, such as agreeing with the collective bargaining parties to defer the implementation of previously negotiated benefit increases and to reduce the rate of future benefit accruals by 10% effective January 1, 2007. Also, the Board agreed to increase the required contribution rates by twenty-five percent 25% effective January 1, 2004, by an additional 10% effective January 1, 2005, by an additional 10% effective January 1, 2006, and by an additional 10% effective January 1, 2007. Each of these increases was based upon the rate in effect on December 31, 2003.

REHABILITATION PLAN. Because the Plan's Actuary has certified that the Plan is in critical status, the PPA requires the Board to develop and implement a "Rehabilitation Plan" designed to improve the Plan's funding. As part of the

Rehabilitation Plan, the Board must establish schedules that outline the increased Employer contributions, revised benefit structures, or both, that will bring the Plan out of critical status within 10 years. These schedules will outline the acceptable alternatives that will be presented to the parties for collective bargaining. In collective bargaining, the contributing Employers and the Local Unions must agree on one of the schedules established by the Board.

NEW EMPLOYER CONTRIBUTIONS. Under the PPA, each Employer will be required to pay a surcharge of 5% of the contributions otherwise required under the applicable collective bargaining agreement or other agreements pursuant to which the employer contributes for the remainder of the 2008 Plan Year. Accordingly, your employer's next invoice will include a surcharge of 5% of the contribution rate under the collective bargaining agreement plus the additional amounts currently being contributed, which amounts are identified above. The surcharge will increase to 10% for the 2009 Plan Year until the Local Unions and the Employers adopt an acceptable schedule.

WHAT DOES THIS MEAN FOR ME? This affects only participants whose benefit payments are beginning after the date of this notice. While the Plan is in critical status, the PPA prohibits the Plan from paying any benefits in the form of a lump sum, or any other payment in excess of the monthly amount payable in the form of a single life annuity (other than certain Social Security level-income options, and certain retroactive payments).

YOUR NORMAL RETIREMENT BENEFITS WILL NOT CHANGE. If your benefit payments have already started, they will not change. Also, ***the normal pension benefit you have already accrued will not change.*** In addition, vested retirement benefits are guaranteed by the Pension Benefit Guaranty Corporation ("PBGC"). For example, 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. So the PBGC's maximum guarantee is \$35.75 per month times a participant's years of credited service.

POSSIBLE FUTURE BENEFIT REDUCTIONS. Depending upon how the stock market performs in 2008, it is possible that additional contributions and/or benefit changes will be required as part of any Rehabilitation Plan that is adopted by the Board. *The final Rehabilitation Plan may require certain "adjustable benefits" to be reduced for participants and beneficiaries whose pensions had not started prior to the date of this notice.* "Adjustable benefits" are benefits over and above the normal pension paid at normal retirement age, and include benefits such as disability benefits (if not yet in pay status), post-retirement death benefits, and subsidized early retirement benefits. It also includes any form of payment other than the joint and 60% surviving spouse annuity (or single life annuity for unmarried participants), such as the life with 120 months guaranteed form, the Social Security level-income options, and the rule of 90 lump sum option. Should the Board determine that benefit reductions are necessary, you will receive a separate notice in the future identifying and explaining the effect of those reductions.

LOOKING AHEAD. We are working hard to develop ways to secure the Plan's benefits well into the future. As a result of the PPA, Employers and covered employees are being asked to work together to improve the funded status of the Plan. As noted above, Employers are required to increase their contributions *prior to the renegotiation of the current collective bargaining agreements.* Similarly, new retirees will be required to forego certain optional forms of payment. In the year ahead, the Board will develop a Rehabilitation Plan with alternative schedules for the bargaining parties' next negotiations. The goal is that even if the market performs consistent with the Board's expectations, all of these actions will improve the funded status of the Plan.

WHERE TO GET MORE INFORMATION. For more information about this Notice, you may contact the Board of Trustees, United Food and Commercial Workers Union and Participating Food Industry Employers Tri-State Pension Fund, 3031B Walton Road, Plymouth Meeting, PA 19462, telephone (866) 928-8329 or (610) 941-4282. When it is completed, you will have a right to receive a copy of the Rehabilitation Plan.

Date: April 29, 2008 Board of Trustees