

**NOTICE OF CRITICAL STATUS  
FOR  
UNION DE TRONQUISTAS DE PUERTO RICO, LOCAL 901, PENSION PLAN**

This is to inform you that on March 28, 2008 the actuary for the Union de Tronquistas de Puerto Rico, Local 901, Pension Plan certified to the U.S. Department of the Treasury and to the Board of Trustees that the Union de Tronquistas de Puerto Rico, Local 901, Pension Plan (the "Plan") is in critical status for the plan year beginning January 1, 2008. Federal law requires that all participants and beneficiaries, as well as the bargaining parties, receive this notice. Copies are also being sent to the federal government.

**Critical Status**

The Plan is considered to be in critical status because the Plan is projected to have an accumulated funding deficiency in one or more of the next three plan years.

As a result, effective as of April 25, 2008, the Plan can no longer pay benefits in the normal form whereby the pensioner receives a monthly amount for the first five years of payment and then 50% of that amount for the remainder of his or her life. The new pension law prohibits plans in critical status from paying any monthly pension amount in excess of a single life annuity. The Plan's actuary is therefore recalculating the monthly benefit amounts of all pensioners who had elected the normal form of benefit and are still in their first 60 months of benefit payments. If you are receiving the normal form of pension and have not yet received 60 payments, your next check for the month of May will be in a lower amount corresponding to a single life annuity. However, the new amount will continue to be paid for the rest of your life, even after you have received 60 payments in total.

**Rehabilitation Plan and Possibility of Reduction in Benefits**

The new pension law also requires the trustees of pension plans in critical status to adopt a "Rehabilitation Plan" aimed at restoring the financial health of the Plan. The Rehabilitation Plan, which must be adopted before the end of November, 2008, will consist of one or more schedules of recommended significant employer contribution increases and possible reductions in certain benefits, called "adjustable benefits." These schedules will be provided by the Board of Trustees to the bargaining parties, once the Rehabilitation Plan is adopted, for consideration in negotiations when the current collective bargaining agreements expire, or if they have already expired.

If the bargaining parties cannot agree to adopt one of the schedules that are part of the Rehabilitation Plan, the law requires Trustees to impose the default schedule for any bargaining unit in this situation. The default schedule will include legally required reductions in the adjustable benefits, as well as significant increases in employer contributions.

The bargaining parties may also agree on an alternative schedule that includes less drastic or no reductions in benefits in addition to significant employer contribution increases.

In either case, the adjustable benefits include disability benefits (not yet in pay status) and the 40-month payment guarantee, although these benefits may be reduced or eliminated only for those participants and beneficiaries who first start to receive pension benefits on or after April 25, 2008. Adjustable benefits also include benefit increases that went into effect on or after January 1, 2003 and that would not be guaranteed by the Pension Benefit Guaranty Corporation under Section 4022A of the Employee Retirement Income Security Act. .

Any participants whose adjustable benefits will be reduced as part of the Rehabilitation Plan will receive a separate notice identifying and explaining the effect of those reductions at least 30 days in advance of the effective date of any such reduction.

## **Employer Surcharge**

The new pension law requires as well that all contributing employers pay to the Plan a surcharge to help correct the Plan's financial situation, beginning 30 days after the employer receives this notice. The amount of the surcharge is equal to 5% of the employer's negotiated contribution rate through the end of 2008. The surcharge increases to 10% for 2009 and thereafter, until the employer agrees to and begins to pay contributions under a collective bargaining agreement that includes one of the schedules of the Rehabilitation Plan.

For 2008, the 5% surcharge will be due with respect to any contribution required to be paid on or after May 25, 2008, or actually paid after that date even if the obligation to the Plan arose earlier, regardless of when the work was actually performed. Similarly, the 10% surcharge will apply to contributions required to be paid or actually paid on and after January 1, 2009. The surcharge contribution should be included with the regular negotiated contribution in one check, as it is due at the same time and under the same conditions as the negotiated contributions. However, the invoices you receive from the Plan will require you to list the surcharges separately so they can be tracked, as required by law.

## **Where to Get More Information**

Be assured that the Board of Trustees takes very seriously its obligation to preserve the financial viability of the Plan. With the assistance of the Plan's actuary and other professionals, and working with the employers and the Union, the Trustees will develop a Rehabilitation Plan that addresses the funding concerns of the Plan while recognizing the budgetary and financial constraints on the employers. As is clear from the foregoing notice, everyone, that is, the employers, the union, active and former employees and retired pensioners and their beneficiaries, will have to participate in the work of restoring the Plan's financial health. We hope and expect that the significant contribution increases and modest benefit reductions that may be necessary over time will resolve the serious funding issues facing the Plan and enable the Plan to continue to provide the benefits accrued under the Plan in prior years.

For more information about this Notice or the Plan, you may contact Marta Lozada at (787) 721-8980, or in writing at Tronquistas Local 901 Pension Fund, 352 Calle Del Parque, PDA 23, San Juan, Puerto Rico 00912. You have a right to receive a summary when it is completed, the Plan will send you a summary of the Rehabilitation Plan, and will send you a copy of the Rehabilitation Plan itself, upon written request.