

Cleveland Bakers and Teamsters Pension Fund
9665 Rockside Road, Suite D Valley View, Ohio 44125-6233
(216) 781-6869 or (800) 426-4499

Notice of Actuary's Certification of Critical Status for the Cleveland Bakers and Teamsters Pension Fund under the Pension Protection Act of 2006

April 28, 2017

Dear Participants, Participating Employers, Local Unions, Retirees and Beneficiaries:

If you were a retiree or beneficiary in pay status as of February 1, 2008, the benefit changes described in this notice do not affect you. The Cleveland Bakers and Teamsters Pension Fund (hereinafter, the "Plan") is required to send this notice to all Plan participants, even those who are not affected.

Critical Status

On March 31, 2017, the Plan's actuary certified to the Department of the Treasury that the Plan is in critical status as defined by the Pension Protection Act of 2006 ("PPA") for the Plan Year commencing January 1, 2017. This is the tenth year that the Plan has been in critical status. The Plan is considered to be in critical status because it has funding or liquidity problems, or both. More specifically, the Plan's actuary determined that the Plan has an accumulated funding deficiency for the current Plan Year.

Rehabilitation Plan

Federal law requires pension plans in critical status to adopt a Rehabilitation Plan aimed at restoring the financial health of the plan. The law permits pension plans to reduce, or even eliminate, benefits called "adjustable benefits" as part of a Rehabilitation Plan which include the following:

1. Benefits, rights and features under the plan, including post-retirement death benefits, disability benefits not yet in pay status and similar benefits; and,
2. Any early retirement benefit or retirement-type subsidy and any benefit payment option, other than the 50% and 75% qualified joint and survivor annuity.

Any such reductions will apply to participants and beneficiaries whose benefit commencement date is after February 1, 2008. Please note that a Rehabilitation Plan cannot reduce the accrued benefit payable at normal retirement age as a single life or as a qualified joint and survivor annuity.

In 2008, the Trustees adopted a Rehabilitation Plan to correct the funding deficiency and restore the financial health of the Fund as required by PPA. This was updated on December 10, 2010, December 9, 2011, June 11, 2014, October 15, 2015, and December 1, 2016 to reflect experience under the Plan. For the 2012 Plan Year through the 2014 Plan Year, there were no changes to the Rehabilitation Plan. The Rehabilitation Plan contains four benefit / contribution schedules, one of which must be included in collective bargaining agreements (CBA's) negotiated after December 1, 2016 and are summarized as follows:

The **Alternative Schedule** revises the service pension eligibility for participants with less than 25 years of credited service at January 1, 2015 and requires employers to make supplemental contributions to the Fund. Supplemental contributions for contracts implemented in 2008 are \$38.00 per week with such weekly amounts increasing by \$7.00 each year for the following twenty-five years and for contracts implemented in 2009, are \$46.10 per week with such weekly amounts increasing by \$7.00 each year for the following twenty-four years. For contracts implemented in 2010, supplemental contributions are \$55.67 per week with such weekly amounts increasing by \$7.00 each year for the following twenty-three years and for contracts implemented in 2011, supplemental contributions are \$67.33 per week with such weekly amounts increasing by \$7.00 each year for the following twenty-two years. For contracts implemented in 2012, supplemental contributions are \$82.07 per week with such weekly amounts increasing by \$7.00 each year for the following twenty-one years.

For negotiated contracts in 2014, increases starting in 2014 will increase from their previous level by \$7.00. Starting January 1, 2015, an employer will pay an additional contribution rate of \$13.15 on top of the \$7.00 increases under the initial Rehabilitation Plan. There will be subsequent increases to the weekly contribution rate of \$20.15 ($\$13.15 + \7.00) each year through 2024.

For newly negotiated contracts, increases starting in 2015 will increase from their previous level by \$20.15. Starting January 1, 2016, an employer will pay an additional contribution rate of \$10.20 on top of the \$20.15 increases under the initial Rehabilitation Plan. There will be subsequent increases to the weekly contribution rate of \$30.35 ($\$10.20 + \20.15) each year through 2024.

The **Second Alternative Schedule** provides the same benefits as the Alternative Schedule and requires an employer to pay a lump sum enhanced withdrawal liability payment, while permitting a specified portion of the employer's employees to continue plan participation for up to 36 months. Under the Second Alternative Schedule, the employer will be required to agree that the amount of its enhanced withdrawal liability payment shall be increased by an amount necessary for the employers remaining in the Pension Fund to avoid any increase in their supplemental contribution rate which would have resulted from allowance of a "split bargaining unit" under this Second Alternative Schedule and that it will not challenge the amount of the enhanced withdrawal liability payment.

The **Third Alternative Schedule** (available to an employer that withdraws from the Plan, pays its full withdrawal liability in a lump sum, and re-enters the Plan) provides the same benefits as the Alternative Schedule, while exempting the employer from supplemental contributions. Under the Third Alternative Schedule, the Board of Trustees shall have absolute discretion to determine whether or not a withdrawal and subsequent reentry into the Plan meets the requirements of this Third Alternative Schedule.

The **Default Schedule** provides for supplemental contributions which for contracts implemented in 2008 were \$36.00 per week with such weekly amounts increasing by \$5.00 each year for the next two years, increasing by \$7.75 for the following year and then increasing by \$8.25 each year for the following twenty-two years. For contracts implemented in 2009, supplemental contributions are \$41.78 per week with such weekly amounts increasing by \$5.00 for the next year, increasing by \$7.75 for the following year and then increasing by \$8.25 each year for the following twenty-two years. For contracts implemented in 2010, supplemental contributions are \$48.62 per week with such weekly amounts increasing by \$7.75 per year for the next year, and then increasing by \$8.25 each year for the following twenty-two years. For contracts implemented in 2011, supplemental contributions are \$58.19 per week with such weekly amounts increasing by \$8.25 each year for the following twenty-two years. For contracts implemented in 2012, supplemental contributions are \$68.82 per week with such weekly amounts increasing by \$8.25 each year for the following twenty-one years.

For negotiated contracts in 2014, increases starting in 2014 will increase from their previous level by \$8.25. Starting January 1, 2015, an employer will pay an increased contribution rate of \$12.75 on top of the \$8.25 increases under the initial Rehabilitation Plan. There will be subsequent increases to the weekly contribution rate of \$21.00 ($\$12.75 + \8.25) each year through 2024.

For newly negotiated contracts, increases starting in 2015 will increase from their previous level by \$21.00. Starting January 1, 2016, an employer will pay an increased contribution rate of \$10.63 on top of the \$21.00 increases under the initial Rehabilitation Plan. There will be subsequent increases to the weekly contribution rate of \$31.63 ($\$10.63 + \21.00) each year through 2024. Additionally, the Default Schedule provides for the following changes in benefits:

1. The elimination of disability retirement benefits;
2. All future benefit accruals to be payable at a normal retirement age of 65 with five years of service, with benefits reduced for early payment as described below;

3. The elimination of unreduced early retirement benefits with 30 years of service or under the Golden 90 rule. Early retirement is still allowed, but not before age 55 with the completion of 10 years of service. Early retirement benefits will be payable with a reduction of 0.6% for each month that benefits commence prior to normal retirement age; and
4. The elimination of the 36-month single life annuity guarantee based on the accrued benefit at December 31, 1994.

On February 1, 2008, you were notified that the Plan reduced or eliminated **adjustable benefits** for Participants with deferred vested benefits under the Plan by virtue of being covered under the Default Schedule as described above. If the Trustees determine that further benefit reductions are necessary, you will receive a separate notice in the future identifying and explaining the effect of those reductions. Any reduction in adjustable benefits (other than a repeal of a recent benefit increase) will not reduce the level of a participant's basic benefit payable at normal retirement. In addition, the reductions may only apply to participants and beneficiaries whose benefit commencement date is after February 1, 2008.

Employer Surcharge

The law requires that all contributing employers pay to the plan a surcharge to help correct the plan's financial situation. The amount of the surcharge is equal to a percentage of the amount an employer is otherwise required to contribute to the plan under the applicable collective bargaining agreement. With some exceptions, a 5% surcharge is applicable in the initial critical year and a 10% surcharge is applicable for each succeeding plan year thereafter in which the plan is in critical status. Such surcharges cease to be effective for employers beginning on the effective date of a collective bargaining agreement that includes either the Alternative or Default Schedule under the Rehabilitation Plan.

Where to Get More Information

For more information about this Notice, you may contact the Board of Trustees, Cleveland Bakers and Teamsters Pension Fund, 9665 Rockside Road, Suite D, Valley View, OH 44125-6233 ((216) 781-6869). You have a right to receive a copy of the Rehabilitation Plan from the Plan.

Statement of Rights

Participants and beneficiaries have rights under the Plan and ERISA as described in the Summary Plan Description. This includes the right to obtain a statement telling you whether you have a right to receive a pension at Normal Retirement Age and if so, what your benefits would be at Normal Retirement Age if you stop working under the Plan now. If you do not have a right to a pension, the statement will tell you how many more years you will have to work to get a right to a pension. This statement must be requested from the Pension Fund office in writing and is not required to be given more than once every twelve (12) months. This Plan will provide the statement free of charge. If you wish to make application for benefits, written application must be filed with the Trustees at least two months, but not more than twelve months, in advance of the first month for which pension benefits are payable. The Fund office strongly suggests application is filed at least six months in advance in order to obtain all required documentation and to reduce the risk of any delay.

If you have any questions about your Plan or this Notice, you should contact the Board of Trustees, Cleveland Bakers and Teamsters Pension Fund, 9665 Rockside Road, Suite D, Valley View, OH 44125-6233 ((216) 781-6869). Also, Participants and beneficiaries have the right to contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210.

Board of Trustees

Cleveland Bakers and Teamsters Pension Fund