

2018 Notice of Critical Status (Red Zone) for Boston Plasterers', Cement Masons' and Asphalt Layers' Union Local #534 Pension Plan

This is to inform you that on June 27, 2018 the Plan's actuary certified to the U.S. Department of the Treasury and to the Board of Trustees that the Plan is in "Critical" status for the plan year beginning April 1, 2018. Federal law requires that you receive this Notice.

Critical Status (Red Zone)

The Plan is considered to be in "Critical" status because it has a funding problem. More specifically, the Plan's actuary has determined that the Plan is projected to have 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 a pension plan to reduce, or even eliminate, benefits called "adjustable benefits" as part of its "Rehabilitation Plan." This is the second consecutive year the Plan has been certified to be in "Critical" status and the Trustees adopted a Rehabilitation Plan last year that included an increase to the contribution rate from \$12.41 to \$14.41 per hour effective July 1, 2017, and from \$14.41 to \$15.41 per hour effective January 1, 2018. You may also recall that the Plan was previously certified as in "Critical" status for the 2010 through 2013 plan years and adopted a Rehabilitation Plan at that time. On September 1, 2010, you were notified that the Plan reduced or eliminated certain adjustable benefits under this previously adopted Rehabilitation Plan. If the Trustees of this Plan were to determine that further benefit reductions are necessary under the newly adopted Rehabilitation Plan, you will receive a separate notice in the future identifying and explaining the effect of those reductions; at this time, no such changes are needed. Any further reduction of "adjustable benefits" will not reduce the level of a participant's basic benefit payable at normal retirement. In addition, further reductions may only apply to participants and beneficiaries whose benefit commencement date is on or after July 29, 2017. Whether or not the Plan further reduces "adjustable benefits" under the current Rehabilitation Plan, the Plan is not permitted to pay lump sum benefits (or any other payment in excess of the monthly amount paid under a single life annuity) while it is in "Critical" status. On July 29, 2010, when the Plan was first certified to be in "Critical" status, you were notified that the Plan would no longer pay lump sum benefits (in excess of \$5,000).

Adjustable Benefits

The Plan offers the following "adjustable benefits" that may be reduced or eliminated as part of the current "Rehabilitation Plan." At this time, none of these benefits are being removed from the Plan:

- Disability benefits (if not yet in pay status);
- Early retirement benefit or retirement-type subsidy;
- Death benefits, other than the Qualified Pre-Retirement Survivor Annuity (QPSA); and
- Benefit payment options other than a Qualified Joint and Survivor Annuity (QJSA).

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. The Trustees formally adopted the current Rehabilitation Plan on August 10, 2017. Employers who, through collective bargaining, agreed to make contributions at the hourly rate necessary for the Plan to carry out its "Rehabilitation Plan" (described above) were not subject to the 5% or 10% surcharge.

Looking Ahead

The Plan's funding status must be reviewed and certified annually. Notices like this one will be sent each year until the Plan emerges from "Critical" status. The "Rehabilitation Plan" will also be updated each year, if changes are needed.

Where to Get More Information

For more information about this Notice, you may contact: Christopher Brousaides / Fund Administrator / Boston Plasterers', Cement Masons' and Asphalt Layers' Union Local 534 Pension Plan at (617) 825-4500 / 7 Frederika Street / Boston / MA 02124. You have a right to receive a copy of the "Rehabilitation Plan."