Notice of Critical and Declining Status
Management-Labor Pension Fund Local 1730 I.L.A.
Pension Plan

April 12, 2017

Participants, Beneficiaries, Contributing Employers and Local 1730 I.L.A.:

This is to inform you that on March 31, 2017, the actuary for the Management-Labor Pension Fund Local 1730 I.L.A. (the "Fund") certified to the U.S. Department of the Treasury and to the Board of Trustees that the Fund is in critical and declining status for the Plan year beginning January 1, 2017. Federal law requires that you receive this notice.

Introduction

The Pension Protection Act ("PPA"), signed into law in 2006, is intended to improve the financial condition of pension funds. The Act introduced several formal safeguards and controls and added notification requirements for Trustees to share more information about a fund's financial circumstances with participants, contributing employers and others directly related to the pension plan.

Many of the Act's safeguard provisions relate to funding, which, in simplest terms, is how much a pension plan has coming in, going out, and what is in reserve (or "in the bank") for the future. The safeguards are intended to create more discipline to prevent future funding problems and correct those that have already developed.

Starting with the 2008 plan year, the Act requires us to test the Fund annually to classify its funding status. Standardized measurements were established for classifying pension plans based on their funding issues. Funds that are in "seriously endangered" or "endangered" status (commonly known as yellow zone) or "critical" status (or, red zone) must notify all fund participants, beneficiaries, unions, and contributing employers of the fund's status, as well as take corrective action to restore the fund's financial health.

Fund's Status – Red Zone

The Fund is in critical (red zone) and declining status as of January 1, 2017 based on the actuary's determination of various factors including that the Plan was in critical status last year and, the Plan is projected to have an accumulated funding deficiency in 2017 and thereafter. This means that contributions will not be enough to meet government standards for funding promised benefits plus those that participants are currently earning.

Rehabilitation Plan and Possibility of Reduction in Benefits

The Act requires that a Fund in the red zone adopt a Rehabilitation Plan designed to enable the Fund to improve its funded position so that, over time, it will be able to meet the statutory funding requirements. The Rehabilitation Plan consists of two "schedules" of recommended contribution increases and reductions in benefits. The bargaining parties will be provided with these schedules for consideration in negotiations in new or renewed collective bargaining agreements.

If the bargaining parties cannot agree to adopt one of the schedules, the law requires the Trustees to impose the default schedule for any bargaining unit in this situation. The default schedule includes legally required reductions in the adjustable benefits, as well as any increase in employer contributions.

In addition to revising the formula for future benefit accruals and making similar changes, under PPA a Rehabilitation Plan may eliminate or reduce "adjustable benefits". Adjustable benefits include:

- Plan benefits, rights, and features, including the 24-month guarantee, the Disability Pension, pre-retirement death benefits (other than the qualified pre-retirement survivor annuity), optional forms of payment (other than qualified joint and survivor annuities), and similar benefits; and
- Early retirement benefits or retirement-type subsidies, such as service pensions.

The level of benefits already earned that are payable at normal retirement age as a single life or qualified joint and survivor annuity cannot and will not be reduced under these PPA rules. Any reductions pursuant to the Rehabilitation Plan will apply only to participants and beneficiaries whose benefit commencement date is after April 30, 2012. You will be notified at least 30 days before any benefit reduction is put into effect.

As of May 2012, the Plan cannot accept any new collective bargaining agreement that reduces contribution rates to the Plan or that excludes new employees, such as new hires.

Benefit Restrictions

Effective on the date of the first notice of critical status, the Fund 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.

Employer Surcharge

The law requires that all contributing employers pay to the Fund a surcharge to help correct the Fund's financial situation, beginning 30 days after the employer is notified that the plan is in critical status. The surcharge is a percentage of the employer's negotiated contribution rate. A 5% surcharge is applicable the first year in critical status. The surcharge goes up to 10% for each succeeding Plan year in which the Fund is in critical status, until a negotiated contribution rate satisfies one of the schedules in the Rehabilitation Plan goes into effect.

For the remainder of the first Plan year, the 5% surcharge was due with respect to any contribution required to be paid on or after May 30, 2012, or actually paid after that date even if the obligation to the Fund arose earlier, and continued until December 31, 2012. For subsequent Plan years, i.e., beginning January 1, 2013, the 10% surcharge will apply to contributions required to be paid or actually paid on and after that date.

What's Next

We understand that legally required notices like this one can create concern about the Fund's future. Be assured that the Board of Trustees takes very seriously its obligation to preserve the financial viability of the Fund. With the assistance of the Fund's actuary, counsel and other professionals, and working with the contributing employers and the Union, the Trustees in order to address these issues adopted a Rehabilitation Plan on November 25, 2012, amended it on December 12, 2014 with an alternative schedule effective January 1, 2015 and further amended it in September 2015. You should know that we expect that both contribution increases and benefit reductions will be necessary to improve the Fund's serious financial condition. As a final note, since the Pension Fund is influenced by economic and financial variables beyond our control (such as market volatility and changes in employment and/or the number of contributing employers), unexpected developments can affect the Fund's status and any future corrective actions needed.

For more information about this notice, contact the Fund Office at the address or phone number listed at the top of this letter.

Sincerely,
Board of Trustees

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