

# WESTERN LAKE SUPERIOR PIPING INDUSTRY PENSION FUND

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August 27, 2009 (or earlier)

## WESTERN LAKE SUPERIOR PIPING INDUSTRY PENSION PLAN, EIN:41-0882304. PN:001 NOTICE OF ZONE STATUS AND ELECTION TO FREEZE STATUS FOR 2009

To: All Participants, Beneficiaries, Plumbers & Pipefitters United Association Local 11, Contributing Employers, Pension Benefit Guaranty Corporation and Department of Labor

### Background

The Pension Protection Act of 2006 ("PPA") amended ERISA and the Internal Revenue Code to, among other things, impose additional funding rules for multiemployer plans with the goal of improving the financial condition of these plans. The PPA also developed status categories based on a plan's funding level. Beginning in 2008, the Plan's actuary is required to annually certify to the Secretary of the Treasury and the Plan's Board of Trustees whether or not the Plan is in Endangered or Critical Status (referred to as being in the "yellow" zone or "red" zone). For the Plan Year beginning May 1, 2008, the actuary certified that the Plan was neither in Endangered nor Critical Status (that is, the plan was considered to be in the "green" zone). This is not the case for the Plan Year beginning May 1, 2009.

Due to the large losses suffered in the financial markets during past year, the Plan's actuary has certified that the Plan is in Endangered Status (yellow zone) for the Plan Year beginning May 1, 2009 ("2009 Plan Year"). The Plan is considered to be in Endangered Status for the 2009 Plan Year as the funded ratio of the Plan (as measured as the actuarial value of assets over the value of liabilities) is less than 80%. The Plan's funded ratio for this purpose was certified to be 76.0%.

### Election to Freeze Zone Status

The Worker, Retiree and Employer Recovery Act of 2008 (WRERA) was passed into law in December 2008. This law provides plan trustees with the option to freeze their plan's zone status for the 2009 plan year at the level determined for 2008. This notice is to inform you that the Board of Trustees has elected under section 204 of WRERA to treat the Plan as being neither in Endangered nor Critical Status for the plan year beginning on May 1, 2009. This means that for the 2009 Plan Year, the requirements for plans in Critical or Endangered status will not apply.

Under WRERA, the freezing of the Plan's 2008 Plan Year green zone status does not extend beyond April 30, 2010. Within 90 days after May 1, 2010, the Plan's actuary must again certify the Plan's funded status and zone classification. If the plan is considered Endangered or Critical for the Plan Year beginning May 1, 2010, the Trustees will provide notice of the Plan's status for the year and steps will have to be taken to improve the Plan's funded situation. Steps necessary may include increases in contributions and reductions in future benefit accruals. If

the plan is certified as Critical for 2010, additional steps may need to be taken which include a surcharge on employer contributions and may include amendments to reduce early retirement benefits or other adjustable benefits.

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, legal counsel and other professionals, and working with the contributing employers and the Union, the Trustees will continue to work towards strengthening the funded position of the Plan. Since the Plan 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 Plan's status and any future corrective actions needed. At each of its meetings, the Board of Trustees will continue to review the Plan's progress with its professional advisors.

Additional information can be obtained from the Plan Administrator at (218) 727-6688, Zenith Administrators, Inc., 750 Torrey Building, Duluth, MN 55802.