

2020 Notice of Critical Status For Teamsters Local 277 Pension Fund

This is to inform you that on May 29, 2020 the Plan 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 March 1, 2020. Federal law requires that you receive this Notice.

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 was in Critical Status last year and is projected to have "an accumulated funding deficiency" for the current plan year ending February 28, 2021.

Rehabilitation Plan

Federal law requires pension plans in critical status to adopt a "Rehabilitation Plan" aimed at restoring the financial health of the plan. This is the seventh year the Plan has been in Critical Status. The law permits pension plans to reduce, or even eliminate, benefits called "adjustable benefits" as part of its "Rehabilitation Plan".

When the Plan's actuary initially certified the Plan in critical status in 2014, the Board developed and implemented a "Rehabilitation Plan" designed to improve the Plan's funding. As part of the "Rehabilitation Plan", the Board established schedules that outlined the increased employer contributions and revised benefit structures designed to bring the Plan out of critical status by the end of the rehabilitation period. The "Rehabilitation Plan" established schedules of alternative benefits and contributions. These schedules outlined the acceptable alternatives that were presented to the parties for collective bargaining. In collective bargaining, the contributing employers and the local unions were required to agree to a schedule acceptable to the Board.

On June 28, 2014, you were notified that as of May 29, 2014 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. Any reduction of adjustable benefits 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 on or after June 28, 2014.

The "Rehabilitation Plan" is updated annually and will again be updated in 2021. If the Trustees of this Plan determine that further benefit reductions are necessary, you will receive a separate notice in the future identifying and explaining the effect of those reductions. The key benchmark of the "Rehabilitation Plan" signed on February 28, 2020 is to forestall insolvency.

Adjustable Benefits

The Plan offers the following adjustable benefits which may be reduced or eliminated as part of any Rehabilitation Plan schedule adopted by your employer:

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- Subsidized Disability benefits (if not yet in pay status);
- Early retirement benefit or retirement-type subsidy;
- Other similar benefits, rights, or features under the Plan.

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. An employer will not be subject to the surcharge if the employer, through collective bargaining, agrees to make contributions at a rate that equals or exceeds the contribution rate necessary for the Plan to carry out its Rehabilitation Plan.

Where to Get More Information

For more information about this Notice, you may contact Frank Asprea, Fund Manager, Teamsters Local 277 Pension Fund, 14 Front Street, Hempstead, NY 11550, (516) 505-1623. You have a right to receive a copy of the "Rehabilitation Plan" from the Plan.