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**NOTICE OF CRITICAL STATUS**  
**FOR**  
**PACIFIC COAST ROOFERS PENSION PLAN**

This is to inform you that on October 29, 2013, the Plan actuary certified to the U.S. Department of the Treasury, and also to the Board of Trustees, that the Plan is in critical status (the "red zone") for the Plan Year beginning August 1, 2013. Federal law requires that you receive this notice.

**CRITICAL STATUS**

The Plan is considered to be in critical status because it has funding problems. More specifically, the Plan's actuary determined that the following circumstances exist:

- The Plan was in critical status last year and over next 9 years, the Plan is projected to have an accumulated funding deficiency for the 2021 and 2022 Plan Years.

**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 fourth year the Plan has been in critical status. The law permits pension plans in the red zone to reduce or even eliminate benefits called "adjustable benefits" as part of a rehabilitation plan. On July 25, 2011, you were notified that the Plan would reduce or eliminate certain benefits, including lump sum death benefits, certain early retirement subsidies and all payment forms, except for the life annuity and marital annuities (calculated without any subsidies and without the reversionary or "pop-up" feature). Specific details concerning these Plan changes were included in that notice. On November 23, 2010 you were notified that as of September 1, 2011 the Plan is not permitted to lump sum benefits (or any other payment in excess of the monthly amount paid under a single life annuity, except for the payment of benefits worth less than \$1,000) while it is in critical status. If the Trustees of the Plan determine that benefit reductions are necessary, you will receive a separate notice in the future identifying and explaining the effect of those reductions.

Any reduction of adjustable benefits (other than a repeal of a recent benefit increase, as described below) will not reduce the level of a Participant's basic benefit payable at Normal Retirement Age. In addition, the reductions may only apply to Participants and beneficiaries whose benefit commencement date is on or after September 1, 2011.

**ADJUSTABLE BENEFITS**

The Plan offers the following adjustable benefits, some of which have already been reduced as part of the rehabilitation plan the Board of Trustees have adopted, and some of which may still be reduced or eliminated as part of any rehabilitation plan the Board of Trustees may adopt:

- Post-retirement death benefits;

- The optional ten-year guarantee for the life annuity payment form;
- Disability benefits (if not yet in pay status);
- Early retirement benefits or retirement-type subsidies;
- Benefit payment options other than a qualified joint and survivor annuity or qualified optional survivor annuity.
- Subsidies for the qualified joint and survivor annuity and qualified optional survivor annuity.

### **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. A 5% surcharge was applicable for the initial critical Plan Year that ended July 31, 2011 and a 10% surcharge was applicable for each succeeding Plan Year thereafter in which the Plan is in critical status, until the Employer agrees to a collective bargaining agreement that implements the Rehabilitation Plan. All collective bargaining agreements have been renewed and contain elements of the Rehabilitation Plan.

### **WHERE TO GET MORE INFORMATION**

For more information about this Notice, you contact the Plan administrator at:

Ms. Judy Sargent  
P.O. Box 5057  
San Jose, CA 95150  
Telephone: (408) 288-4400

You have the right to receive a copy of the Rehabilitation Plan from the Pension Plan.

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