IMPORTANT NOTICE OF FUNDING STATUS – PLEASE READ

The Plan Actuary certified to the U.S. Department of the Treasury, and also to the Board of Trustees of the UFCW Local 1262 and Employers Pension Plan, that the Plan emerged from Critical Status for the Plan Year beginning January 1, 2017, but is projected to be in Critical Status within the following five plan years. Federal law requires that you receive this notice.

Critical Status

On April 6, 2017, the Trustees elected to remain in Critical Status in accordance with Section 432(b)(4) of the Internal Revenue Code. Therefore, the Plan is still considered to be in Critical Status because it has a projected accumulated funding deficiency.

Rehabilitation Plan

The Plan was in Critical Status for plan years 2008-2016. Federal law requires pension plans in Critical Status to adopt a rehabilitation plan aimed at restoring the financial health of the plan, and permits pension plans to reduce, or even eliminate, benefits called "adjustable benefits" as part of a rehabilitation plan; federal law also prohibits pension plans from paying lump sum benefits (or any other payment in excess of the monthly amount paid under a single life annuity) while they are in Critical Status. Under the rehabilitation plans adopted for plan years 2008-2016, the Trustees amended the Plan to (a) eliminate lump sum benefits effective for retirements beginning on or after January 28, 2008; (b) effective for retirements beginning on or after September 1, 2009, eliminate the 60-month payment guarantee feature and the "30 & out" unreduced retirement for those terminating covered service prior to age 55; (c) eliminate benefit accruals for most employees who were not participants in the Plan as of October 15, 2011; (d) reduce future benefit accruals for Pathmark participants effective January 1, 2015; (e) eliminate disability pensions for participants who did not leave Covered Service due to a disability before January 1, 2015; (f) eliminate early retirement benefits for active and terminated vested participants and their spouses who do not apply for an early retirement benefit within 90 days of becoming eligible for it; and (g) provide that participants who apply for retirement after December 11, 2015, cannot work in the retail grocery industry over a set amount of hours per month and receive benefits from the Plan at the same time.

Although the Plan could have emerged from Critical Status in 2017 it was projected to fall back into Critical Status by 2019. Therefore, the Trustees elected to have the Plan remain in Critical Status for the 2017 plan year to provide more flexibility in improving the Plan's financial health. This election will "restart" the rehabilitation period for the Plan; the rehabilitation period is now January 1, 2020 through December 31, 2029.

The Trustees must adopt a new rehabilitation plan aimed at restoring the financial health of the pension plan. As part of the rehabilitation plan, the Trustees must establish schedules that outline the increased Employer contributions, revised benefit structures, or both, that will bring the Plan out of Critical Status by the end of the rehabilitation period. These schedules will outline the acceptable alternatives that will be presented to the parties for collective bargaining. In collective bargaining, the contributing Employers and the Union must agree on one of the schedules established by the Trustees.

Adjustable Benefits

The Plan offers the following adjustable benefits for participants credited with service on or after January 1, 2017, which may be reduced or eliminated as part of any rehabilitation plan the Trustees may adopt (in addition to the specific reductions to adjustable benefits already implemented as outlined above):

- □ Early retirement benefits or retirement-type subsidies
- □ Benefit payment options other than a qualified joint-and survivor annuity (QJSA)

If the Trustees of the 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. Any reduction of adjustable benefits (other than a repeal of a recent benefit increase) 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 March 31, 2017.

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 surcharges end when a collective bargaining agreement that conforms to the rehabilitation plan is agreed to by the Union and the employer.

Where to Get More Information

For more information about this Notice, you may contact the Fund Office at 973-778-5800. You have a right to receive a copy of the rehabilitation plan from the plan.

April 28, 2017 **Board of Trustees**