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## **Minneapolis Retail Meat Cutters and Food Handlers Pension Fund**

### **Notice of Critical Status**

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**Date Issued:** June 2018

The Pension Protection Act of 2006 (the Act), signed into law in 2006 and extended by the Multiemployer Pension Reform Act of 2014 (“MPRA”) is intended to improve the financial condition of pension plans. The Act implemented several safeguards as well as notification requirements to share more information about a plan’s “financial health” with participants and others directly interested in the plan.

Starting with the 2008 plan year, the Act requires that pension plans be tested annually to determine how well they are funded. The Act establishes benchmarks for measuring a plan’s funding, and uses formal labels for such benchmarks. Plans that are in “endangered” status (sometimes called the “*Yellow Zone*”) or “critical” status (sometimes called the “*Red Zone*”) must notify all plan participants, beneficiaries, contributing employers, and collective bargaining parties of the plan’s status, as well as take corrective action to improve or restore the plan’s financial health.

#### **Plan’s Status – Critical**

The plan is considered to be in critical status because it has funding or liquidity problems, or both. More specifically, on May 29, 2018 the plan actuary for the Minneapolis Retail Meat Cutters and Food Handlers Pension Fund (the “Plan”) certified to the U.S. Department of the Treasury, and also to the Board of Trustees (the Plan sponsor), that the Plan is projected to enter critical status within the next five years. As allowed under MPRA, the Trustees have elected to enter critical status for the Plan year beginning March 1, 2018. Federal law requires that you receive this notice.

Specifically, the Plan’s actuary has estimated that the Plan’s funded percentage for the Plan year beginning March 1, 2018 is less than 80%, and has a projected credit balance deficiency in the Plan year ending February 28, 2026. (The Plan’s actuary has estimated that the funded percentage, as of March 1, 2018, is 73.6%.)

Federal law requires that you receive this notice.

#### **Rehabilitation Plan and Possibility of Reduction in Benefits**

Federal law requires pension plans in critical status to adopt a rehabilitation plan aimed at restoring the financial health of the plan. The law permits pension plans to reduce, or even eliminate, benefits called “adjustable benefits” as part of a rehabilitation plan. 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 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, 2018. But you should know that whether or not the plan reduces adjustable benefits in the future, effective as of June 29, 2018, 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.

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## **Adjustable Benefits**

The plan offers the following adjustable benefits which may be reduced or eliminated as part of any rehabilitation plan:

- Disability benefits (if not yet in pay status);
- Early retirement benefit or retirement-type subsidy, including the 30-year service pension;
- Benefit payment options other than a qualified joint-and survivor annuity (QJSA);

Once a rehabilitation plan is adopted, the Trustees have the authority to amend and apply the provisions of the Rehabilitation Plan in any matter deemed prudent, including requiring changes in employer contributions and future benefit accruals as part of new or renewed collective bargaining agreements. You will be notified in advance if any changes are required.

## **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 (beginning 30 days after receiving this notice) and a 10% surcharge is applicable for each succeeding plan year thereafter in which the plan is in critical status. The surcharge does not apply once the bargaining parties have agreed to a schedule of benefits under a rehabilitation plan.

## **What's Next**

Since the Pension Plan's financial condition generally changes with changes in the economy, the Act requires that the Pension Plan's funding status be reviewed and certified annually. This means that you will receive a notice like this each year until the Pension Plan is no longer in critical or endangered status.

We understand that legally required notices like this one can create concern about the Plan's future. While the "critical" label is required to be used by federal law, the fact is that we have been working with our actuaries and consultants for some time now to address these funding issues. Please be aware that improving the Plan's funded status is a top priority and we are committed to taking any actions necessary to ensure your benefits will be there when you retire.

## **Where to Get More Information**

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

Pension Department  
Wilson-McShane Corporation  
3001 Metro Drive, Suite 500  
Bloomington, MN 55425  
(952) 851-5797  
[mrmc@wilson-mcshane.com](mailto:mrmc@wilson-mcshane.com)

You have a right to receive a copy of the rehabilitation plan from the plan.

*This Notice is being provided as required under the Pension Protection Act of 2006, which requires that certain information regarding the Plan's funding status be disclosed to individuals and parties interested in the Plan. As required by law, this Notice is being provided to the Pension Benefit Guaranty Corporation (PBGC) and the Secretary of the Department of Labor.*

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