Hotel Employees Restaurant Employees Trust Funds

2815 2nd Avenue, Suite 300 • P. O. Box 34203 • Seattle, Washington 98124
Phone (206) 441-7574 or (800) 732-1121 • Fax (206) 505-9727

Administered by
Welfare & Pension Administration Service, Inc.

September 28, 2012

TO: ALL PARTICIPANTS, BENEFICIARIES, LOCAL UNIONS, CONTRIBUTING EMPLOYERS, PENSION BENEFIT GUARANTY CORPORATION AND SECRETARY OF LABOR

RE: Notice of Critical Status
For *Hotel Employees Restaurant Employees Pension Plan*

The purpose of this notice is to inform you that on August 29, 2012 the plan actuary certified to the U.S. Department of the Treasury, and also to the plan sponsor, the Board of Trustees, that the Hotel Employees Restaurant Employees Pension Trust (the "Plan") is in critical status for the plan year beginning June 1, 2012. 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 actuary has determined that the Plan is projected to have an accumulated funding deficiency for the plan year beginning June 1, 2017. This means that contributions coming into the Plan are not expected to be sufficient to meet minimum contribution requirements as provided by the federal government. This does not mean that the Plan does not have sufficient assets to pay current retirees.

The projected funding deficiency is the direct result of the severe investment losses experienced by the Plan from 2008 through early 2012 due to the deterioration of nearly all investment markets over the last several years. These investment losses have resulted in plan assets falling significantly below plan liabilities. A similar decline is being experienced by other pension plans across the country.

The Trustees of the Plan remain committed to providing the best and most secure benefits possible. The Fund's investment portfolio remains well diversified and is positioned to participate in any market recovery.

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 the benefit reductions are necessary, you will receive a separate notice in the future identifying and explaining the effect of those reductions. Generally, any reduction of adjustable benefits (other than a repeal of a benefit increase made in the last five years) 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 the date the rehabilitation plan takes effect. However, a decision has not yet been made as to whether adjustable benefits will be reduced.

Adjustable Benefits

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

- ☑ Thirty-six month payment guarantees;
- ☑ Benefit payment options other than a qualified joint and survivor annuity (QJSA);
- ☑ Pre-retirement lump sum death benefits;
- ☑ Disability benefits (if not yet in pay status);
- ☑ Early retirement benefit;
- ☑ Any plan improvements made in the last five years;
- ☑ Other similar benefits, rights, or features under the plan.

Employer Surcharge

The law requires that all contributing employers pay a surcharge to the Plan 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 plan year and a 10% surcharge is applicable for each succeeding plan year in which the plan is in critical status until the effective date of a collective bargaining agreement which includes a rehabilitation schedule as provided by the Plan.

Where to Get More Information

For more information about this Notice, you may contact the Plan's Administration Office, Welfare & Pension Administration Service, Inc.

Mailing address:	P.O. Box 34203 Seattle, WA 98124
Location:	2815 2nd Avenue, Suite 300 Seattle, WA 98121
Telephone:	(206) 441-7574 or toll free 1 (800) 732-1121

You have a right to receive a copy of the rehabilitation plan from the Plan when it is later adopted.

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September 28, 2012

TO: Contributing Employers to the
Hotel Employees Restaurant Employees Pension Trust

Re: Notice of Critical Status and Employer Surcharges beginning November 2012

Dear Contributing Employer:

We are attaching a notice of critical status for the Hotel Employees Restaurant Employees Pension Trust (the "Plan") for the 2012 plan year. As required by the Internal Revenue Service, this notice is being sent to all plan participants and beneficiaries, local unions, contributing employers, the Pension Benefit Guaranty Corporation (PBGC) and Department of Labor (DOL). In addition, we are sending this cover letter to the contributing employers to provide additional information.

You should be aware of the following implications of the Plan's critical status:

- As noted in the attached notice, a contribution surcharge will apply until the effective date of a rehabilitation schedule that is incorporated into a collective bargaining agreement. The surcharge is a contribution to the Plan, but does not result in benefit accruals for participants. A surcharge of 5% will first apply for the contribution applicable for November 2012 hours, paid in December 2012. Beginning with the June 2013 hours, the surcharge increases to 10%.

- The rehabilitation plan may include additional employer contributions. Like the surcharge contributions, no additional benefits would accrue from these additional contributions.

- Beginning with the critical certification date of August 29, 2012, employers and local unions may not negotiate reduced contributions to the Plan, suspend contributions with respect to any period of service, or directly or indirectly exclude any younger or newly hired employees from participation in the Plan. Collective bargaining agreements with any such changes must be rejected by the Plan.

- If the bargaining parties decide to negotiate out of the Plan entirely, employer withdrawal liability will be assessed against any withdrawing employer.

The Plan's critical status is the direct result of the severe investment losses experienced by the Plan from 2008 through early 2012 due to the deterioration of nearly all investment markets over the last several years. These investment losses have resulted in plan assets falling significantly below plan liabilities. A similar decline is being experienced by other pension plans across the country.

As indicated in the attached notice, federal law requires a plan in critical status to adopt a rehabilitation plan aimed at restoring the financial health of the plan. The Plan Trustees will be developing this rehabilitation plan. A rehabilitation plan includes a combination of benefit adjustments and/or contribution increases. The plan is then presented to the collective bargaining parties for adoption.

The Trustees of the Plan remain committed to providing the best and most secure benefits possible. The Fund's investment portfolio remains well diversified and is positioned to participate in any market recovery.

The Trustees understand that you may have many questions with regard to this information. Additional information will be provided in future communications after the rehabilitation plan is developed. In the meantime, if you have any questions, please feel free to contact the Administration Office at (206) 441-7574 or toll free at 1 (800) 732-1121.

Sincerely,

Gregg Giles

Gregg Giles
Fund Administrator
On behalf of the Board of Trustees

Attachment

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