UNITED FOOD AND COMMERCIAL WORKERS UNION AND PARTICIPATING FOOD INDUSTRY EMPLOYERS TRI-STATE PENSION FUND

EBSA/PUBLIC DISCLOSURE

2017 MAY -1 PM 2:29

3031 B. WALTON ROAD
PLYMOUTH MEETING, PA 19462

(866) 928-8329 • (610) 941-4282
Fax (610) 941-9347
E-mail: tsfund@ufcwtristatepensionfund.org
www.ufcwtristatepensionfund.org

IMPORTANT NOTICE OF FUNDING STATUS TO CONTRIBUTING EMPLOYERS AND PARTICIPANTS
– PLEASE READ –

FEDERAL FUNDING RULES. Beginning on January 1, 2008, the Pension Protection Act of 2006 (the "PPA") imposed new rules aimed at accelerating the funding of defined benefit plans such as the United Food and Commercial Workers Union and Participating Food Industry Employers Tri-State Pension Fund (the "Plan," or, the "Fund"). Under prior law, defined benefit plans were required to address a funding problem only when a plan would not satisfy minimum funding standards for the current year. Unlike prior law, the PPA requires plans to ***accelerate funding*** and to ***anticipate potential future funding issues based upon projections***. Unfortunately, the economy has not cooperated and many defined benefit plans have suffered. Recognizing the impact of various economic forces, on December 16, 2014, the Multiemployer Pension Reform Act of 2014 ("MPRA") was signed into law and has already had a significant impact on many multiemployer pension funds across the country. The Board of Trustees (the "Board") will continue to evaluate the potential impact of MPRA and consider possible ways in which the new legislation may be used to improve the funded status of the Plan. Federal law also requires the Board to send this notice to all contributing employers and participants.

THE PLAN'S ACTUARY MUST CERTIFY FUNDING CATEGORY. Under the PPA, within the first 90 days of each plan year, the Plan's Actuary must certify whether a plan is endangered, seriously endangered, in critical status or, as a result of MPRA, in critical and declining status. In general, the two most relevant factors used by the Plan's Actuary to determine its funding category are the ratio of the Plan's assets to its liabilities (the funded percentage of the Plan) and whether the Plan will be able to satisfy the new minimum funding standards within the next three to ten years without additional contribution income changes or additional benefit changes.

PLAN'S CURRENT STATUS. On March 31, 2017, the Plan's Actuary certified to the U.S. Department of the Treasury and to the Board that the Plan will be in critical and declining status for the 2017 plan year based on the following criteria:

- The Plan's funded percentage for 2017 is less than 65% and the Plan is projected to have a funding deficiency within the next five years;
- The Plan's funded percentage for the 2017 Plan Year is approximately 50%;
- The Plan is projected to have a funding deficiency within the next four years;
- The Plan's liability for inactive participants is greater than that for active participants and Plan contributions during the upcoming plan year are less than the Plan's normal cost plus interest on its unfunded liability for the upcoming year;
- The Plan was in critical and declining status for the prior plan year and the Plan is projected to have a funding deficiency within the next 10 years.
- The Plan is projected to become insolvent within 20 years while having a funded percentage less than 80 percent. More specifically, the Plan is currently projected to be insolvent in 2028.

WHY HAS THIS HAPPENED? Even though the Board has been proactive in addressing the Plan's funding problem, like most multiemployer plans, and even most single employer pension plans sponsored by U.S. companies, the Plan was negatively impacted in 2008, by the significant downturn in the stock market, which caused a significant drop in the value of the Plan's assets. Furthermore, the Fund's contribution base has been adversely affected by the withdrawals of several employers, including the withdrawals by its larger employers, such as Shop-Rite and Super G and, most recently, the bankruptcy of the Great Atlantic & Pacific Tea Company, Inc., (including Pathmark Stores, Inc. and Super Fresh Food Markets, Inc., and collectively with their affiliated debtors, the "A&P Debtors"), pursuant to which substantially all of the assets of the A&P Debtors are being liquidated for the benefit of their creditors (the "A&P Liquidation"). The Fund's contribution base was also adversely affected by voluntary petitions for relief under Chapter 11 of the Bankruptcy Code filed by Super Market Service Corp. and Risoldi's Great Value.

WHAT ACTION HAS THE BOARD TAKEN TO DATE? Since 2000, the Board has taken numerous steps to rebuff these economic forces, such as agreeing with the collective bargaining parties to defer the implementation of previously negotiated benefit increases and to reduce the rate of future benefit accruals by 10% effective January 1, 2007. At the same time, the Board increased the required contribution rates by 25% effective January 1, 2004, by an additional 10% effective on January 1 of 2005, 2006, and 2007, and by an additional 5% effective May 1, 2008 and January 1, 2009. Additionally, beginning in 2008, the Board adopted a Rehabilitation Plan that approved benefit reductions and contribution rate increases ranging from 5% to 65%. All contribution rate increases prior to 2008 were based upon the rates in effect on December 31, 2003. The contribution rate increases since January 1, 2008 were based upon the rates in effect on January 1, 2008 or later.

REHABILITATION PLAN. When the Plan's Actuary initially certified the Plan in critical status in 2008, the PPA required the Board to develop and implement 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 within the required statutory 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 and approved by the Board. In light of economic developments and changes in the law, the Board adopted revised Rehabilitation Plans every year from 2009 through 2016. The Board is in the process of reviewing and revising the Rehabilitation Plan for 2017, if necessary.

WHAT DOES THIS MEAN FOR CONTRIBUTING EMPLOYERS? NEW EMPLOYER CONTRIBUTIONS. Under the PPA, each employer was required to pay a surcharge of 5% of the contributions otherwise required under the applicable collective bargaining agreement or other agreements pursuant to which the employer contributed for the remainder of the 2008 plan year. In addition, effective January 1, 2009, the surcharge was increased to 10% for the 2009 plan year. The surcharge remained in effect until the local unions and the employers adopted an acceptable schedule under one of the Rehabilitation Plan Schedules which call for additional contribution increases.

WHAT DOES THIS MEAN FOR PARTICIPANTS? If participants were already retired and receiving benefits as of April 29, 2008, their benefits have ***not*** changed. While the Plan is in critical or critical and declining status, the PPA ***prohibits*** the Plan from paying any benefits in the form of a lump sum, or any other payment in excess of the monthly amount payable in the form of a single life annuity (other than certain Social Security supplements, and certain retroactive payments). In addition, vested retirement benefits will continue to be partially guaranteed by the Pension Benefit Guaranty Corporation (the "PBGC"). For example, the PBGC guarantees a monthly benefit payment equal to 100 percent of the first $11 of the Plan's monthly benefit accrual rate, plus 75 percent of the next $33 of the accrual rate, times each year of credited service. The PBGC's maximum guarantee is $35.75 per month times a participant's years of credited service.

POSSIBLE FUTURE BENEFIT REDUCTIONS. Depending upon how the stock market performs in 2017 and beyond, the financial health of the contributing employers and any changes in current law, it is possible that additional contributions and/or benefit changes will be required as part of any updated Rehabilitation Plan that is adopted by the Board. Accordingly, ***a future Rehabilitation Plan may require additional reductions in benefits for participants and beneficiaries***. If the Board determines that additional benefit reductions are necessary as a result of MPRA or otherwise, participants will receive a separate notice in advance of any reductions, which will identify and explain the effect of those additional reductions, as applicable.

LOOKING AHEAD. The Board is continuously working to develop ways to secure the Plan's benefits well into the future. As a result of the PPA and MPRA, employers and covered employees are being asked to work together to improve the funded status of the Plan going forward. As noted above, employers have increased their contributions significantly and have implemented certain reductions in adjustable benefits for participants and beneficiaries whose pensions had not started prior to April 29, 2008. Similarly, new retirees will be required to forego certain optional forms of payment. In the year ahead, the Board will continue to evaluate the Fund's progress and update the Rehabilitation Plan, as necessary. The Board will continue to evaluate the impact of the A&P Liquidation and previous voluntary petitions for relief under Chapter 11 of the Bankruptcy Code filed by the Fund's contributing employers. The Trustees are reviewing all of its options to forestall the projected insolvency of the Fund.

WHERE TO GET MORE INFORMATION. For more information about this Notice, you may contact the Board of Trustees, United Food and Commercial Workers Union and Participating Food Industry Employers Tri-State Pension Fund, 3031B Walton Road, Plymouth Meeting, PA 19462, telephone (866) 928-8329 or (610) 941-4282. When it is completed, you and participants will have a right to receive a copy of the updated Rehabilitation Plan.

Date: April 28, 2017 **Board of Trustees**

DB1/ 91336040.3