CARPENTERS PENSION TRUST FUND-DETROIT AND VICINITY

NOTICE OF PENSION PLAN STATUS

(FOR THE PLAN YEAR BEGINNING MAY 1, 2012)

To: Participants, Beneficiaries, Michigan Regional Council of Carpenters, Local Unions, Contributing Employers and Employer Associations, Pension Benefit Guaranty Corporation and Secretary of Labor.

This notice is being provided pursuant to the Pension Protection Act ("PPA"). It is intended to inform you of the funding status of the Carpenters Pension Trust Fund-Detroit and Vicinity ("the Plan"). The Plan's actuary has certified that the Plan is in "critical" status for the plan year beginning May 1, 2012, as explained below.

- **Plan Status**

The PPA imposes funding requirements upon multiemployer pension plans to ensure that they are well-funded in future years. Each plan is required to conduct an annual study to determine the plan's funding level. Unless the plan is extremely well-funded, it is required to adopt a process to improve its funding level – so-called rehabilitation plan.

The Plan is considered to be in critical status because its funding and liquidity levels are below certain mandates set by the PPA. More specifically, the Plan's actuary determined that the funded percentage for the year 2012 is less than 65% (level set by the PPA), and a current funding deficiency at the beginning of the plan year commencing May 1, 2011. The existence of an accumulated funding deficiency is determined by examining the status of the Plan's "funding standard account". A funding standard account, in turn, is a hypothetical account that, for each year, is charged with the cost of future benefits for that year, and credited with employer contributions and certain investment income. If the charges to the funding standard account exceed credits, an accumulated funding deficiency exists for that year and affects the Plan's PPA status. The existence of a funding deficiency does **not** mean that the Plan is insolvent and unable to pay benefits.

As indicated, the determination that the Plan is in critical status was made by the actuary, based on the ratio of the value of the Plan's assets to the present value of all accrued benefit liabilities to participants and beneficiaries, as of May 1, 2012. Such valuations of the Plan's benefit liabilities are made using various actuarial assumptions, developed by the actuary and are done on an annual basis. For comparison purposes, plans that are 80% or better funded are generally deemed to be in the "green" zone, or are considered well funded. Plans that are below 80% funded, but above 65% funded are considered to be in the "yellow" zone (or endangered). Those below 65%, generally, are in the "red" zone, or in critical status.

- **Adoption of Rehabilitation Plan and Adjustable Benefits**

Federal Law requires pension plans in critical status to adopt a rehabilitation plan aimed at restoring the financial health of the Plan. A rehabilitation plan may involve reductions to future benefit accruals, increases to contribution rates, or both. The Plan offers the following adjustable benefits which may be reduced or eliminated (for participants not yet in pay status) as part of any rehabilitation plan the Pension Plan may adopt:

- Disability benefits;
- Early retirement benefit or subsidies;
- Post-retirement death benefits;

Certain post-retirement benefit improvements and early retirement benefits were reduced pursuant to the updated rehabilitation plan effective May 1, 2010, and you were previously mailed a notice of these reductions. If the Trustees of the Plan determine that additional benefit reductions are necessary, you will receive a separate notice in the future identifying and explaining the effect of those reductions. But you should know that whether or not the Plan reduces any other adjustable benefits, effective as of August 28, 2008, the Plan is not permitted to pay any 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.

- **Future Experience and Possible Adjustments**

The rehabilitation plan is based on a number of assumptions about future experience and may need to be adjusted in the future if such assumptions are not met. Additional contribution rate increases and/or reductions in the rate at which benefits are earned may be needed if the Fund were to suffer asset returns below the expected 8.0% (in the 2012 plan year or later), a drop in the hours worked, or poor experience from other sources. If, at some point in time, the Trustees determine that further adjustments are necessary, you will receive a separate notice identifying and explaining the effect of those changes.

- **Employer Surcharge**

The PPA also provides that, unless the bargaining parties agree to make contributions in accordance with the terms of the rehabilitation plan, any contributing employer that has not agreed to make the required contributions must pay a surcharge to the Plan to help correct its financial condition. 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.

- **Where to Get More Information**

For more information about this Notice, you may contact the Plan at (248) 641-4950 or (800) 572-2525. You have a right to receive a copy of the rehabilitation plan from the administrator. The Department of Labor also publishes information regarding this process at: http://www.dol.gov/ebsa/criticalstatusnotices.html.

- **Frequently Asked Questions**

Q1 Why did I receive this notice?

A relatively new law, the PPA, became effective in 2008 and requires you to receive this notice. The PPA also requires that the Plan adopt certain procedures to improve its funding condition (as described in the rehabilitation plan) to ensure that the financial health of the plan is restored.

Q2 What does funded percentage mean?

The calculations mentioned in this notice compare the cost of providing promised pension benefits versus the current actuarial value of the assets held by the Plan. Based on past experience, the Plan compares the actuarial value of assets to the amount it will be required to pay for retirement benefits in the future. The result is the funded percentage that is used for compliance with the PPA.

Q3 Why is this process necessary?

Even though the Plan has been proactive in addressing its funding level, the PPA established new rules that now require faster funding of plans than under prior law. Like most pension plans, the Plan's returns were less than anticipated during the general downturn of the stock market of the last decade. In something of a perfect storm, the funding level was further eroded due to the downturn in Michigan's economy, which adversely affected the Plan's work hours. Efforts to improve the funded percentage have been impeded by the Michigan economy's slow recovery.

Q4 What has the Plan done to improve the situation?

The Plan has proactively decreased the **future** benefit multiplier over the course of the last few years and was able to avoid even deeper declines to the Plan's funded percentage. The Plan, as always, is also working with its investment advisors to place Plan assets in investment vehicles with good returns, at the lowest risk. Uncredited contributions (those for which no benefit is provided) are also being used to shore up the Plan. All of these efforts should result in substantial improvements to the funded percentage once the country emerges from the current recession.

Q5 What is the Rehabilitation Plan?

The Rehabilitation Plan contains schedules designed to improve the funded percentage of the Plan. Ideally, improvements will be made by using a combination of "uncredited" contributions, i.e. those for which no benefit is provided, and Plan earnings.

Q6 Will the Rehabilitation Plan work?

The Plan has a number of professional advisors that have been working on the Rehabilitation Plan. Although there are no guaranties, the rehabilitation plan is designed to allow the Plan to emerge from critical status within thirteen years. It will be reviewed each year, to make sure it stays on track.

Very truly yours,

Carpenters' Pension Trust Fund – Detroit and Vicinity