Hotel Employees Restaurant Employees Trust Funds

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Administered by
Welfare & Pension Administration Service, Inc.

September 26, 2013

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

Notice of Critical Status for *Hotel Employees Restaurant Employees Pension Plan*

The purpose of this notice is to inform you that on August 29, 2013 the plan actuary certified to the U.S. Department of the Treasury, and also to the Board of Trustees, that the Hotel Employees Restaurant Employees Pension Plan (the "Plan") is in critical status for the Plan Year beginning June 1, 2013. Federal law requires that you receive this notice.

A similar notice was provided at this time last year, notifying you of the Plan's critical status in 2012. A Rehabilitation Plan was adopted in April 2013. It is designed to cause the Plan to emerge from critical status by the end of the 10-year rehabilitation period. You received a notice regarding the Rehabilitation Plan dated April 26, 2013.

Critical Status

The Plan is considered to be in critical status because it has funding or liquidity problems, or both. More specifically, the Plan was in critical status last year and over the next nine plan years the Plan is projected to have an accumulated funding deficiency in 2020. 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. It 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 in 2008 through early 2012, due to the deterioration of nearly all investment markets over the year. These investment losses resulted in plan assets falling significantly below plan liabilities. A similar decline was 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 further market recovery.

Rehabilitation Plan

Federal law requires pension plans in critical status to adopt a Rehabilitation Plan aimed at restoring the financial health of the Plan. This is the second year the Plan has been in critical status. The law permits pension plans to reduce, or even eliminate, benefits called "adjustable benefits" as part of a Rehabilitation Plan. In September 2012, you were notified that the Plan

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was in critical status and reductions in adjustable benefits were possible. In April 2013, you were notified that the Plan reduced adjustable benefits for some participants. The reduction of adjustable benefits does not reduce the level of a participant's basic benefit payable at normal retirement. The Rehabilitation Plan does not affect the following participants:

- Any participant retired on or before June 1, 2013.
- Any participant who submitted a proper retirement application which was received by the Trust Office on or before May 31, 2013, and who retires no later than November 1, 2013.

Adjustable Benefits

The Retirement Plan still offers the following adjustable benefits which may be reduced or eliminated as part of any revised Rehabilitation Plan. Although these benefits were not eliminated, some of the value of these benefits was reduced under the Rehabilitation Plan adopted in 2013:

1. Benefit payment options other than qualified joint and survivor annuity (QJSA);
2. Disability benefits (if not yet in pay status);
3. Early retirement benefits;
4. Other similar benefits, rights, or features under the Plan.

You will receive a separate notice if the Trustees decide to adjust benefits again, as part of a revised Rehabilitation Plan.

Employer Surcharge and Additional Contributions

Prior to the adoption of the Rehabilitation Plan by the employer and union, the law requires that all contributing employers pay to the Retirement Plan a surcharge to help correct the Retirement 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 in which the Retirement Plan is in critical status.

The surcharge contribution ends for an employer once the collective bargaining parties adopt the Rehabilitation Plan, or when the Rehabilitation Plan is automatically adopted as provided under the Pension Protection Act. At that time, the employer's contribution increases are defined by the applicable Rehabilitation Plan schedule.

Where to Get More Information

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

Mailing address:	P.O. Box 34203 Seattle, WA 98124
Location:	2815 Second 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.