

# OREGON RETAIL EMPLOYEES PENSION TRUST

## NOTICE OF CRITICAL STATUS

(2013 Plan Year)

**TO:** All Participants, Beneficiaries, Participating Local Unions,  
and Contributing Employers

**FROM:** Board of Trustees  
Oregon Retail Employees Pension Trust

**DATE:** April 25, 2013

The Pension Protection Act of 2006 (PPA) requires the Board of Trustees to annually evaluate the funded status of your Pension Plan. Pension plans that are (or remain) in critical status must notify all participants, beneficiaries, unions, and contributing employers of that status.

This will notify you that on March 28, 2013 the Trust's actuary certified to the U.S. Department of Treasury and to the Board of Trustees that the Plan remains in critical status for the plan year beginning January 1, 2013. Federal law requires that you receive this notice.

As a result of the Trust's critical status in 2010, the Board of Trustees adopted a Rehabilitation Plan that is designed to strengthen the Plan's financial foundation over time. The specific details of the Rehabilitation Plan were previously provided to you. In general, the Rehabilitation Plan reflects a combination of contribution increases and benefit adjustments that will allow the Plan's funded status to improve, and to eventually emerge from critical status.

### Critical Status

The Plan is considered to be in critical status because it was in critical status for the 2012 plan year and over the next 10 years, the Plan is projected to have an accumulated funding deficiency for the 2021 and 2022 plan years. The Plan will emerge from critical status in a plan year when an accumulated funding deficiency is not projected to occur for ten consecutive plan years.

### Rehabilitation Plan and Possibility of Further Reduction of Benefits

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 fourth year the Plan has been in critical status. The law permits pension plans to reduce or eliminate benefits called "adjustable benefits" as part of a rehabilitation plan. In May 2010, you were notified that the Board of Trustees adopted a rehabilitation plan that included a combination of contribution increases and benefit reductions, including reductions to adjustable benefits. Most employers and bargaining units have adopted the rehabilitation plan. You were also notified that as of May 1, 2010, the Plan is not permitted to pay lump sum benefits, and that the Social Security Level Income option is no longer available.

**No additional benefit changes are being made at this time or in connection with this Notice.** If the Board of Trustees determines that further benefit reductions are necessary, you

will receive a separate notice in the future identifying and explaining the effect of those reductions. Other than repeal of benefit increases made in the 60 months before January 1, 2010 or the elimination of future cost-of-living increases, reductions to adjustable benefits generally will only apply to you if your benefit commencement date (pension effective date) is on or after the date of the original critical status notice (April 29, 2010). Any reduction of adjustable benefits (other than a repeal of a recent benefit increase, as described below) will not reduce the level of a participant's basic benefit payable at normal retirement.

### **Adjustable Benefits**

The Plan's "adjustable benefits" are those that under the PPA are subject to reduction or elimination as part of the rehabilitation plan. These include:

- i) Minimum payment guarantees (such as 60-month guarantees);
- ii) Disability benefits;
- iii) Early retirement or retirement-type subsidies;
- iv) Death benefits (except for a 50% pre-retirement survivor annuity for a surviving spouse);
- v) Benefit payment options or features other than the qualified joint and survivor annuity; and
- vi) Benefit increases that would not be eligible for a guarantee under ERISA section 4022A on the first day of the critical year (January 1, 2010) because increases were adopted or, if later, took effect less than 60 months before January 1, 2010 including scheduled cost-of-living increases.

The Rehabilitation Plan previously made changes to some of the Plan's adjustable benefits. The Trustees continue to monitor the progress of the Rehabilitation Plan, and its effect on the Plan's funded status. If further benefit changes are required in the future under the Rehabilitation Plan, you will receive an additional notice describing such changes.

### **Employer Surcharges**

The PPA requires that all contributing employers pay to the Plan a surcharge to help correct the Plan's financial health. The amount of the surcharge is equal to the percentage of the amount an employer is otherwise required to contribute to the Plan under the collective bargaining agreement. During the first year that a plan is in critical status, the percentage is 5% of required contributions. In subsequent plan years, including the 2013 plan year, it is 10% of required contributions. This surcharge does not apply to contributions required under a bargaining agreement that includes the provisions of the Rehabilitation Plan adopted by the Board of Trustees. Employers have received a separate notice describing the applicable surcharge rates.

### **Where to Get More Information**

For more information about this notice, or to receive a complete copy of the Rehabilitation Plan, you may contact Associated Third Party Administrators by telephone at 1-800-654-4411 or 503-454-3800.