PLUMBERS AND PIPEFITTERS LOCAL UNION NO. 333
FRINGE BENEFIT FUNDS

P.O. Box 638
Troy, Michigan 48099-0638
(248) 641-4933 (800) 550-5242

July 2013

To: All Participants, Beneficiaries, Plumbers and Pipefitters Local Union No. 333, Local Union Contributing Employers and Employer Associations

Enclosed you will find two notices from the Plumbers and Pipefitters Local Union No. 333 Pension Fund ("the Pension Plan") – (1) Notice of Pension Plan Status for the 2013 Plan Year and the (2) Annual Funding Notice for the 2012 Plan Year. These notices are required by law. Because they are technical in nature, the following summaries should help you evaluate them.

1. **2013 Pension Plan Status Notice**. As you were informed in previous years, the Pension Plan is required to conduct an annual study to compare the value of its assets to the benefits it will have to pay out in future years to establish a funding ratio. If the resulting funding ratio is below the level set by law, the enclosed Notice of Pension Plan Status is required to be issued by the Pension Plan. As explained in the Notice, for the 2013 Plan Year the Plan will be in the "red-zone." This does **not** mean that the Pension Plan is currently unable to pay benefits; rather it means that it has to meet these new funding levels on an expedited basis. The Frequently Asked Questions section, included as part of the Notice, should answer your questions about the Plan's status.

2. **2012 Annual Funding Notice**. This notice contains information regarding the Pension Plan's funded percentage, asset values, and investments. By law, the Annual Funding Notice is provided **after** the close of the Plan Year and relates to the 2012 Plan Year. In contrast, the Pension Plan Status Notice is provided after the beginning of the Plan Year and relates to the current 2013 Plan Year.

We hope that this summary has been helpful in evaluating the enclosed notices. Should you have additional questions that are not answered by the notices, you can contact the Pension Plan's administrator: BeneSys, Inc., 700 Tower Drive, Suite 300, Troy, MI 48098-2808 or by telephone at 1.800.550.5242.

Very truly yours,

Trustees of the Plumbers and Pipefitters Local Union No. 333

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Notice of Critical Status
For
Plumbers and Pipefitters Local Union No. 333 Pension Plan
EIN 38-3545518 PN 005

This is to inform you that on July 1, 2013 the Plan Actuary certified to the U.S. Department of the Treasury and to the Plan Sponsor that the Plan is in critical status for the plan year beginning July 1, 2013. Federal law requires that you receive this notice. In the future you will receive an annual update of this status and the progress the Plan is making towards the goals described below.

Critical Status

The Plan is considered to be in critical status because it is projected to satisfy the following:

> Funded percentage less than 65% and projected accumulated funding deficiency within the current or next 4 plan years
>
> The Plan's actuary determined that the Plan's funded percentage is 56.9% on July 1, 2013. The "funded percentage" is the fraction of earned benefits that could be funded with existing Fund assets. The Plan's actuary also projects that, if no further action is taken, the Plan will have an accumulated funding deficiency (not recognizing any amortization extensions) for the plan year ending June 30, 2018. Note, "accumulated funding deficiency" means that contributions would be insufficient to satisfy Federal requirements; it does not mean that the Fund would become bankrupt or run out of money.

As required by law, the Plan Actuary's certification includes only contribution rate increases that have been codified in collective bargaining or participation agreements.

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. A rehabilitation plan may involve reductions to future benefit accruals, increases to contribution rates, or both. The law also permits pension plans to reduce, or even eliminate, benefits called "adjustable benefits" as part of a rehabilitation plan. 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:

- 120-month payment guarantees;
- Disability benefits;
- Early retirement benefits or subsidies;
- Post-retirement death benefits;
- Lump sum option form of payment

If the Trustees of the Plan determine that the above 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 adjustable benefits, effective as of July 1, 2013, 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 will be 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 7.50%, 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 law requires that, if the bargaining parties have not adopted a schedule from the rehabilitation plan, all contributing employers pay to the Plan a surcharge beginning on August 30, 2013 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 year and a 10% surcharge is applicable for each succeeding plan year thereafter in which the Plan is in critical status.

The surcharges continue until the bargaining parties formally approve a rehabilitation plan schedule. *It is the intention of the Board of Trustees to have rehabilitation plan options submitted to the bargaining parties very soon, so that formal approval of a rehabilitation plan can be made before August 30, 2013. If the bargaining parties are able to adopt a rehabilitation plan prior to that date, surcharges would not be required.*

Where to Get More Information

You have a right to receive a copy of the rehabilitation plan once it has been formally approved by the bargaining parties. To receive a copy, you may contact the Plan Administrator at 700 Tower Drive, Suite 300, Troy, Michigan 48098 or by telephone at 800.550.5242.

Frequently Asked Questions

Q1 Why did I receive this notice?
The Pension Protection Act or "PPA", became effective in 2006 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. While the economy has improved somewhat, the recovery has been slow and insufficient to offset the dramatic investment losses and decline in work hours over the past several years.

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. The Plan has also raised the retirement age and eliminated lump sum death benefits, instead introducing a 50% joint and survivor annuity. In addition, effective June 1, 2013, there will be a small "uncredited contribution" which will help bring the Plan out of critical status faster. All of these efforts should result in substantial improvements to the funded percentage once the country emerges from the current recession over time when coupled with a slowly improving economy.

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.

Q7 Why are lump-sum payments being eliminated?
The elimination of lump sum benefits is required by federal law for critical plans, so the Trustees do not have a choice. The Trustees, in consultation with the Plan's actuary and service providers, have determined that permanently eliminating the lump sum form of benefit payment is essential to the short term health and long term viability of the Plan. The other changes are being made upon the recommendation of the Fund's advisers, who believe these changes will help the Plan exit the PPA "red zone" sooner.

Q8 Will any lump-sum payouts be allowed now?
If the total payment is $5,000.00 or less, it is considered "de-minimis" and will be paid in a lump sum.

Q9 Does eliminating a <u>lump-sum</u> pension payout mean I get less money?
No. This is only changing how your pension benefit is paid to you (over time as opposed to all at once). It will **<u>NOT</u>** decrease the value of your <u>pension</u>.

Q10 How long will the Plan be in the red zone?
The Plan's status is evaluated each year. The PPA requires the Plan to adopt a rehabilitation plan that will allow it to exit red zone within a specified period of time. The status of the Plan each year depends on many factors, such as investment returns, man-hours, and benefit changes. In the future, you will receive notices regarding the Plan's status as required by the PPA.

Very truly yours,

Plumbers & Pipefitters Local 333 Pension Fund