Plasterers and Cement Masons Local No. 94 Pension Fund

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PATH ADMINISTRATORS
Contract Administrator

Notice of Critical Status for the 2014 Plan Year

To: All Participants, Union, Contributing Employers, Pension Benefit Guaranty Corporation (PBGC) and United States Department of Labor (DOL)

The Pension Protection Act of 2006 ("PPA") amended ERISA and the Internal Revenue Code to, among other things, impose additional funding rules for multiemployer pension plans, which are based on the actuarial status of a pension plan. Under the PPA, a pension plan's actuary annually must certify to the Secretary of the Treasury and the plan's board of trustees whether or not the plan is in endangered or critical status for a particular plan year.

This is to inform you that on July 28, 2014, the Fund's actuary certified to the U.S. Department of the Treasury, and also to the Fund's Board of Trustees, that the Fund is in critical status for the plan year beginning May 1, 2014. Federal law requires that you receive this notice.

Critical Status

The Fund is considered to be in critical status because it has funding or liquidity problems, or both. More specifically, the Fund's actuary determined that the Fund is projected to have a funding deficiency within the current Plan Year.

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.

The Fund was first certified to be in critical status for the Plan Year that began May 1, 2010. The Fund's rehabilitation period began on May 1, 2011 and ends on April 30, 2021. The Trustees adopted and implemented a Rehabilitation Plan effective March 25, 2011 which included four schedules consisting of contribution increases, benefit reductions, and combinations thereof, which were designed to enable the Fund to emerge from critical status by the end of the rehabilitation period.

After its 2011 actuarial certification, the Trustees updated the Rehabilitation Plan to include a single default schedule, which was designed to enable the Fund to forestall insolvency.

Due to a combination of unfavorable investment returns and lower-than-expected industry activity during the Plan Year that ended April 30, 2013, the Fund is not projected to emerge from critical status by April 30, 2021 and is, therefore, not currently making scheduled progress in meeting the requirements of a Rehabilitation Plan.

Having received the Fund's May 1, 2012 actuarial valuation, having been notified by the Fund's actuary that the Fund continued to be in Critical Status as of July 27, 2012, and having been informed by the Fund's actuary that the Fund continued to be projected to never emerge from Critical Status, the Trustees decided to amend the Amended Rehabilitation Plan.

The Trustees reviewed the Fund's contribution rates and the Fund's benefits with a view to making modifications to these so as to have the Fund emerge from Critical Status at a date subsequent to the end of the Rehabilitation Period or to further enable the Fund to forestall insolvency. In considering contribution rate increases, the Trustees concluded that it would not be realistic to increase the rate of contributions given the impact of the severe economic decline in the building and construction industry.

The Board of Trustees found that:

- Many of the contributing employers to the Fund are small organizations that do not have the financial resources to withstand the economic downturn. Of course, they are not alone. Larger contributors are also undergoing considerable economic stress as a result of the severe recession in the building and construction industry.

- In addition, the magnitude of the employer contribution increases required by this alternative would likely have resulted in lower negotiated wages for Participants and/or decreased employer contributions to other benefit plans covering these Participants (such as the Fund providing their health benefit coverage). If Participants perceive a significant decrease in value in their total overall compensation—including wages, pension benefits and health benefits—the Board of Trustees concluded that they would be likely to leave the building and construction industry.

For the foregoing reasons, the Board of Trustees determined that this alternative was not a reasonable alternative.

The Trustees then reviewed the modification of benefits. After this review, the Board of Trustees concluded that, by modifying certain benefits, the Trustees would be able to amend the Fund's Amended Rehabilitation Plan to reflect a more meaningful effort to forestall the Fund's insolvency. By amending the Fund's monthly benefit multiplier; modifying the Fund's Early Retirement Pension reduction factor; and by modifying the Fund's Death Benefits, the Fund's actuary projected a leveling and eventual increase in the Fund's funded percentages and the Standard Account Credit Balance.

Adjustable Benefits

The Fund offers the following adjustable benefits which may be reduced or eliminated as part of any rehabilitation plan the Fund may adopt:

- Five-Year Guarantee Option
- Ten-Year Guarantee Option
- Pop-Up Husband-Wife Pension
- Husband-Wife 75% Pension

- Husband-Wife 100% Pension
- Disability Benefits (if not yet in pay status)
- Post-Retirement Death Benefits

Employer Surcharge

The law requires that all contributing employers pay to the Fund a surcharge to help correct the Fund's financial situation until the rehabilitation plan has been adopted by the Trustees and approved by the parties to the collective bargaining agreement. The amount of the surcharge is equal to a percentage of the amount an employer is otherwise required to contribute to the Fund 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 Fund is in critical status. The surcharge will cease upon the adoption of the rehabilitation plan by the Trustees and its approval by the parties to the collective bargaining agreement.

What's Next

The Board of Trustees understands that legally required notices like this one can create concern about the Fund's future. Be assured that the Board of Trustees takes very seriously its obligation to preserve the financial viability of the Fund. Also, if you are currently retired and receiving a monthly benefit payment from the Pension Fund, your monthly check will continue uninterrupted. As a final note, since the Fund is influenced by economic and financial variables beyond our control (such as market volatility and changes in employment and/or the number of contributing employers), unexpected developments can further affect the Fund's status and may require additional future corrective actions. Each year, the Board of Trustees will review the Fund's progress with its professional advisors and adjust Fund rules as necessary to maintain the Fund's financial integrity.

Where to Get More Information

For more information about this Notice, you may contact the Fund's Contract Administrator, PATH Administrators, at 4785 Linglestown Road, Suite 200, P. O. Box 6480, Harrisburg, PA, 17112; Phone: (717) 671-8551, Toll Free: 1-800-636-7632. You have a right to receive a copy of the rehabilitation plan from the Fund when it has been adopted by the Fund.