

**Notice of Critical Status  
for the  
Southwest Marine Pension Plan**

April 25, 2014

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

**Critical Status**

The Plan is considered to be in critical status because it has funding or liquidity problems, or both. More specifically, the Plan's actuary determined that the Plan has not passed the "Emergence Test", meaning that the Plan was in critical status last year and over the next 9 years, the Plan is projected to have an accumulated funding deficiency in each of those plan years.

**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 third 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. On October 31, 2012, you were notified that the Plan reduced or eliminated certain adjustable benefits. On April 26, 2012, you were notified that as of May 1, 2012, the Plan is not permitted to pay 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.

If the Board of Trustees of the Plan determines that further benefit reductions are necessary, you will receive a separate notice in the future identifying and explaining the effect of those reductions. Any reduction of adjustable benefits will not reduce the level of a participant's basic benefit payable at normal retirement. In addition, the reductions may only apply to participants and beneficiaries whose benefit commencement date is on or after May 1, 2012.

A summary of the Rehabilitation Plan can be found on the Annual Funding Notice.

**Adjustable Benefits**

The Plan offers the following adjustable benefits, which may be reduced or eliminated as part of the Rehabilitation Plan:

- Early retirement benefits or early retirement type subsidies for Active Participants and Terminated Participants who retire on or after May 1, 2012;
- Disability benefits for Active Participants covered under the Reasonable Measures Schedule who become disabled after April 26, 2012;

**Employer Surcharge**

The law requires that all contributing employers pay to the Plan a surcharge 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 or joinder agreement. For employers that have not adopted a Rehabilitation Plan Schedule, the surcharge on contributions is 10% beginning for hours worked in January 2013. Employers that have adopted a Rehabilitation Plan Schedule do not pay a

surcharge. Instead, they pay the supplemental contributions as required by the Rehabilitation Plan schedule that was adopted.

### **Special Rules While in the Rehabilitation Plan Adoption Period**

During the rehabilitation plan adoption period, the Board of Trustees may not accept a collective bargaining agreement or joinder agreement with the Plan that provides for:

- a reduction in the level of contributions for any employees,
- a suspension in the contributions with respect to any period of service, or
- any new direct or indirect exclusion of younger or newly hired employees from Plan participation.

Further, no amendment which increases the liabilities of the Plan by reason of any increase in benefits, any change in the accrual of benefits, or any change in the rate which benefits become nonforfeitable under the Plan may be adopted unless the amendment is required to keep the Plan qualified under the Internal Revenue Code or to comply with applicable laws.

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

For more information about this Notice, you may contact:

Mr. Peter Bates  
Benefit Programs Administration  
13191 Crossroads Parkway N., Suite 205  
City of Industry, California 91746  
(562) 595-6463

You have a right to receive a copy of the Rehabilitation Plan from the Plan.