Shopmen's Iron Workers

Health Benefit and Pension Plans

Local Union #502

Harry R. Maniscalco
Plan Manager

Joann Morrione
Doreen Friel

DATE: April 30, 2017

TO: Participants, Beneficiaries, Contributing Employers and Local Unions

FROM: Board of Trustees
Shopmen's Local Union 502 Pension Plan

SUBJECT: Notice of Actuary's Certification of Funding Status for the 2017 Plan Year
Trustees' Election of Critical Status

This is to inform you that on March 31, 2017, the Plan's actuary certified to the U.S. Department of Treasury that the Plan is in endangered status (as defined under Section 305(b)(1) of the Employee Retirement Income Security Act (ERISA) and Section 432(b)(1) of the Internal Revenue Code (Code) and also known as "Yellow Zone" status) for the Plan Year beginning January 1, 2017. The actuary also certified that the Plan was projected to be in critical status (also known as the "Red Zone") within the next five Plan Years.

ELECTION OF CRITICAL STATUS

Under ERISA §305(b)(4) and Code §432(b)(4), a Plan can elect to be in critical status for a Plan Year if it is projected to be in critical status for any of the succeeding five Plan Years. Although the Plan is in the Yellow Zone for 2017, there is an expected funding deficiency in the year ended December 31, 2023, and it is projected to enter critical status for the January 1, 2019 Plan Year. The Plan is eligible for early election of critical status as of January 1, 2017. The Trustees made the election to be in critical status for the 2017 Plan Year, and notified the Secretary of the Treasury of the election. Federal law requires that you receive this notice.

REHABILITATION PLAN

Federal law requires pension plans in critical status to adopt a Rehabilitation Plan aimed at restoring the financial health of the plan. In addition to revising the Plan's formula for future benefit accruals and making similar changes, the law permits pension plans in the red zone to reduce, or even eliminate, benefits called "adjustable benefits" as part of a Rehabilitation Plan. If the Trustees of the Plan determine that 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 age. In addition, **the reductions may only apply to participants and beneficiaries who submitted an application for retirement on or after June 1, 2017 and whose Annuity Starting Date (pension effective date) is after June 1, 2017.** You should also know that whether or not the Plan reduces adjustable benefits in the future, the Plan will not be permitted to pay lump sum benefits or any other payment in excess of the monthly amount paid under a single life annuity (except for the payout of entire benefits valued at $5,000 or less) while it is in critical status.

ADJUSTABLE BENEFITS

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

- ☐ Sixty-month payment guarantees;
- ☐ Disability benefits (if not yet in pay status);
- ☐ Early retirement benefit or retirement-type subsidy;
- ☐ Benefit payment options other than a qualified joint-and survivor annuity (QJSA);
- ☐ Other similar benefits, rights, or features under the plan

EMPLOYER SURCHARGE

The law requires all Contributing Employers to 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 (CBA), memorandum of agreement (MOA) or other agreement. A 5% surcharge is applicable to the initial critical year beginning January 1, 2017 and ending December 31, 2017. A 10% surcharge is applicable for each succeeding Plan Year thereafter (January 1, 2018) in which the Plan is in critical status. The 5% surcharge is effective June 1, 2017. The imposition of surcharges cease for a Contributing Employer when that Employer adopts or renews a CBA, MOA, or other agreement containing terms consistent with a schedule of the rehabilitation plan.

WHERE TO GET MORE INFORMATION

We understand 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, or if that is not possible, to forestall the insolvency of the Fund. With the assistance of the Plan's actuary, legal counsel and other professionals, and working with the Union, the Trustees will develop a Rehabilitation Plan that addresses these issues. As a final note, since the Pension 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 affect the Fund's status and any future corrective actions needed. Each year the Board of Trustees will be reviewing the Fund's progress with its professional advisors, which may lead to future changes in the recommended contribution and benefit schedules.

For more information about this notice or the Plan, contact the Plan Manager at the address or phone number listed at the top of this letter.

Sincerely,

Board of Trustees

As required by law, this notice is being provided to the Pension Benefit Guaranty Corporation (PBGC) and the Department of Labor.

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