NOTICE OF CRITICAL STATUS

FOR THE

SOUTHERN CALIFORNIA UNITED FOOD & COMMERCIAL WORKERS UNIONS AND DRUG EMPLOYERS PENSION FUND

To: All Participants, Beneficiaries, Participating Unions and Contributing Employers

This notice is to inform you that on March 30, 2018, the Plan's actuaries certified to the U.S. Department of the Treasury, and to the Board of Trustees, that the Plan is in critical status for the Plan Year beginning January 1, 2018. The PPA requires that you receive this notice.

Each year since April of 2012, we have sent you a notice very similar to this notice to advise you of the critical status of the Plan. The Pension Protection Act of 2006 (PPA) requires that the Plan be tested annually to classify its funding status. The Plan continues to be in critical status for the plan year that began January 1, 2018. Pension Plans that are in critical status must notify all Participants, beneficiaries, Unions and Contributing Employers of that status each year, as well as take corrective action to restore their financial health.

Critical Status

The Plan is considered to be in critical status because the Plan's actuary has projected a funding deficiency in four years. A funding deficiency means that on the projected date, the Plan does not satisfy the legal minimum funding standards because its current contribution levels are not projected to cover the cost of the Plan.

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 law permits pension plans to reduce, or even eliminate, benefits called "adjustable benefits" (described below) as part of a rehabilitation plan.

The Board of Trustees adopted a Rehabilitation Plan in November 2012. The Rehabilitation Plan's preferred schedule, which was adopted in the bargaining agreements that were renewed in 2012, did **not** call for reductions to adjustable benefits. The Rehabilitation Plan is subject to annual review and revision. If, in the future, it is determined that benefit reductions are necessary, you will receive a separate notice identifying and explaining the effect of those changes. Any reduction to adjustable benefits will not be effective until after you receive that notice. Any reduction to 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 age. In addition, reductions to adjustable benefits may only apply to participants and beneficiaries whose benefit commencement date is after April 26, 2012.

Effective for retirement benefits that commence after April 26, 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 (except for the lump sum payout of benefits worth $5000.00 or less) while it remains in critical status. Thus, the Level Income Option form of payment is not available because the Plan is in critical status.

Adjustable Benefits

The Plan offers the following adjustable benefits that **may** be reduced or eliminated as part of any rehabilitation plan that may be adopted:

- Early Retirement Benefit or retirement type subsidy
- Rule of 85 Retirement
- Disability Retirement Benefit (if not yet in pay status)
- Joint and Survivor Annuity subsidies (including pop-up feature)
- 75% Joint & Survivor Annuity (also known as the Optional Survivor Annuity (with pop-up feature)
- Pre-Retirement Survivor Annuity Benefit subsidy
- Recent benefit increases (i.e. occurring in last 5 years)

Employer Surcharge

The law requires contributing employers pay to the Plan a surcharge to help correct the Plan's financial situation. The surcharge ends when the employers' negotiated contribution is consistent with the rehabilitation plan adopted by the Trustees. All collective bargaining agreements providing for contributions to the Plan have implemented the terms of the rehabilitation plan, beginning with certain major employers in 2012. Therefore, no surcharges are due to the Plan during the 2017 Plan Year.

Where to Get More Information

For more information about this notice, you may contact the Plan Administrator at the following address:

Administrator – Southern California United Food & Commercial Workers
Unions and Drug Employers Pension Fund
2220 Hyperion Avenue
Los Angeles, CA 90027
(323) 666-8910

administrator if you want information about your accrued benefits. Your plan administrator is identified below under "Where To Get More Information." Please note that the Plan's annual report for the 2017 Plan Year will not be available until November 2018.

Summary of Rules Governing Insolvent Plans

Federal law has a number of special rules that apply to financially troubled multiemployer plans that become insolvent, either as ongoing plans or plans terminated by mass withdrawal. The plan administrator is required by law to include a summary of these rules in the annual funding notice. A plan is insolvent for a plan year if its available financial resources are not sufficient to pay benefits when due for that plan year. An insolvent plan must reduce benefit payments to the highest level that can be paid from the plan's available resources. If such resources are not enough to pay benefits at the level specified by law (see "Benefit Payments Guaranteed by the PBGC," below), the plan must apply to the PBGC for financial assistance. The PBGC will loan the plan the amount necessary to pay benefits at the guaranteed level. Reduced benefits may be restored if the plan's financial condition improves.

A plan that becomes insolvent must provide prompt notice of its status to participants and beneficiaries, contributing employers, labor unions representing participants, and PBGC. In addition, participants and beneficiaries also must receive information regarding whether, and how, their benefits will be reduced or affected, including loss of a lump sum option.

Benefit Payments Guaranteed by the PBGC

The maximum benefit that the PBGC guarantees is set by law. Only vested benefits are guaranteed. Specifically, the PBGC guarantees a monthly benefit payment equal to 100 percent of the first $11 of the Plan's monthly benefit accrual rate, plus 75 percent of the next $33 of the accrual rate, times each year of credited service. The PBGC's maximum guarantee, therefore, is $35.75 per month times a participant's years of credited service.

Example 1: If a participant with 10 years of credited service has an accrued monthly benefit of $500, the accrual rate for purposes of determining the PBGC guarantee would be determined by dividing the monthly benefit by the participant's years of service ($500/10), which equals $50. The guaranteed amount for a $50 monthly accrual rate is equal to the sum of $11 plus $24.75 (.75 x $33), or $35.75. Thus, the participant's guaranteed monthly benefit is $357.50 ($35.75 x 10).

Example 2: If the participant in Example 1 has an accrued monthly benefit of $200, the accrual rate for purposes of determining the guarantee would be $20 (or $200/10). The guaranteed amount for a $20 monthly accrual rate is equal to the sum of $11 plus $6.75 (.75 x $9), or $17.75. Thus, the participant's guaranteed monthly benefit would be $177.50 ($17.75 x 10).

The PBGC guarantees pension benefits payable at normal retirement age and some early retirement benefits. In calculating a person's monthly payment, the PBGC will disregard any benefit increases that were made under the plan within 60 months before the earlier of the plan's termination or insolvency (or benefits that were in effect for less than 60 months at the time of termination or insolvency). Similarly, the PBGC does not guarantee pre-retirement death benefits to a spouse or beneficiary (e.g., a qualified pre-retirement survivor annuity) if the participant dies after the plan terminates, benefits above the normal retirement benefit, disability benefits not in pay status, or non-pension benefits, such as health insurance, life insurance, death benefits, vacation pay, or severance pay.