

IMPORTANT NOTICE OF FUNDING STATUS – PLEASE READ

This is to inform you that on March 30, 2018, the Plan Actuary certified to the U.S. Department of the Treasury, and also to the Board of Trustees of the UFCW Local 1262 and Employers Pension Plan, that the Plan is in Critical Status for the plan year beginning January 1, 2018. 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 will remain in Critical Status until it is projected to have a positive credit balance for the current plan year and the next nine plan years. Currently, the Plan's actuary determined that the Plan is projected to have an accumulated funding deficiency for the plan year ending 2019.

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. This is the eleventh year the Plan has been in Critical Status. The Plan emerged from Critical Status in 2017, but was projected to be in Critical status again within the following five plan years. The Trustees elected to remain in Critical Status in accordance with Section 432(b)(4) of the Internal Revenue Code, thereby starting a new rehabilitation period (January 1, 2020 through December 31, 2029). The law permits pension plans to reduce, or even eliminate, benefits called "adjustable benefits" as part of a rehabilitation plan. You were notified previously that as of January 28, 2008, 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 Trustees of the Plan determine 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 (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. In addition, the reductions may only apply to participants and beneficiaries whose benefit commencement date is on or after March 31, 2017.

Adjustable Benefits

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

- Early retirement benefits or retirement-type subsidies
- Benefit payment options other than a qualified joint-and survivor annuity (QJSA)

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. 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 end when a collective bargaining agreement that conforms to the rehabilitation plan is agreed to by the Union and the employer. The Union and all contributing employers agreed to collective bargaining agreements that conform to the rehabilitation plan in May 2017.

Where to Get More Information

For more information about this Notice, you may contact the Fund Office at 973-778-5800. You have a right to receive a copy of the rehabilitation plan from the Plan.