OPERATIVE PLASTERERS' AND CEMENT MASONS' INTERNATIONAL ASSOCIATION
LOCAL UNION 394'S BENEFIT FUNDS
Administrative Office
P.O. Box 4660 ♦ Troy, Michigan 48099 ♦ Toll Free: 1-844-556-4088 ♦ Fax: (303) 429-1359

DATE: April 26, 2019

TO: Participants, Beneficiaries, Contributing Employers and Local Unions

FROM: Board of Trustees
Operative Plasterers and Cement Mason Local 394 Pension Fund

SUBJECT: Notice of Actuary's Certification of Funding Status for the 2018 Plan Year

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NOTICE OF CRITICAL AND DECLINING STATUS

This is to inform you that on March 29, 2019, the Plan's actuary certified to the U.S. Department of Treasury that the Plan is in critical and declining status (as defined under the Pension Protection Act of 2006 ("PPA") and also known as "Red Zone" status) for the Plan Year beginning January 1, 2019. 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. The Plan was previously certified to be in critical status for the Plan Year that began January 1, 2016, and for each subsequent Plan Year. More specifically, the Plan's actuary determined that the Plan is in critical status due to the following reasons. Note that any single reason by itself is sufficient to result in the Plan being certified as being in critical status.

- The Plan has a projected funding deficiency within 4 years.
- The funded percentage for the Plan is less than 65% and the sum of the Plan's normal cost plus interest on the unfunded benefits for the current Plan Year exceeds the present value of all expected contributions for the Plan Year; the present value of vested benefits of inactive participants is greater than the present value of vested benefits of active participants; and the Plan is projected to have an accumulated funding deficiency within 5 years.
- The funded percentage of the Plan is 65% or less and the present value of assets plus contributions is less than the present value of benefit payments and administrative expenses over the next 7 years.

CRITICAL AND DECLINING STATUS

For the Plan Year beginning January 1, 2019, the Plan's actuary certified the Plan as being in critical and declining status due to meeting the following tests. Note that any single reason, among those shown below, is, by itself, sufficient to result in the Plan being certified in critical and declining status.

- The Plan is in critical status, AND the Plan is projected to be insolvent within 15 years.
- Plan is in critical status, AND the ratio of its inactive participants to active participants is at least 2 to 1, AND the Plan is projected to be insolvent within 20 years.

- The Plan is in critical status, AND the funded percentage is less than 80%, AND the Plan is projected to be insolvent within 20 years.

The Plan Year beginning January 1, 2019, is the third Plan Year for which the Plan's actuary has certified the Plan as being in critical and declining status. The Plan Year beginning January 1, 2017 was the initial Plan Year for which the Plan's actuary certified the Plan as being in critical and declining status.

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. On April 29, 2016 you were notified that that the Plan reduced or eliminated certain adjustable benefits. 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 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 for benefits that are payable for calendar months following the mailing by the Fund Office of a notice explaining what reductions will be made.

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:

- 36-month payment guarantee that is currently part of the Life Annuity payment form
- Early Retirement Benefit, Late Retirement Benefit, or other retirement-type subsidy
- Pre-retirement death benefit, including spouse 36-month guarantee, other than Pre-Retirement Husband-and-Wife Pension
- Retirement-type subsidies in connection with joint and survivor benefit options
- Disability Pension

The Board of Trustees adopted a Rehabilitation Plan and you were informed of the specific benefits that were subject to reduction or elimination under certain Schedules to the Rehabilitation Plan. The Rehabilitation Plan was distributed to Plan Participants, Contributing Employers and Local Unions. Upon the expiration date of each individual Collective Bargaining Agreement in effect on January 1, 2016, Local Unions and Contributing Employers are required to negotiate new Collective Bargaining Agreements whose terms conform to one of the two Alternative Schedules or the Default Schedule. If a bargaining group does not reach agreement on a Contribution rate that conforms to one of the Schedules within 180 days following the expiration of the prior Collective Bargaining Agreement, the Default Schedule is required by law to be automatically imposed on them by the Trustees. Nothing prevents the Contributing Employer and Local Union from agreeing to and implementing a Schedule earlier than the expiration date of a current Collective Bargaining Agreement. Over time, required updates to the Rehabilitation Plan may require further increases in contributions and/or the further reduction or elimination of adjustable benefits. You will be notified of any such actions taken by the Board of Trustees.

The Rehabilitation Plan has been updated at various times to reflect the necessary contribution levels. None of these required further changes in benefits*.*

CRITICAL AND DECLINING STATUS – POSSIBLE ACTIONS: BENEFIT SUSPENSIONS AND PARTITION

Under MPRA, a plan that has been certified to be in critical and declining status and is projected to become insolvent may be able to adopt certain reductions to accrued benefits ("benefit suspensions"), subject to various requirements and limitations, if the plan has taken all other reasonable measures to avoid insolvency and the benefit suspensions are projected to prevent insolvency. Generally, in order for the plan sponsor of a critical and declining status plan to adopt any accrued benefit reductions, those reductions must be approved by the Department of the Treasury ("Treasury") in consultation with the Department of Labor ("DOL") and the Pension Benefit Guaranty Corporation ("PBGC"), and ratified by a vote of the plan's participants and beneficiaries.

Because this Plan is in critical and declining status for the 2019 plan year, the plan sponsor is eligible to apply to the Treasury for approval of benefit suspensions. In the event an application is made to the Treasury for approval of benefit suspensions, the plan must concurrently provide a notice to participants, beneficiaries, contributing employers and participating unions, containing information regarding the proposed benefit suspensions, including an individualized estimate of the effect of such benefit suspension on each participant and beneficiary. This is not such notice.

MPRA also provides that a plan in critical and declining status that is not projected to avoid insolvency with benefit suspensions alone may be eligible to apply to the PBGC for a partition, subject to various requirements and limitations, if the partition (in addition to suspension) would be projected to prevent insolvency. Partition is a process whereby a multiemployer plan that is in danger of becoming insolvent (the original plan) transfers the minimum amount of liabilities necessary for it to remain solvent to a newly created successor plan. No plan assets are transferred. While the same Board of Trustees will administer the original plan and the successor plan, PBGC will provide financial assistance to the successor plan to pay the transferred benefits.

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 or subscription agreement. With some exceptions, a 5% surcharge is applicable to the initial critical year (ending December 31, 2016) and a 10% surcharge is applicable for each succeeding Plan Year thereafter in which the Plan is in critical status. The imposition of surcharges cease for a Contributing Employer when that Employer adopts or renews a collective bargaining agreement or subscription 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 Trust's future. Be assured that the Board of Trustees takes very seriously its obligation to preserve the financial viability of the Trust, or if that is not possible, to forestall the insolvency of the Trust. With the assistance of the Trust'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 Trust 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 Trust's status and any future corrective actions needed. Each year the Board of Trustees will be reviewing the Trust's progress with its professional advisors, and which may lead to future changes in the recommended contribution and benefit schedules.

For more information about this notice or the Trust, contact the Administration Office 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.