

UNITED UNION OF ROOFERS, WATERPROOFERS, AND ALLIED WORKERS
LOCAL UNION NO. 86 PENSION PLAN
2010 NOTICE OF CRITICAL STATUS
August 2010

This is to inform you that on July 28, 2010 the Plan's actuary certified to the U.S. Department of the Treasury, and also to the Plan Sponsor ("the Board of Trustees"), that the United Union of Roofers, Waterproofers, and Allied Workers Local Union No. 86 Pension Plan is in critical status for the Plan Year beginning May 1, 2010 and ending April 30, 2011. 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 has determined that the sum of the Plan's normal cost and interest on the unfunded benefits for the current Plan Year exceeds the present value of all expected contributions for the year; the present value of vested benefits of inactive participants is greater than the present value of vested benefits for active participants; and the Plan is projected to have an accumulated funding deficiency for the 2013 Plan Year. A funding deficiency means that expected contributions to the Plan will not be sufficient to meet the government's minimum contribution requirements for funding purposes. It does not mean that the Plan will be insolvent in the 2013 Plan Year.

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" as part of a rehabilitation plan. If the Board of Trustees of the Plan determines 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. In addition, the reductions would only apply to participants and beneficiaries whose benefit commencement date is after August 25, 2010

Whether or not the Plan reduces adjustable benefits in the future, effective as of the date of this Notice, 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.

Because of these restrictions, the lump sum return of contributions death benefit will no longer be available.

In addition, as of the date of this Notice, the normal form of payment will no longer be a Life Annuity with 60 payments guaranteed. The Life Annuity with 60 Payments Guaranteed would provide a participant with monthly pension payments for his lifetime. If the participant should die before receiving 60 monthly benefits, then monthly payments in the same amount would be paid to his designated beneficiary until a total of 60 payments have been made.

As of the date of this Notice, the normal form of payment will be a Single Life Annuity. Under this form of payment, the participant will receive monthly pension payments for his lifetime. Upon his death, all payments will stop and no benefits will be payable to his designated beneficiary.

Further, participants who are not in pay status as of the date of this Notice will no longer receive the “pop-up” provision if their pension benefit is paid as a Qualified Joint & Survivor Annuity. Under the “pop-up”, a participant’s benefit under a Joint & Survivor Annuity reverts to the normal form of benefit if the participant’s spouse predeceases the participant. This increase in benefits will no longer be permitted.

However, participants who are already in pay status as of the date of this Notice and who are receiving the Life Annuity with 60 payments guaranteed will continue to receive their pension in this form of payment. Participants who are already receiving a Joint & Survivor Annuity with the “pop-up” provision will continue to receive this form of payment as well.

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:

- Unreduced Early Retirement benefit at age 53 for participants with 25 Years of Service and benefits accrued prior to May 1, 2004;
- Unreduced Early Retirement benefit at age 57 for participants with 25 Years of Service and benefits accrued on or after May 1, 2004;
- Subsidized Early Retirement benefit at age 55 for participants with 10 Years of Service;
- Disability benefits (if not yet in pay status); and
- Pre-retirement death benefits.

NOTE: The recent \$0.40 increase in the hourly contribution rate will be reflected in any rehabilitation plan that is adopted by the Board of Trustees. This hourly contribution rate increase will help to mitigate any benefits that may need to be adjusted.

However, if the Trustees of the Plan determine that benefit reductions are necessary, you will receive a separate notice identifying the type of the reduction and the effect of those reductions. Any reduction in adjustable benefits will not reduce the level of your basic benefit payable at your Normal Retirement Age, which is generally age 62.

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. This surcharge would not generate benefit accruals. If a rehabilitation plan is not adopted, Employers would be required to add 5% to their Pension Plan remittances on or after October 1, 2010 and due November 15, 2010.

Where to Get More Information

For more information about this Notice, you may contact the United Union of Roofers, Waterproofers, and Allied Workers Local Union No. 86 Pension Plan at 77 West Elmwood Drive, Suite 106, Centerville, Ohio 45459, or by calling 937-436-0027. Also, once the Plan’s rehabilitation plan has been negotiated by the bargaining parties and adopted by the Trustees, you will have the right to receive a written copy of the rehabilitation plan.