MILLWRIGHTS & MACHINERY ERECTORS LOCAL UNION NO. 1545 PENSION FUND

Fund Office: GEMGroup, L.P., Administrator, 650 Naamans Road, Suite 303, Claymont, DE 19703
Phone: (302) 798-6801 / (800) 223-7405 / Fax: (302) 798-6929

August 2011

Pension Benefit Guaranty Corp
Multiemployer Program Division, Ste 930
1200 K Street, NW
Washington DC 2005

Notice of Critical Status

The Millwrights & Machinery Erectors Local No. 1545 Pension Plan was previously certified in critical status for the plan year beginning May 1, 2010. This is to inform you that on July 28, 2011, the plan actuary certified to the U.S. Department of the Treasury, and also to the plan sponsor, that the Millwrights & Machinery Erectors Local No. 1545 Pension Plan would remain in critical status for the plan year from May 1, 2011 to April 30, 2012 if the Plan remained subject to the minimum funding rules on critical status after April 30, 2011. Federal law may require that you receive this notice

The Plan experienced a termination by a mass withdrawal on October 31, 2010. As a result, the Plan ceased to be subject to the minimum funding rules and related reports, such as this form of notice, as of the end of the plan year of mass withdrawal on April 30, 2011. The Plan will instead report its financial condition annually to the Pension Benefit Guaranty Corporation (PBGC) as a terminated multiemployer pension plan. Absent a clear legal requirement for continued reporting, this will be the last notice in this form.

Critical Status

A plan can be considered to be in critical status because it has funding or liquidity problems, or both. More specifically, the plan's actuary determined that:

- If Section 432 of the Internal Revenue Code remained applicable to the Plan after April 30, 2011, the Plan could still be considered in critical status as of May 1, 2011, as its funded percentage is less than 65 percent, and the sum of the fair market value of plan assets, plus the present value of the reasonably anticipated employer contributions, for the current plan year and each of the 6 succeeding plan years, under all collective bargaining agreements, is less than the present value of all nonforfeitable benefits projected to be payable under the plan during the current plan year and each of the 6 succeeding plan years (plus administrative expenses for such plan years).

- The Plan would also be in Critical Status as of April 30, 2011. Absent termination of minimum funding rules, the Section 432 of the Internal Revenue Code places a plan in Critical Status if the plan has an accumulated funding deficiency for the current year or is projected to have an accumulated funding deficiency for any of the three succeeding years. Based on a projection of the actuarial value of assets and the actuarial accrued liability, the plan was projected to have an accumulated funding deficiency in one or more three plan years beginning May 1, 2011 and ending April 30, 2013. The Plan received an extension of amortization bases effective for the plan year beginning May 1, 2003 from the IRS under Section 431(d) of the Internal Revenue Code, though the conditions of this extension were violated as of April 30, 2008. However, this extension is <u>not</u> taken into account in determining whether the plan is in critical status.

The mass withdrawal ends the legal "critical status" of the Plan but does not mean that the Plan's funding has improved. A mass withdrawal means that all contractual contributions to the Plan have stopped and replaces them with other payments under federal law, which may not apply or fund all Plan benefits.

Rehabilitation Plan

Federal law requires pension plans in critical status to adopt a rehabilitation plan aimed at restoring the financial health of the plan. The Plan initially was certified to be in Critical Status as of May 1, 2008. A Rehabilitation Plan was adopted on or before March 27, 2009 and later updated, based on a determination of the Plan sponsor that, based on reasonable actuarial assumptions and upon exhaustion of all reasonable measures, the plan could not reasonably be expected to emerge from critical status by the end of the rehabilitation period (April 30, 2022). The rehabilitation plan thus consisted of actions, including options or a range of options to be proposed to the bargaining parties, formulated, based on reasonably anticipated experience and reasonable actuarial assumptions, to forestall insolvency or emerge from critical status at a later time. The options proposed to the bargaining parties included a mass withdrawal, which they accepted on termination of the existing collective bargaining agreement on October 31, 2010. The Plan is expected to become insolvent within a few years.

Adjustable Benefits

The plan offered the following adjustable benefits [with a checked box before the item] which may be reduced or eliminated as part of any rehabilitation plan the pension plan may adopt:

☒ Post-retirement death benefits;
☐ 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);
☐ Recent benefit increases (i.e., occurring in past 5 years);
☒ Other similar benefits, rights, or features under the plan: Optional forms of payment; subsidized joint and survivor benefits

On March 31, 2009, you were notified that the plan reduced or eliminated adjustable benefits. 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. There are other benefits that can be reduced regardless of critical status and additional limits on benefits as a result of the mass withdrawal. These are described in a separate Annual Funding Notice.

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 surcharge ceased with adoption of a collective bargaining agreement and contribution consistent with the rehabilitation plan and as a result of the termination of minimum funding requirements after a mass withdrawal.

Where to Get More Information

For more information about this Notice, you may contact the Board of Trustees, c/o GEMGroup, L.P., at 650 Naamans Road - Ste. 303, Claymont, DE 19703, 302-798-6801. You have a right to receive a copy of the rehabilitation plan from the plan.