



Local 813 and Local 1034 Severance and Retirement Fund

45-18 Court Square, Suite 600, Long Island City, New York 11101-4347 • (718) 937-7150 • Fax: (718) 937-7552

NOTICE OF ENDANGERED STATUS

For

LOCAL 813 AND LOCAL 1034 SEVERANCE AND RETIREMENT FUND

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

As you may know, the Pension Protection Act of 2006 (PPA) has added requirements for measuring the financial health of multiemployer plans such as ours.

Starting with the 2008 plan year, the PPA requires that the Fund's actuary annually determine the Fund's status under these new rules and certify that status to the Internal Revenue Service and the Trustees, who are the plan sponsor. If the actuary determines that the Fund is in "endangered", "seriously endangered" or "critical" status, the Trustees must notify all plan participants, employers and other stakeholders, as well as take corrective action to restore the financial health of the plan.

Seriously Endangered Status or "Orange Zone"

On March 28, 2008, the Fund's actuary determined and certified that the Fund was in seriously endangered status, or in the Orange Zone, for the 2008 plan year. This determination was communicated to you last year at this time. The Trustees have now made an election under the Worker, Retiree and Employer Recovery Act of 2008 to freeze the Plan's status, or zone, from the 2008 plan year. As a result of this election, the Plan is once again in seriously endangered status for the 2009 plan year.

Funding Improvement Plan

The PPA requires that any plan in seriously endangered status adopt a "Funding Improvement Plan" (FIP). The FIP is an action plan designed to restore the plan's financial health, significantly increase the plan's funding percentage and avoid any accumulated funding deficiency. The Trustees adopted a FIP on November 25, 2008. As a part of the Trustees' election to freeze the Plan's zone status under the Worker, Retiree and Employer Recovery Act of 2008, the Trustees are not required to revise the FIP that was adopted in November 2008. The FIP is summarized below.

The Funding Improvement Plan is designed to accomplish the following:

- ❖ Increase the Fund's funded percentage, as determined under applicable law, by the end of the Funding Improvement Period by at least 20% of the difference between the funded percentage as of the beginning of the period and 100%, and
- ❖ Avoid any accumulated funding deficiency during the Funding Improvement Period

Because the Trustees had recently adopted changes to the benefit structure, the Funding Improvement Plan did not require any additional action by the Trustees. Projections based on reasonable assumptions indicate that the above-state goals are met without the need for additional changes to the current plan of benefits and/or the contribution rates provided in the collective bargaining agreements that are in effect as of January 1, 2009.

Please note that the PPA requires that our Plan's funding status is reviewed and certified annually. There are several variables beyond our control that our advisors are monitoring, including investment market volatility, and changes in employment levels and/or the number of contributing employers, which could affect the Plan's status and the Trustees' recommended corrective actions in the future.

We understand that legally required notices like this one can create anxiety and concern about the Fund's future. The Board of Trustees remains confident that, with the appropriate adjustments, the Fund will continue to provide our participants and their families with secure retirement benefits.

Where to Get More Information

For further information about this notice, the Trustees' election described in this notice or the Fund, please contact the Fund Office at the address or phone number listed at the top of this letter.

Sincerely,

The Board of Trustees

cc: U.S. Department of Labor
Pension Benefit Guaranty Corporation