

# UNITED FOOD AND COMMERCIAL WORKERS UNION LOCAL 152 RETAIL MEAT PENSION FUND

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2009 OCT 29 AM 6:44

## UFCW LOCAL 152 RETAIL MEAT PENSION PLAN

### IMPORTANT NOTICE OF FUNDING STATUS - PLEASE READ

#### Notice of Critical Status

**NEW FEDERAL FUNDING RULES.** Beginning on January 1, 2008, the Pension Protection Act of 2006 (the "PPA") imposes new rules aimed at accelerating the funding of defined benefit plans, such as the United Food and Commercial Workers Union Local 152 Retail Meat Pension Plan (the "Plan"). Under prior law, defined benefit plans were required to address a funding problem only when a plan would not satisfy minimum funding standards for the current year. Unlike prior law, the PPA requires plans to **accelerate funding** and to **anticipate future funding issues based upon projections**. Federal law also requires the Plan's Board of Trustees to send you this notice.

**THE PLAN'S ACTUARY MUST CERTIFY FUNDING CATEGORY.** Under the PPA, within the first 90 days of each plan year, the Plan's Actuary must certify whether a plan is endangered, seriously endangered or in critical status. In general, the two most relevant factors used by the Plan's Actuary to categorize a plan are the funded percentage of the plan and whether the plan will be unable to satisfy the new minimum funding standards within the next three to seven years without additional contribution income or benefit changes.

**PLAN'S CURRENT STATUS.** On September 28, 2009, the Plan's Actuary certified to the U.S. Department of the Treasury and to the contributing Employers that the Plan will be in critical status for the plan year beginning July 1, 2009 because the Plan has an accumulated funding deficiency for the current plan year.

**WHY HAS THIS HAPPENED?** Even though the Board has been proactive in addressing the Plan's funding problem, the PPA established new rules that require faster funding of plans than under prior law. Also, like most multiemployer plans, and even most single employer pension plans sponsored by U.S. companies, the Plan was negatively impacted in 2000 through 2002 by the significant downturn in the stock market, which caused a drop in the value of the Plan's assets. As recent events demonstrate, the economy and the stock market remain unpredictable and these affect the projections which the PPA now requires to determine the Plan's funding status.

**WHAT ACTION HAS THE BOARD TAKEN TO DATE?** The Board has been concerned about the Plan's funding status for some time and has taken numerous steps since 2004 to improve the funding status of the Plan, by implementing mandatory contribution rate increases pursuant to the following schedule:

<u>Effective Date</u>	<u>Increase</u>
February 1, 2004	20%
February 1, 2005	14%
February 1, 2006	14%
February 1, 2007	14%
February 1, 2008	14%
February 1, 2009	12%
February 1, 2010	12%
February 1, 2011	8%
February 1, 2012	8%
February 1, 2013	8%
February 1, 2014	8%

**REHABILITATION PLAN.** Because the Plan's Actuary has certified that the Plan is in critical status, the PPA requires the Board to develop and implement a "Rehabilitation Plan" designed to improve the Plan's funding status. The Trustees adopted a Rehabilitation Plan ("RP") on May 20, 2009. The RP describes the actions to be taken by the Plan's Trustees, and the benefit and contribution changes to be bargained by the bargaining parties, to achieve a timely emergence from critical status within the rehabilitation period required by law.

As permitted by Section 204 of the Worker Retiree Employer and Recovery Act of 2008 ("WRERA"), the Plan's Trustees have elected to freeze the Plan's funding status to be the same as the prior year. By doing so, the Plan is not required to update the RP for the 2009 fiscal year. In addition, as permitted by Section 205 of WRERA the Trustees have elected to extend the Plan's rehabilitation period by an additional 3 years.

**NEW EMPLOYER CONTRIBUTIONS.** Under the PPA, each Employer is required to pay a surcharge to help correct the Fund'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 Fund under the applicable collective bargaining agreement. With some exceptions, a 5% surcharge was applicable in the initial critical year, and a 10% surcharge is applicable for each succeeding Plan Year thereafter in which the Fund is in critical status or until the Local Union and the Employers adopt an acceptable schedule.

**WHAT DOES THIS MEAN FOR ME?** This affects only participants whose benefit payments are beginning after the date of this notice. While the Plan is in critical status, the PPA prohibits the Plan from paying any benefits in the form of a lump sum, or any other payment in excess of the monthly amount payable in the form of a single life annuity (other than certain Social Security level-income options and certain retroactive payments). This means that after the date of the Fund's initial October 24, 2008 critical status notice, the Fund was no longer able to provide the \$1,000 postretirement death benefit (for Retail Meat participants) or the \$2,000 postretirement death benefit (for IPH participants) in the form of a lump sum benefit.

**YOUR NORMAL RETIREMENT BENEFITS WILL NOT CHANGE.** If your benefit payments have already started, they will not change. Also, the normal pension benefit you have already accrued will not change. In addition, vested retirement benefits are guaranteed by the Pension Benefit Guaranty Corporation ("PBGC"). For example, the PBGC guarantees a monthly benefit payment equal to 100 percent of the first \$11 of the Plan's monthly benefit accrual rate, plus 75 percent of the next \$33 of the accrual rate, times each year of credited service. So the PBGC's maximum guarantee is \$35.75 per month times a participant's years of credited service.

**POSSIBLE FUTURE BENEFIT REDUCTIONS.** Depending upon stock market performance in 2009, it is possible that additional contributions and/or benefit changes will be required as part of any updates to the Rehabilitation Plan that were adopted by the Board, including the possibility that certain "adjustable benefits" may be reduced for participants and beneficiaries whose pensions had not started prior to the date of this notice. "Adjustable benefits" are benefits over and above the normal pension paid at normal retirement age, and include benefits such as postretirement death benefits, disability (if not yet in pay status), and early retirement benefits or retirement-type subsidies. It also includes any form of payment other than the joint and 50% surviving spouse annuity (or single-life annuity for unmarried participants). If the Board determines that benefit reductions are necessary, you will receive a separate notice in the future identifying and explaining the effect of those reductions.

**LOOKING AHEAD.** We are working hard to develop ways to secure the Plan's benefits well into the future. As a result of the PPA, Employers and covered employees are being asked to work together to improve the funded status of the Plan. As noted above, Employers are required to increase their contributions prior to the renegotiation of the current collective bargaining agreements. Similarly, new retirees will be required to forego certain optional forms of payment. In the year ahead, the Board will continue to implement the Rehabilitation Plan with alternative schedules for the bargaining parties' next negotiations. The goal is that even if market performance is consistent with the Board's expectations, all of these actions will improve the funded status of the Plan.

**WHERE TO GET MORE INFORMATION.** For more information about this Notice, you may contact the Board of Trustees, United Food and Commercial Workers Local 152 Retail Meat Pension Plan, 815 East Gate Drive, Suite 103, Mt. Laurel, NJ 08054, telephone (800) 555-4959. You also have the right to receive a copy of the Fund's Rehabilitation Plan.

Board of Trustees

Dated: October 22, 2009