



# Local 365 UAW

## Pension Trust Fund & Welfare Fund

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EBSA/PUBLIC DISCLOSURE  
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### Notice of Critical Status Local 365 UAW Pension Fund

April 29, 2012

Participants, Beneficiaries, Contributing Employers and Local 365 UAW Pension Fund:

This is to inform you that on March 30, 2012, the actuary for the Local 365 UAW Pension Fund (the "Fund") certified to the U.S. Department of the Treasury and to the Board of Trustees that the Fund is in critical status for the plan year beginning January 1, 2012. Federal law requires that you receive this notice.

#### Introduction

The Pension Protection Act ("PPA"), signed into law in 2006, is intended to improve the financial condition of pension funds. The Act introduced several formal safeguards and controls and added notification requirements for Trustees to share more information about a fund's financial circumstances with participants, contributing employers and others directly related to the pension plan.

Many of the Act's provisions relate to funding, which, in simplest terms, is how much a pension plan has coming in, going out, and what is in reserve (or "in the bank") for the future. The safeguards are intended to create more discipline to prevent future funding problems and correct those that have already developed.

The Act requires us to test the Fund annually to classify its funding status. Standardized measurements are established for classifying pension plans based on their funding issues. Funds that are in "seriously endangered" or "endangered" status (also referred to as yellow zone) or "critical" status (or, red zone) must notify all fund participants, beneficiaries, unions, and contributing employers of the Fund's status, as well as take corrective action to restore the Fund's financial health.

#### Fund's Status – Red Zone

The Fund continues to be in critical status (red zone) as of January 1, 2012 based on the actuary's determination that the Fund has a funded percentage of less than 65% and is projected to have an accumulated funding deficiency for the 2012 plan year. What this means is that by 2012, employer contributions to the Fund are not expected to be sufficient to meet government standards for funding promised benefits plus those benefits that participants are currently earning.

#### Rehabilitation Plan and Possibility of Reduction in Benefits

The Act requires that a fund in the red zone adopt a Rehabilitation Plan designed to enable the fund to improve its funded position so that, over time, it will be able to meet the statutory funding requirements or, if that is not feasible, forestall insolvency. The Trustees adopted a Rehabilitation Plan on November 22, 2010, that consists of a single default "schedule" that requires a 10% increase in the rate of employer contributions but no change in plan benefits.

Although the current Rehabilitation Plan does not change plan benefits, it is possible that a future update to the Rehabilitation Plan may eliminate or reduce "adjustable benefits". Adjustable benefits include:

#### Board of Administration

**ALFRED SCHNEIER, JR.**  
Employer Member

**JEFFREY C. ISAACS**  
Alternate Employer Member

**PETER FULLERTON**  
Union Member

- Early retirement benefits or retirement-type subsidies; and
- Optional forms of payment (other than qualified joint and survivor annuity), and similar benefits.

The level of benefits already earned that are payable at normal retirement age as a single life or qualified joint and survivor annuity cannot and will not be reduced under these PPA rules. Any reductions pursuant to an update to the Rehabilitation Plan could apply only to participants and beneficiaries whose benefit commencement date is after April 30, 2010. You would be notified before any benefit reduction is put into effect.

### **Employer Surcharge**

The law requires that all contributing employers pay to the Fund a surcharge to help correct the Fund's financial situation, beginning 30 days after the employer is notified that the plan is in critical status. The surcharge is a percentage of the employer's negotiated contribution rate. A 5% surcharge was applicable the first year in critical status. The surcharge went up to 10% for 2011 and for each succeeding plan year in which the Fund is in critical status, until the employer agrees to a collective bargaining agreement that implements the Rehabilitation Plan schedule.

### **What's Next**

We understand that legally required notices like this one can create concern about the Fund's future. Be assured that the Board of Trustees takes very seriously its obligation to preserve the financial viability of the Fund. With the assistance of the Fund's actuary, counsel and other professionals, and working with the contributing employers and the Union, the Trustees have developed a Rehabilitation Plan that works toward keeping the Fund solvent for as long as possible.

As a final note, since the Pension Fund 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 Fund's status and any future corrective actions needed. Each year the Trustees will be reviewing the Fund's progress with its professional advisors, which may lead to future changes in the recommended contribution and benefit schedules.

For more information about this notice or the Fund, contact the Plan Administrator 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.*

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