

UFCW LOCAL 1262 AND EMPLOYERS PENSION FUND

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IMPORTANT NOTICE OF FUNDING STATUS – PLEASE READ

This is to inform you that the Plan Actuary certified to the U.S. Department of the Treasury, and also to the Board of Trustees of the UFCW Local 1262 and Employers Pension Plan, that the Plan continues to be in Critical Status for the plan year beginning January 1, 2013. Federal law requires that you receive this notice.

Critical Status

The Plan is still considered to be in Critical Status because the Plan's Actuary determined that the Plan has not yet emerged from Critical Status in accordance with IRC Section 432(e)(4)(B).

Rehabilitation Plan

Federal law requires pension plans in Critical Status to adopt a rehabilitation plan aimed at restoring the financial health of the plan. This is the sixth year the Plan has been in Critical Status. The law permits pension plans to reduce, or even eliminate, benefits called "adjustable benefits" as part of a rehabilitation plan. On January 28, 2008, you were notified that as of that date the Plan was not permitted to pay lump sum benefits (or any other payment in excess of the monthly amount paid under a single life annuity) while the Plan is in Critical Status. The Trustees subsequently amended the plan to eliminate lump sum benefits for retirements beginning on or after January 28, 2008. In addition, pursuant to the 2009 negotiations, the Trustees amended the Plan to eliminate the following adjustable benefits effective for retirements after September 1, 2009: (a) 60-month payment guarantee feature, and (b) "30 & out" unreduced retirement for those terminating covered service prior to age 55. Additionally, pursuant to the 2012 negotiations, the Trustees amended the Plan such that most employees who were not participants in the Plan as of October 15, 2011, will not accrue a benefit under the Plan. If the Trustees of the Plan determine that further 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 (other than a repeal of a recent benefit increase) will not reduce the level of a participant's basic benefit payable at normal retirement. In addition, the reductions may only apply to participants and beneficiaries whose benefit commencement date is on or after January 28, 2008.

Adjustable Benefits

The Plan offers the following adjustable benefits which may be reduced or eliminated as part of any rehabilitation plan the Trustees may adopt (in addition to the specific reductions to adjustable benefits already implemented as outlined above):

- Disability benefits (if not yet in pay status)
- Early retirement benefit or retirement-type subsidies
- Benefit payment options other than a qualified joint-and survivor annuity (QJSA)

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 2008 plan year and a 10% surcharge is applicable for each succeeding plan year thereafter in which the Plan is in Critical Status. The surcharges continue until such time as the bargaining parties adopt one of the approved Rehabilitation Schedules. Pursuant to the 2009 negotiations, the Trustees increased the employers' contribution level through the end of 2011 and thus the surcharges are no longer applicable.

Where to Get More Information

For more information about this Notice, you may contact the Fund Office at 973-778-5800. You have a right to receive a copy of the rehabilitation plan from the plan.

April 2013

Board of Trustees

