

# U. F. C. W. DISTRICT UNION LOCAL TWO and EMPLOYERS PENSION FUND

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January 16, 2010

Dear Participant:

This packet includes important information about your Plan in addition to providing certain legally required notices.

Pension plans like the U.F.C.W. District Union Local Two and Employers Pension Fund (the "Plan") are designed to accumulate contributions and invest them so that sufficient assets are available to pay participant pensions at retirement. It is critical that the Plan be funded properly to continue providing benefits for participants. The Trustees of the Plan have engaged consultants, including actuaries, who certify that the Plan is properly funded under Federal law, utilizing a series of commonly used assumptions such as mortality rates and long-term interest rates that predict future investment performance.

As you know, during 2008 and the beginning of 2009, the U.S. stock market and other global financial markets declined more sharply than we have seen since the Great Depression. While the Plan had diversified its assets among various types of investments, like all other pension funds, the Plan could not avoid being affected by the severe economic downturn and it experienced a significant loss of assets. Even the recovery of the market in recent months was not enough to overcome these financial losses. Our Plan investment return for the year ended September 30, 2009 was -12% following a return of -11% for the previous year. These returns are far below our assumed rate of return of 7.75% set by the actuaries. As such, the actuaries certified the Plan's funding status as critical, as defined in the Pension Protection Act of 2006, for the Plan year beginning October 1, 2009.

The U.F.C.W. District Union Local Two and Employers Pension Fund has been providing benefits for Plan Participants without interruption for well over 40 years. The Fund maintained an investment portfolio valued at approximately \$177 million as of October 1, 2009. These plan assets result from investment income that has been generated through the years. For the Plan year ending September 30, 2009, benefit payments totaling more than \$15 million were paid to over 3,600 retired participants and beneficiaries.

The Trustees understand that this is a time of uncertainty and concern for participants due to the economic environment, and they will continue to work with the Fund's professional advisors to monitor carefully the Fund's investments and benefit structure in an effort to provide benefits for years to come. The Trustees are committed to operating the Plan on a financially sound basis and meeting applicable federal funding requirements.

We have enclosed a notice ("Notice of Critical Status") that is required by law to be sent to all participants of the U.F.C.W. District Union Local Two and Employers Pension Fund which provides an explanation of the Plan's funding status for the current Plan year that began on October 1, 2009. We have also enclosed a notice ("2008 Annual Funding

Notice”) that is required by law to be sent to all participants for the Plan year beginning October 1, 2008. While these two notices are for different plan years, we are sending them to you at the same time since the due dates are mandated by law. Finally, we have included a Notice to Interested Parties regarding the submission of the Plan to the IRS. No action on your part is required — the purpose of this cover letter is only to explain what is happening and what these notices mean.

Notice of Critical Status: This notice is required by the Federal government to communicate to Plan participants and the bargaining parties that the Plan actuary has certified that the Plan has failed to meet certain financial thresholds, and describes in general terms the actions that the Trustees can take and the potential for benefit reductions and/or additional contributions. Note that the actuary’s certification is based on the plan’s financial condition as of October 1, 2009, which is one year later than the information contained in the 2008 Annual Funding Notice described below.

2008 Annual Funding Notice: The enclosed Annual Funding Notice provides detailed information about the funding status of the Plan, including the fact that the Plan was 99.0% funded as of October 1, 2008, which is the ratio of the Plan’s assets to its liabilities. The Annual Funding Notice is required to be sent each year, whether or not the Plan is certified by the actuaries as being in critical status, but is required to be sent at the same time as the notice of critical status.

Notice to Interested Parties: This notice is required to be sent to Plan participants to inform them that the Plan document is being submitted to the Internal Revenue Service and asking the I.R.S. to issue a letter stating that the plan terms are in accordance with I.R.S. rules and regulations. This is a routine periodic procedure and the notice provides plan participants with information about their rights in this process.

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For more information about this notice, you may contact the Fund office at 301 East Armour Boulevard, Suite 315, Kansas City, Missouri 64111 or call (816) 753-2642.

Sincerely,

Board of Trustees

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## **Notice of Critical Status**

### **U.F.C.W. District Union Local Two and Employers Pension Fund (the “Plan”)**

This is to inform you that on December 29, 2009 the Plan actuary certified to the U.S. Department of the Treasury, and also to the plan sponsor, that the Plan is in critical status (as defined by the Pension Protection Act of 2006) for the plan year beginning October 1, 2009. Federal law requires that you receive this notice.

#### **Critical Status**

The Plan is considered to be in critical status because it has funding or liquidity problems, or both. More specifically, the Plan’s actuary determined that over the next three Plan years, the Plan is projected to have an accumulated funding deficiency for the Plan year ending September 30, 2013.

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

Federal law requires pension plans in critical status to adopt a rehabilitation plan aimed at restoring the financial health of the plan. The law permits pension plans to reduce, or even eliminate, benefits called “adjustable benefits” as part of a rehabilitation plan. If the Trustees of the Plan determine that benefit reductions are necessary, you will receive in the future a separate notice identifying and explaining the effect of those reductions. Any reduction of adjustable benefits 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 the date of this notice, or January 16, 2010. But you should know that whether or not the Plan reduces adjustable benefits in the future, effective as of January 16, 2010, the Plan is not permitted to pay lump sum benefits (or any other payment in excess of the monthly amount paid under a single life annuity, such as the Plan’s level income option) while it is in critical status.

#### **Adjustable Benefits**

The Plan offers the following adjustable benefits which may be reduced or eliminated as part of any rehabilitation plan the Trustees of the Plan may adopt: (i) Post-retirement death benefits; (ii) Sixty-month payment guarantees; (iii) Disability benefits (if not yet in pay status); (iv) Early retirement benefits or retirement-type subsidies; (v) Benefit payment options other than a qualified joint-and survivor annuity (QJSA) and (vi) Pre-Retirement death benefits.

## **Employer Surcharge**

The law requires that all contributing employers pay to the Plan a surcharge until a Rehabilitation Plan is adopted 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.

## **Where to Get More Information**

For more information about this notice, you may contact the Fund office at 301 East Armour Boulevard, Suite 315, Kansas City, Missouri 64111 or call (816) 753-2642.

You have a right to receive a copy of the rehabilitation plan, when it becomes available, from the Fund office.

Board of Trustees