

**CARPENTER FUNDS ADMINISTRATIVE OFFICE
OF NORTHERN CALIFORNIA, INC.**

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December 27, 2010

TO: All Participants, Beneficiaries, Participating Local Unions, and Contributing Employers

FROM: Board of Trustees

**RE: CARPENTERS PENSION TRUST FUND FOR NORTHERN CALIFORNIA
NOTICE OF CRITICAL STATUS
Plan Year: September 1, 2010 – August 31, 2011**

If you are currently retired and receiving a monthly benefit payment from the Pension Fund, your monthly check will continue uninterrupted.

The Pension Protection Act of 2006 ("PPA") imposed new rules designed to accelerate the funding of defined benefit plans like the Carpenters Pension Trust Fund for Northern California. Previously, plans were required to address funding issues only when a plan would not satisfy minimum funding standards for the current year, and could spread investment losses over longer periods of time. Alternatively, the PPA mandates that plans accelerate funding, anticipate future funding issues based upon projections, and in some cases develop a "Rehabilitation Plan."

This is to inform you that on November 29, 2010, the actuary for the Carpenters Pension Trust Fund for Northern California (the "Plan") certified to the U.S. Department of the Treasury and to the Board of Trustees, that the Plan remains in critical status (the "red zone") for the Plan Year beginning September 1, 2010. Federal law requires that you receive this notice. **Following last year's determination of critical status, a Rehabilitation Plan was adopted that was designed to have the Plan emerge from the red zone within the time frame allowed by law.**

Although the Pension Plan remains in critical (red zone) status, because the Rehabilitation Plan continues to address long term funding issues, no new changes are required at this time.

CRITICAL STATUS

As a result of investment market turmoil and economic downturn, which continued into the September 1, 2009 through August 31, 2010 Plan Year, according to provisions of the PPA, for the Plan Year beginning September 1, 2010, the Plan is labeled as being in critical status because the sum of the Plan's normal cost and interest on the unfunded benefits for the current Plan Year exceeds the present value of all expected contributions for the year; the present value of vested benefits of inactive participants is greater than the present value of vested benefits of active participants; and the Plan is projected to have an accumulated funding deficiency for the next four years. Although the investment returns for the 2009 Plan Year were better than those of the prior year, the recovery was not sufficient to erase all of the losses sustained in 2008.

REHABILITATION PLAN

Last year, on November 25, 2009, the Plan's actuary certified the Plan to be in critical status for the first time for the Plan Year beginning September 1, 2009. Federal law requires that pension plans in critical status adopt a Rehabilitation Plan aimed at restoring the financial health of the plan. The law permits pension plans in critical status to reduce, or even eliminate, benefits called "adjustable benefits" as part of a Rehabilitation Plan. On July 27, 2010, the Board of Trustees adopted a Rehabilitation Plan consisting of two contribution rate/benefit schedules. All contributing employers and bargaining units adopted the Rehabilitation Plan's "Preferred Schedule" which does not require elimination or reduction in "adjustable benefits."

The current Plan Year that began on September 1, 2010, is the second Plan Year that the Plan has been in critical status. To minimize the impact to participants and employers, it was anticipated that the adopted Rehabilitation Plan would address the long term funding issues over the full time frame allowed by law. Again, although the Plan remains in critical (red zone) status, modifications to the Rehabilitation Plan are not necessary at this time. If, in future years, the Trustees determine that future benefit reductions are necessary, you will receive a separate notice 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 Age.

Please be advised that whether or not the Plan reduces adjustable benefits in the future, the Plan has not been permitted to pay lump sum benefits (i.e., Level Income Option benefits) since it first provided Notice of Critical Status on December 23, 2009 and will not be permitted to do so while it continues to be in critical status.

ADJUSTABLE BENEFITS

During the rehabilitation period the Plan continues to offer the following adjustable benefits:

- Disability Pension Benefits (if not yet in pay status);
- Service Pension Benefits;
- Early Retirement Pension Subsidies;
- 75% and 100% Husband-and-Wife Pension;
- Pre-Retirement Death Benefit;
- 36 and 60 month Guarantee connected with Single-Life Pension.

If the existing Rehabilitation Plan has to be modified sometime in the future, adjustable benefits may be reduced or eliminated.

EMPLOYER SURCHARGE

The law requires that all contributing employers who have not agreed to a Collective Bargaining Agreement that implements the Rehabilitation Plan, pay to the Plan a surcharge to help correct the Plan's financial situation beginning 30 days after the employer is notified that the Plan is in critical status. If applicable, the surcharge would have been 5% of an employer's negotiated contribution rate applicable the first Plan Year in critical status (September 1, 2009 through August 31, 2010) and would have been increased to 10% beginning September 1, 2010 for each succeeding Plan year in which the Plan remains in critical status. **As all contributing employers have agreed to a Collective Bargaining Agreement that implements the Rehabilitation Plan, no surcharges have been assessed.**

WHAT'S NEXT

We understand that legally required notices like this one can create concern about the Plan's future. Be assured that the Board of Trustees takes very seriously its obligation to preserve the financial viability of the Plan and has been very proactive in addressing funding issues. Also, if you are currently retired and receiving a monthly benefit payment from the Pension Fund, your monthly check will continue uninterrupted.

As a reminder, although the Pension Plan remains in critical (red zone) status, because the Rehabilitation Plan continues to address long term funding issues, *no new changes are required at this time*. With the assistance of the Plan's actuary, legal counsel and other professionals, and working with the contributing employers and the Union, the Trustees have developed a Rehabilitation Plan that addresses these issues. As a final note, since the Pension Plan 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 further affect the Plan's status and may require additional future corrective actions. Each year the Board of Trustees will review the Plan's progress with its professional advisors and adjust Plan rules as necessary to maintain the Plan's financial integrity.

WHERE TO GET MORE INFORMATION

For more information about this notice or the Pension Plan in general, please contact the Trust Fund Office at the address or phone number below. You have a right to receive a copy of the Rehabilitation Plan from the Plan.

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As required by law, this notice is being provided to the Pension Benefit Guaranty Corporation (PBGC) and the Department of Labor.