



PLAN DE PENSIONES



UNION DE TRONQUISTAS DE PUERTO RICO LOCAL 901

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NOTICE OF CRITICAL STATUS FOR UNION DE TRONQUISTAS DE PUERTO RICO, LOCAL 901 PENSION PLAN

This is to inform you that on March 31, 2010 the actuary for the Union de Tronquistas de Puerto Rico, Local 901, Pension Plan certified to the U.S. Department of Treasury and to the Board of Trustees that the Union de Tronquistas de Puerto Rico, Local 901, Pension Plan (the "Plan") is in critical status for the plan year beginning January 1, 2010. Federal law requires that all participants and beneficiaries, as well as the bargaining parties, receive this notice. Copies are also being sent to the federal government.

Critical Status

The Plan is considered to be in critical status because it has funding problems. More specifically, the Plan has had accumulated funding deficiencies for each of the last two years and is projected to have additional accumulated funding deficiencies in the current year and in each of the next six years.

As a result, effective for participants with benefit commencement dates as of April 25, 2008, the Plan is no longer paying benefits in the normal form whereby the pensioner receives a monthly amount for the first five years of payment and then 50% of that amount for the remainder of his or her life. The law prohibits plans in critical status from paying any monthly pension amount in excess of a single life annuity. Therefore, when you retire, the Plan will offer only a single life annuity for single participants or a joint and 50% or 75% survivor annuity for married participants.

Rehabilitation Plan and Reduction in Benefits

The law also required the Trustees to adopt a "Rehabilitation Plan" aimed at restoring the financial health of the Plan or postponing insolvency. This is the third year the Plan has been in critical status. The Rehabilitation Plan adopted by the Trustees on November 11, 2008 requires employer contribution increases and reductions in certain benefits, called "adjustable benefits". These schedules were provided by the Board of Trustees to the bargaining parties for consideration in negotiations when the collective bargaining agreements expire, or if they had already expired.

If the bargaining parties cannot agree on one of the schedules that are part of the Rehabilitation Plan, the law requires Trustees to impose the default schedule for any bargaining unit in this situation. The default schedule will reduce or eliminate the adjustable benefits, and significantly increase the employer contributions. Under the Rehabilitation Plan, the default schedule and benefit reductions also apply to participants in a bargaining unit covered by a collective bargaining agreement that expired before December 1, 2008 whose employer continues to contribute to the Plan. The adjustable benefits that will be reduced or eliminated for those participants and beneficiaries who first start to receive pension benefits on or after April 25, 2008 include disability benefits (not yet in pay status), the early retirement subsidy, and the 40-month payment guarantee.

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The bargaining parties may also agree on an alternative schedule that significantly increases employer contributions and does not reduce benefits.

Any participants whose adjustable benefits will be reduced as part of the Rehabilitation Plan will receive a separate notice identifying and explaining the effect of those reductions at least 30 days in advance of the effective date of any such reduction.

Employer Surcharge

The pension law requires, as well, that all contributing employers pay to the Plan a surcharge to help correct the Plan's financial situation starting 30 days after the employer received this Plan's initial notice of critical status in April 2008. The amount of the surcharge was equal to 5% of the employer's negotiated contribution rate through the end of 2008, and increased to 10% for 2009 and thereafter, until the employer agrees to and begins to pay contributions under a collective bargaining agreement that includes one of the schedules of the Rehabilitation Plan.

For those employers who have not yet agreed to a new collective bargaining agreement that includes a schedule of the Rehabilitation Plan, the 10% surcharge for 2010 is due with respect to any contributions required to be paid on or after January 1, 2010, or actually paid after that date even if the obligation to the Plan arose earlier, regardless of when the work was actually performed. The surcharge contribution should be included with the regular negotiated contribution in one check, as it is due at the same time and under the same conditions as the negotiated contributions. However, the invoices employers receive from the Plan require them to list the surcharges separately so they can be tracked, as required by law.

Where to Get More Information

Be assured that the Board of Trustees takes very seriously its obligation to preserve the financial viability of the Plan. With the assistance of the Plan's actuary and other professionals, and working with the employers and the Union, the Trustees developed a Rehabilitation Plan to address the funding concerns of the Plan while recognizing the budgetary and financial constraints on the employers. As is clear from the foregoing notice, everyone, that is, the employers, the union, active and former employees and retired pensioners and their beneficiaries, is participating in the work of stabilizing the financial condition of the Plan and postponing insolvency to enable the Plan to continue to provide the benefits accrued under the Plan in prior years for as long as possible.

For more information about this Notice or the Plan, you may contact Marta Lozada at (787) 721-8980, or in writing at Union de Tronquistas de Puerto Rico, Local 901, Pension Fund, 352 Calle del Parque, San Juan, Puerto Rico 00912. The Plan will send you a copy of the Rehabilitation Plan itself upon written request.