

UNITED FOOD AND COMMERCIAL WORKERS UNION AND PARTICIPATING FOOD INDUSTRY EMPLOYERS TRI-STATE PENSION FUND

IMPORTANT NOTICE OF FUNDING STATUS TO CONTRIBUTING EMPLOYERS AND PARTICIPANTS - PLEASE READ -

NEW FEDERAL FUNDING RULES. Beginning on January 1, 2008, the Pension Protection Act of 2006 (the "PPA") imposed new rules aimed at accelerating the funding of defined benefit plans such as the United Food and Commercial Workers Union and Participating Food Industry Employers Tri-State Pension Plan (the "Plan"). Under prior law, defined benefit plans were required to address a funding problem only when a plan would not satisfy minimum funding standards for the current year. Unlike prior law, the PPA requires plans to **accelerate funding** and to **anticipate potential future funding issues based upon projections**. Federal law also requires the Board of Trustees (the "Board") to send this notice to all contributing employers and participants.

THE PLAN'S ACTUARY MUST CERTIFY FUNDING CATEGORY. Under the PPA, within the first 90 days of each plan year, the Plan's Actuary must certify whether a plan is endangered, seriously endangered or in critical status. In general, the two most relevant factors used by the Plan's Actuary to determine its funding category are the ratio of the Plan's assets to its liabilities (the funded percentage of the Plan) and whether the Plan will be able to satisfy the new minimum funding standards within the next three to ten years without additional contribution income changes or additional benefit changes.

PLAN'S CURRENT STATUS. On March 31, 2011, the Plan's Actuary certified to the U.S. Department of the Treasury and to the Board that the Plan will remain in critical status for the 2011 Plan Year because:

- The Plan's funded percentage for 2011 is less than 65% and the Plan is projected to have a funding deficiency within the next five years;
- The Plan's funded percentage for the 2011 Plan Year is approximately 52%;
- The Plan is projected to have a funding deficiency within the next four years;
- The Plan's liability for inactive participants is greater than that for active participants, Plan contributions during the upcoming Plan Year are less than the Plan's normal cost plus interest on its unfunded liability for the upcoming year, and the Plan is projected to have a funding deficiency within the next four years;
- The Plan was in critical status for the prior Plan Year and the Plan is projected to have a funding deficiency within the next 10 years.

WHY HAS THIS HAPPENED? Even though the Board has been proactive in addressing the Plan's funding problem, the PPA established new rules that require faster funding of plans than under prior law. Like most multiemployer plans, and even most single employer pension plans sponsored by U.S. companies, the Plan was negatively impacted in 2008, by the significant downturn in the stock market, which caused a significant drop in the value of the Plan's assets. While the Fund was positively impacted by the recovery in the market since 2008, the recovery was not sufficient to erase all of the losses sustained in 2008.

WHAT ACTION HAS THE BOARD TAKEN TO DATE? The Board has been concerned about the Plan's funding status for some time, and has taken numerous steps, such as agreeing with the collective bargaining parties to defer the implementation of previously negotiated benefit increases and to reduce the rate of future benefit accruals by 10% effective January 1, 2007. Also, the Board agreed to increase the required contribution rates by 25% effective January 1, 2004, by an additional 10% effective January 1, 2005, by an additional 10% effective January 1, 2006, by an additional 10% effective January 1, 2007, by an additional 5% effective May 1, 2008 and by an additional 5% effective January 1, 2009. Additionally, in 2008, the Board adopted a Rehabilitation Plan that approved benefit reductions and contribution rate increases ranging from 5% to 65%. All contribution rate increases prior to 2008 were based upon the rates in effect on December 31, 2003. The contribution rate increases since January 1, 2008 were based upon the rates in effect on January 1, 2008 or January 1, 2009.

REHABILITATION PLAN. When the Plan's Actuary initially certified the Plan in critical status in 2008, the PPA required the Board to develop and implement a "Rehabilitation Plan" designed to improve the Plan's funding. As part of the Rehabilitation Plan, the Board established schedules that outlined the increased Employer contributions and revised

benefit structures designed to bring the Plan out of critical status within the statutory period. The Rehabilitation Plan established schedules of alternative benefits and contributions. These schedules outlined the acceptable alternatives that were presented to the parties for collective bargaining. In collective bargaining, the contributing Employers and the Local Unions were required to agree to a schedule acceptable to the Board. In light of recent economic developments and changes in the law, the Board adopted a revised 2009 Rehabilitation Plan and a revised 2010 Rehabilitation Plan on November 25, 2009 and November 22, 2010, respectively. The Board is in the process of reviewing and revising the 2011 Rehabilitation Plan, if necessary.

WHAT DOES THIS MEAN FOR CONTRIBUTING EMPLOYERS? NEW EMPLOYER CONTRIBUTIONS. Under the PPA, each Employer was required to pay a surcharge of 5% of the contributions otherwise required under the applicable collective bargaining agreement or other agreements pursuant to which the employer contributed for the remainder of the 2008 Plan Year. In addition, effective January 1, 2009, the surcharge was increased to 10% for the 2009 Plan Year. The surcharge will remain in effect until the Local Unions and the Employers adopt an acceptable schedule under a Rehabilitation Plan.

WHAT DOES THIS MEAN FOR PARTICIPANTS? If participants were already retired and receiving benefits as of April 29, 2008, their benefits will not change. Also, ***the normal pension benefit a participant has accrued will not change.*** This affects only participants whose benefit payments began after April 29, 2008. While the Plan is in critical status, the PPA prohibits the Plan from paying any benefits in the form of a lump sum, or any other payment in excess of the monthly amount payable in the form of a single life annuity (other than certain Social Security level-income options, and certain retroactive payments). In addition, vested retirement benefits will continue to be partially guaranteed by the Pension Benefit Guaranty Corporation (the "PBGC"). For example, the PBGC guarantees a monthly benefit payment equal to 100 percent of the first \$11 of the Plan's monthly benefit accrual rate, plus 75 percent of the next \$33 of the accrual rate, times each year of credited service. The PBGC's maximum guarantee is \$35.75 per month times a participant's years of credited service.

POSSIBLE FUTURE BENEFIT REDUCTIONS. Depending upon how the stock market performs in 2011 and beyond, it is possible that additional contributions and/or benefit changes will be required as part of any updated Rehabilitation Plan that is adopted by the Board. *A Rehabilitation Plan may require certain "adjustable benefits" to be reduced for participants and beneficiaries whose pensions had not started prior to April 29, 2008.* "Adjustable benefits" are benefits over and above the normal pension paid at normal retirement age, and include benefits such as disability benefits (if not yet in pay status), post-retirement death benefits, and subsidized early retirement benefits. It also includes any form of payment other than the joint and 60% surviving spouse annuity (or single life annuity for unmarried participants), such as the life with 120 months guaranteed form, the Social Security level-income options, and the rule of 90 lump sum option. If the Board determines that future benefit reductions are necessary, participants will receive a separate notice in the future identifying and explaining the effect of those reductions.

LOOKING AHEAD. We are continuously working to develop ways to secure the Plan's benefits well into the future. As a result of the PPA, Employers and covered employees are being asked to work together to improve the funded status of the Plan. As noted above, Employers have increased their contributions significantly and have implemented certain reductions in adjustable benefits for participants and beneficiaries whose pensions had not started prior to April 29, 2008. Similarly, new retirees will be required to forego certain optional forms of payment. In the year ahead, the Board will develop a revised 2011 Rehabilitation Plan with alternative schedules for the bargaining parties' next negotiations. The Board will consider what, if any, impact the voluntary petitions for relief under Chapter 11 of the Bankruptcy Code filed by the Great Atlantic & Pacific Tea Company, Inc., Pathmark Stores, Inc., Super Fresh Food Markets, Inc., Super Market Service Corp. and Risoldi's Great Value may have on the Plan. The goal is that if the market performs consistent with the Board's expectations and the above mentioned employers continue to contribute to the Plan at their current levels, all of these actions will improve the funded status of the Plan.

WHERE TO GET MORE INFORMATION. For more information about this Notice, you may contact the Board of Trustees, United Food and Commercial Workers Union and Participating Food Industry Employers Tri-State Pension Fund, 3031B Walton Road, Plymouth Meeting, PA 19462, telephone (866) 928-8329 or (610) 941-4282. When it is completed, you and participants will have a right to receive a copy of the 2010 Rehabilitation Plan.

Date: April 18, 2011

Board of Trustees