

UNITED UNION OF ROOFERS, WATERPROOFERS, AND ALLIED WORKERS
LOCAL UNION NO. 86 PENSION PLAN
2012 NOTICE OF CRITICAL STATUS
August 2012

On July 27, 2012 the actuary for the United Union of Roofers, Waterproofers, and Allied Workers Local Union No. 86 Pension Plan ("Plan") certified to the U.S. Department of the Treasury and the Plan Sponsor ("Board of Trustees") that the Plan is in critical status for the 2012 Plan Year as defined by the *Pension Protection Act of 2006* ("PPA"). The 2012 Plan Year began on May 1, 2012 and will end on April 30, 2013. 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. The 2009 Plan Year was the first year that the Plan was certified to be in critical status. This was because as of the Plan's 2009 PPA certification date the Plan was projected to have an accumulated funding deficiency for the 2013 Plan Year. A funding deficiency means that expected contributions to the Plan will not be sufficient to meet the government's minimum contribution requirements for funding purposes. It does not mean that the Plan is insolvent.

The Plan continues to be in critical status for the 2012 Plan Year because the Plan's actuary has determined that the Plan has not passed the "Emergence Test" that would enable it to come out of critical status. In order to pass this Test, the Plan's actuary must certify that the Plan is not projected to have an accumulated funding deficiency for the current Plan Year or any of the nine succeeding Plan Years.

On October 15, 2010, the Board of Trustees adopted a rehabilitation plan that has been ratified by the bargaining parties. This rehabilitation plan has been updated since 2010, and the Pension Plan is continuing to operate in accordance with its updated rehabilitation plan. For the 2012 Plan Year, the Plan's actuary has certified that the Plan is making scheduled progress in meeting the requirements of its rehabilitation plan.

Rehabilitation Plan and Possibility of Reduction in Benefits

Federal law requires pension plans in critical status to adopt a rehabilitation plan aimed at improving the plan's funded percentage. A rehabilitation plan may include: (1) the reduction or even the elimination of future benefit accruals, (2) the reduction or elimination of "adjustable benefits", and/or (3) increases in the hourly contribution rate. The Board of Trustees adopted a rehabilitation plan that includes the reduction of "adjustable benefits" and increases in the Plan's hourly contribution rate. Federal law also stipulates that plans in critical status are not allowed to pay "restricted benefits", such as lump sum death benefits or any other payment in excess of the monthly amount paid under a Straight Life Annuity.

The rehabilitation plan that was adopted by the Board of Trustees includes the following benefit changes:

- Effective August 25, 2010, Early Retirement Benefits will only be available to those Participants who are considered "Active" under the Plan. An Active Participant is defined as a Participant who has earned at least one (1) Year of Service out of the two (2) preceding Plan Years. Terminated Participants who are vested in the Plan will only be entitled to receive their Accrued Benefit at their Normal Retirement Age.
- Effective for Annuity Starting Dates on or after May 1, 2012, an Active Participant will be eligible for an Early Retirement Benefit if he has attained at least age 55.
- Effective August 1, 2011, a Participant's Total and Permanent Disability Benefit will be equal to his vested Accrued Benefit, reduced by 0.25% for each month his Disability Date precedes his Normal Retirement Date. There is a maximum reduction of 25.0%.
- Effective August 1, 2011, a Participant will be eligible to receive a Total and Permanent Disability Benefits on the later of: (1) the date of his Social Security Administration Disability Award letter or (2) the date he applies for a disability benefit under the Plan. No retroactive benefit payments will be made.
- The "60 payment guarantee" that was formerly available under the Plan will be eliminated for all Participants with an Annuity Starting Date on or after August 25, 2010. Effective August 25, 2010, the Plan's normal form of payment for unmarried Participant's will be a Straight Life Annuity, while the normal form of payment for married Participant's will be a Qualified Joint & 50% Survivor Annuity.
- The "Pop-Up" feature will not be available to those Participants with an Annuity Starting Date on or after August 25, 2010. The "Pop-Up" feature increased the monthly benefit payments of any Retiree who elected a Joint and Survivor form of benefit upon the death of an Eligible Spouse.
- For deaths occurring on or after August 25, 2010, a Pre-Retirement Death Benefit will not be payable if a Participant dies without an Eligible Spouse, or if the Participant and his Eligible Spouse waived the Pre-Retirement Survivor Annuity.
- Lump sum payments of benefits will no longer be available on or after July 29, 2010 if the Actuarial Present Value of the benefit exceeds \$1,000.

In addition to the benefit changes, the rehabilitation plan adopted by the Board of Trustees also calls for scheduled increases in the hourly contribution rate. The Journeyman hourly contribution rate was increased by 40¢ per hour effective September 1, 2010 and by 50¢ per hour effective September 1, 2011. In addition, the contribution rate will need to increase by at least 55¢ per hour on September 1, 2012 and September 1, 2013. This means that the contribution rate for a Journeyman will increase from \$4.65 per hour on June 1, 2010 to \$6.65 per hour by September 1, 2013. Contribution rate increases for Plan participants with lower contribution rates will be proportionate to the Journeyman increases.

You can request a copy of the Plan's rehabilitation plan and the actuarial and financial data that demonstrate any action taken by the Plan toward fiscal improvement by contacting the Plan Administrator.

Adjustable Benefits

If it is ever determined that the Plan's rehabilitation plan needs to be amended, federal law permits pension plans in critical status to reduce or eliminate "adjustable benefits". The Plan offers the following "adjustable benefits" which could be reduced or eliminated as an amendment to the rehabilitation plan:

- Unreduced Early Retirement benefit at age 57 for Active Participants with 25 or more Years of Service;
- Subsidized Early Retirement benefit at age 55 for Active Participants with 10 or more Years of Service;
- Disability benefits (if not yet in pay status); and
- Pre-retirement death benefits.

If the Board of Trustees determine that further benefit reductions are necessary, you will receive a separate Notice identifying the type of the reduction and the effect of those reductions. Any reduction in adjustable benefits will not reduce the level of your basic benefit payable at your Normal Retirement Age (generally, age 62). In addition, the reductions will only apply to Participants and beneficiaries whose Annuity Starting Date is on or after August 25, 2010.

Where to Get More Information

For more information about this Notice, you can contact the United Union of Roofers, Waterproofers, and Allied Workers Local Union No. 86 Pension Plan at 77 West Elmwood Drive, Suite 106, Centerville, Ohio 45459, or by calling 937-436-0027. For identification purposes, the official Plan number is 001 and the Plan sponsor's employer identification number, or "EIN", is 31-6127876.