

NOTICE OF CRITICAL STATUS
FOR THE
EMPLOYERS-SHOPMEN'S LOCAL 516 PENSION TRUST

This is to inform you that on March 29, 2013, the Plan actuaries certified to the U.S. Department of the Treasury, and to the Trustees, that the Plan is in critical status ("Red Zone") for the Plan Year beginning January 1, 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. More specifically, the Plan's actuary determined that (i) 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 Plan Year; (ii) the present value of vested benefits of inactive participants is greater than the present value of vested benefits of active participants; and (iii) over the next four Plan Years, the Plan is projected to have an accumulated funding deficiency for the 2017 Plan Year.

Employer Surcharge

The law requires that all contributing employers pay to the Plan a surcharge 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. A five percent (5%) surcharge is applicable in the initial critical Plan Year and a ten percent (10%) surcharge is applicable for each succeeding Plan Year thereafter in which the Plan is in critical status until the employer agrees to a collective bargaining agreement that implements the rehabilitation plan. The 5% surcharge applies for hours of work in Covered Employment (i.e., work for which contributions to this Plan are due) commencing on and after that date which is 30 days from the date of this Notice until December 31, 2013. The 10% surcharge goes into effect for hours of work in Covered Employment on and after January 1, 2014 and remains in effect until such time as the collective bargaining agreements are updated to reflect the contribution increases required by the Rehabilitation Plan.

Rehabilitation Plan and the 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. In addition to revising the Plan's formula for future benefit accruals and making similar changes, the law permits pension plans in the Red Zone to reduce, or even eliminate, benefits called "Adjustable Benefits" as part of a Rehabilitation Plan.

A Rehabilitation Plan is subject to annual review and revision by the Plan's Board of Trustees, depending upon the Plan's financial condition and other factors. If the Trustees of the Plan determine that benefit reductions are necessary, you will receive a separate notice in the future 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 age. In addition, the reductions may only apply to participants and beneficiaries whose benefit commencement date is on or after May 1, 2013. Please be advised that effective as of April 30, 2013, 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 (except for the payout of benefits worth less than \$5,000) while it is in critical status.

Adjustable Benefits

The Plan offers or offered the following Adjustable Benefits which **MAY** be reduced or eliminated as part of the current or future Rehabilitation Plan that the Plan may adopt. In no event will any change to these Adjustable Benefits be effective for retirements before May 1, 2013.

- Early Retirement Benefit or Retirement-type subsidy
- Disability Retirement Benefit (if not yet in pay status)
- 50% Husband-and-Wife Pension subsidy
- 75% Husband-and-Wife Pension subsidy
- 100% Husband-and-Wife Pension
- Husband-and-Wife Pension Single Life Annuity Reversion (Pop-up)
- Guaranteed 60-Month Pension
- 60-Month Pre-Retirement Death Benefit
- Benefit Improvements Made Within the Last 5 Years

Where to Get More Information

For more information about this notice, you may contact:

Administrative Office – Employers Shopmen’s Local 516 Pension Trust
c/o Zenith American Solutions
201 Queen Anne Ave. North, Suite 100
Seattle, WA 98109

Once the Rehabilitation Plan has been finalized, you have a right to receive a copy of the Rehabilitation Plan by submitting a request to the above address