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NOTICE OF CRITICAL STATUS

FOR THE

RETAIL CLERKS SPECIALTY STORES PENSION PLAN

This is to inform you that on March 31, 2014, 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, 2014. 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 actuaries determined that over the next four Plan Years, the Plan is projected to have a funding deficiency for the 2018 Plan Year and the present value of vested benefits for non-actives is more than the present value of vested benefits for active participants and 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. Also, the Plan was in critical status last year and a funding deficiency is projected over the next 9 years, for the 2018, 2019, 2020, 2021, 2022, and 2023 Plan Years.

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 5% surcharge is applicable in the initial critical Plan Year and a 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 is payable for work performed (contributions due) on or after (30 days from the date of this Notice) until December 31, 2013. The 10% surcharge is payable after that date and until a negotiated contribution rate that satisfies the Rehabilitation Plan goes into effect.

Rehabilitation Plan

Federal law requires pension plans in critical status to adopt a rehabilitation plan aimed at restoring the financial health of the Plan. This is the second year that the Plan has been in critical status. 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.

The Board of Trustees adopted a Rehabilitation Plan in 2013. You received notice of these benefit modifications pursuant to the Rehabilitation Plan in October 2013. The Rehabilitation Plan is subject to annual review and revision by the Board of Trustees, depending upon the Fund's financial condition and other factors. If the Trustees of the Plan determine that further 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 April 13, 2013. As you were notified in April of 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 \$5000) while it is in critical status. This includes the Social Security Adjustment Option benefit.

Adjustable Benefits

The Plan offers or offered the following adjustable benefits that may be reduced or eliminated as part of any Rehabilitation Plan:

- Early Retirement Benefit or Retirement-type subsidy
- Disability Retirement Benefit (not yet in pay status)
- 75% Optional Survivor Annuity subsidy
- Benefit Improvements Made Within the Last 5 Years

Where to Get More Information

For more information about this notice, you may contact the Plan Administrator at the following address:

Administrator – Retail Clerks Specialty Stores Pension Fund
UFCW-Employers Benefit Plans of Northern California Group Administration LLC
1277 Treat Boulevard, 10th Floor
Walnut Creek, CA 94597-8863
(925) 746-7530

You have a right to receive a copy of the Rehabilitation Plan from the Plan.