

Dairy Industry - Union

PENSION PLAN

For Philadelphia and Vicinity

FEDERAL LAW REQUIRES THAT CONTRIBUTING EMPLOYERS, BARGAINING UNIT REPRESENTATIVES, PARTICIPANTS, AND BENEFICIARIES RECEIVE THIS NOTICE – PLEASE READ.

FEDERAL FUNDING RULES. Beginning on January 1, 2008, the Pension Protection Act of 2006 (the “PPA”) imposed new rules aimed at improving the funding of multiemployer defined benefit plans such as the Dairy Industry-Union Pension Fund for Philadelphia & Vicinity (the “Plan” or, the “Fund”). Under prior law, a multiemployer defined benefit plan was required to address a funding problem only when the plan failed to satisfy minimum funding standards for a given plan year. Unlike prior law, the PPA requires a plan’s board of trustees to take certain actions to improve the plan’s funding when the plan’s actuary projects that the plan will have future funding issues.

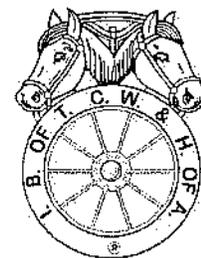
Recognizing the impact of various economic forces, Congress enacted the Multiemployer Pension Reform Act of 2014 (“MPRA”) on December 16, 2014, which has already significantly impacted many multiemployer pension funds across the country. Among other provisions, MPRA allows a plan’s trustees to take proactive steps under certain circumstances in order to avoid future funding problems.

THE PLAN’S ACTUARY MUST CERTIFY FUNDING STATUS. Under the PPA, within the first 90 after the beginning of each plan year, a plan’s actuary must certify whether the plan is in endangered, seriously endangered, critical or critical and declining status. A plan’s board of trustees may elect to have the plan be in critical status for a plan year if the plan will be in critical status within the next five years.

In general, the two most relevant factors used by the Plan’s Actuary to determine the Plan’s funding status 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 minimum funding standards within prescribed periods of time.

PLAN’S CURRENT STATUS. On March 31, 2017, the Plan’s Actuary certified to the U.S. Department of the Treasury and to the Fund’s Board of Trustees (the “Board” or the “Trustees”) that the Plan was in endangered status for the Plan Year beginning January 1, 2017, because the Plan was less than eighty percent (80%) funded. In addition, the Plan was projected to be in critical status for the Plan Year beginning January 1, 2018, which is within the five-year MPRA period as noted above, because the Plan was projected to have an accumulated funding deficiency (without regard to the amortization extensions) for the 2022 Plan year. In accordance with MPRA, and after careful consideration, the Trustees voted to elect for the Plan to be in critical status for the Plan Year beginning January 1, 2017 to better address the Plan’s current and projected funding problems. On March 29, 2018, the Plan’s Actuary certified that Plan would remain in critical status but not critical

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and declining status for the Plan Year beginning January 1, 2018. This is based on the Plan Actuary's determination that the Pension Plan was in critical status last year and has a projected accumulated funding deficiency for the 2027 Plan Year (with regard to the amortization extensions).

WHY HAS THIS HAPPENED? Even though the Board has been proactive in addressing the Plan's funding problem, like most multiemployer pension plans and even many single employer pension plans sponsored by U.S. companies, the Plan was negatively impacted by the 2008 economic downturn, subsequent recession, and fluctuations in the stock and other markets. Industries such as the dairy industry have also been impacted by non-union competition, continued volatility within investment markets, and other residual effects of the 2008 recession.

WHAT ACTION HAS THE BOARD TAKEN TO DATE? The Board has taken numerous steps to rebuff these economic forces. In 2011, the Plan was certified as in critical status and the Board annually increased employer contributions and instituted certain benefit changes to enable the Plan to emerge from critical status. These changes were successful in permitting the Plan to emerge from critical status for a period of time.

REHABILITATION PLAN. When the Plan's Actuary initially certified the Plan in critical status in 2011, the PPA required the Board to develop and implement a "Rehabilitation Plan" designed to improve the Plan's funding. As part of that Rehabilitation Plan, the Board established schedules that increased employer contributions and revised benefit structures in order to bring the Plan out of critical status within the required statutory period. The Rehabilitation Plan established schedules that reduced or eliminated certain benefits and increased employer contributions. These schedules were presented to collective bargaining parties, who were required to agree to a Board-approved schedule.

In 2017, the Trustees adopted a new Rehabilitation Plan designed to improve the Plan's funding status. That Rehabilitation Plan remains in effect.

WHAT DOES THIS MEAN FOR CONTRIBUTING EMPLOYERS? To help improve the funding of a plan that is in critical status, the law requires each contributing employer to pay an automatic surcharge beginning 30 days after the employer is notified that the plan is in critical status. If applicable, the surcharge remains in effect until the employer and the collective bargaining unit have agreed to adopt one of the plan's rehabilitation plan schedules. If applicable, the surcharge for the first year the Plan is in critical status is equal to 5% of the amount an employer is otherwise required to contribute and increases to 10% for each succeeding plan year in which the plan remains in critical status.

Please note that the Fund will not impose a contribution surcharge in 2018. Every employer that contributes to the Fund currently pays \$629.22 per participant

per month, which satisfies a schedule required by the current Rehabilitation Plan. The \$629.22 rate will remain in effect for the rest of 2018.

Later this year, the Trustees will review the current Rehabilitation Plan and may update it, if necessary. Teamsters Local No. 463 and the contributing employers will receive adequate notice of any changes to the contribution rate schedules provided in the Rehabilitation Plan in time to take steps to avoid a surcharge.

WHAT DOES THIS MEAN FOR PARTICIPANTS? The Rehabilitation Plan currently in effect does not impact participants who have retired and begun to receive benefits.

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 supplements, small benefit cash outs, 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. No adjustments or reductions in benefits are contemplated at this time. Depending upon the Plan's investment performance in 2018 and beyond, the financial health of the contributing employers, changes in pension law, increases and/or decreases in the Plan's projected assets and benefit obligations, and other factors, it is possible that the Board (as noted above) will need to update the Rehabilitation Plan to require additional increases in employer contributions and/or reductions in future benefit accruals for participants. If the Board determines that reductions in future benefit accruals are necessary as a result of MPRA or otherwise, participants will receive a separate notice in advance of any reductions, that will identify and explain the effect of those additional reductions, as applicable.

LOOKING AHEAD. The Board is continuously working to develop ways to secure participants' and beneficiaries' benefits well into the future. As a result of the PPA and MPRA, bargaining parties are being asked to work together to improve the funded status of the Plan going forward. Since 2011, as noted above, employers have significantly increased their contributions and participants and beneficiaries have had certain benefits reduced or eliminated. The Trustees may be required to impose similar contribution increases and benefit reductions in the future. The Board will continue to evaluate the Fund's progress and update the Rehabilitation Plan, as necessary.

WHERE TO GET MORE INFORMATION. For more information about this Notice, you may contact the Board of Trustees, Dairy Industry-Union Pension Fund for

Philadelphia & Vicinity, 400 Franklin Avenue, Suite 135, Phoenixville, PA 19460 or by calling (215) 483-6000. You will have a right to receive a copy of the Rehabilitation Plan when it is completed.

Date: April 27, 2018

cc. United States Department of Labor; Pension Benefit Guaranty Corporation