

NOTICE OF CRITICAL STATUS
FOR
SOUND RETIREMENT TRUST
OCTOBER 1, 2018 PLAN YEAR

This is to inform you that, on December 28, 2018, the Plan actuaries of the Sound Retirement Trust (the “Plan”) certified to the U.S. Department of the Treasury, and also to the plan sponsor, that the Plan is in critical status for the plan year beginning October 1, 2018. Federal law requires that you receive this notice.

Critical Status

The Plan is considered to be in critical status because the Plan’s actuaries have determined that the Plan was in critical status last year and, during the next 10 years, the Plan is projected to have an accumulated funding deficiency.

Rehabilitation Plan

Federal law requires pension plans in critical status to adopt a rehabilitation plan aimed at restoring the financial health of the plan. The Board of Trustees (the “Trustees”) of the Plan first adopted a rehabilitation plan on December 14, 2010 (the “Rehabilitation Plan”). The Rehabilitation Plan was most recently updated on September 12, 2018.

The law permits pension plans to reduce, or even eliminate, benefits called “adjustable benefits” as part of a rehabilitation plan. On December 16, 2010, you were notified that the Plan reduced or eliminated adjustable benefits for terminated vested participants, made changes to certain pre-retirement death benefits and benefit forms and features, and that 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) while it is in critical status. You were also notified that as of December 16, 2010, 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) while it is in critical status.

The Trustees adopted an updated Rehabilitation Plan on March 28, 2013. In May 2013, you were notified that with this update, the Plan clarified the definition of a terminated vested participant and applied the prior benefit changes to all current and future terminated vested participants.

The Trustees adopted an updated Rehabilitation Plan on June 25, 2014 to reflect the merger of the Washington Meat Industry Pension Trust (“Washington Meat Trust”) into the Plan as of June 30, 2014 and the transfer of liabilities and assets relating to Kroger’s participants in the Washington Meat Trust to the UFCW Consolidated Pension Fund effective July 1, 2014 and September 16, 2015.

The Trustees adopted an updated Rehabilitation Plan on June 22, 2016 that increased employer contributions on an annual basis and made certain benefit modifications.

The most recent updates to the Rehabilitation Plan on September 13, 2017 and September 12, 2018 extended the 2016 Rehabilitation Plan changes to participants who left employment during the 2016-2017 Plan Year and 2017-2018 Plan Year and before their bargaining parties had adopted the new Rehabilitation Plan.

If the Trustees determine that further benefit adjustments are necessary, you will receive a separate notice in the future identifying and explaining the effect of any adjustments. Any reduction of adjustable benefits will not reduce the level of a participant's basic benefit payable at normal retirement. In addition, the reductions may only apply to participants and beneficiaries whose benefit commencement date is on or after the date they were first notified of the Plan's critical status (for the Plan, that date was December 16, 2010).

Adjustable Benefits

The Plan offers the following adjustable benefits which may be reduced or eliminated as part of any rehabilitation plan the Trustees may adopt:

- Disability benefits (if not yet in pay status);
- Early retirement benefits, including an early retirement benefit more valuable than the normal retirement benefit or other retirement-type subsidy.

Employer Surcharges

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. With some exceptions, a 5% surcharge is applicable in the initial critical year (2008) and a 10% surcharge is applicable for the succeeding plan years until the employer first adopts a rehabilitation schedule. The surcharges are no longer applicable to contributing employers.

Where to Get More Information

For more information about this Notice, you may contact the Plan Administrator, Zenith American Solutions, Inc. at (206) 282-4500, option 2, then option 3 or (800) 225-7620, option 2, then option 3. You have a right to receive a copy of the Rehabilitation Plan from the Plan.