

NOTICE OF CRITICAL STATUS

FOR THE

SOUTHERN CALIFORNIA UNITED FOOD AND COMMERCIAL WORKERS UNIONS AND DRUG EMPLOYERS PENSION PLAN

This is to inform you that on March 31, 2025, 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, 2025. 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 the Plan was in critical status last year and a funding deficiency is projected within ten years.

Employer Surcharge

Under the Pension Protection Act of 2008, all contributing employers in a Red Zone plan are required to 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 status 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, 2023. The 10% surcharge goes into effect for hours of work in Covered Employment on and after January 1, 2024 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, 2023. Please be advised that whether or not the Plan

reduces adjustable benefits in the future, effective as of April 30, 2023, 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 the following adjustable benefits that **may** be reduced or eliminated as part of any rehabilitation plan that may be adopted:

- Early Retirement Benefit or retirement type subsidy
- Rule of 85 Retirement
- Disability Retirement Benefit (if not yet in pay status)
- Joint and Survivor Annuity subsidies (including pop-up feature)
- 75% Joint & Survivor Annuity (also known as the Optional Survivor Annuity (with pop-up feature)
- Pre-Retirement Survivor Annuity Benefit subsidy
- Recent benefit increases (i.e. occurring in last 5 years)

Where to Get More Information

For more information about this notice, you may contact:

Administrative Office
Southern California Food and Commercial Workers Unions and Drug Employers Pension Plan
P.O. Box 27920
Los Angeles, CA 90027-0920
(323) 666-8910.

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.