July 28, 2016

TO: Participants, Beneficiaries, Contributing Employers and Local Unions
Pension Benefit Guaranty Corporation (PBGC)
Department of Labor (DOL)

FROM: Board of Trustees
Marine Carpenters Pension Plan

SUBJECT: Notice of Actuary's Certification of Critical and Declining Status of the Marine Carpenters Pension Plan ("Plan") for the 2016-2017 Plan Year

This is to inform you that on June 29, 2016, the Plan's actuary certified to the U.S. Department of Treasury, and also to the Plan's Board of Trustees, that for the Plan Year beginning April 1, 2016:

(1) The Plan is in critical status (as defined under the Pension Protection Act of 2006 ("PPA") and also known as "Red Zone" status) for the Plan Year beginning April 1, 2016; and

(2) The Plan is in critical and declining status (as defined under the Multiemployer Pension Reform Act of 2014 ("MPRA")).

CRITICAL STATUS

In recent years, the Board of Trustees has taken steps to bring the Plan's liabilities into balance with its assets. Despite these efforts, there remains a shortfall that must be addressed through the Rehabilitation Plan in order for the Plan to comply with the requirements of the PPA. The Plan has been certified to be in critical status for each Plan Year since the Plan Year that began April 1, 2010. The Plan continues to be in critical status for the Plan Year beginning April 1, 2016 because it has funding problems. More specifically, the Plan's actuary has determined that:

- The Plan is projected to have an accumulated funding deficiency within four years.
- 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 current year; the present value of vested benefits of inactive Participants is greater than the present value of vested benefits of active Participants; and the Plan is projected to have an accumulated funding deficiency within five years.
CRITICAL AND DECLINING STATUS

For the Plan Year beginning April 1, 2016, the Plan's actuary certified the Plan as being in critical and declining status due to the following reasons. Note that any single reason, among those shown below, is by itself sufficient to result in the Plan being certified as being in critical and declining status.

- The Plan is in critical status, AND the Plan is projected to be insolvent within 15 years.
- Plan is in critical status, AND the ratio of its inactive participants to active participants is at least 2 to 1, AND the Plan is projected to be insolvent within 20 years.
- The Plan is in critical status, AND the funded percentage is less than 80%, AND the Plan is projected to be insolvent within 20 years.

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 seventh year the Plan has been in critical status. The law permits pension plans in the red zone to reduce or even eliminate benefits called "adjustable benefits" as part of a rehabilitation plan. On December 21, 2010, you were notified that the Plan reduced or eliminated certain adjustable benefits. In addition, please be aware that effective with the date that you were notified of the Plan's critical status, the Plan is not permitted to pay benefits under any payment form in excess of the monthly amount paid under a single lifetime annuity while the Plan is in critical status. 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 July 29, 2010.

ADJUSTABLE BENEFITS

When the Plan was initially certified to be in critical status for the April 1, 2010 Plan Year, you were informed that the following adjustable benefits could be reduced or eliminated as part of some of the Schedules to a Rehabilitation Plan adopted by the Board of Trustees:

- Any early retirement-type subsidy for Early Retirement Pensions first commencing on or after July 29, 2010.

- Disability Benefit (if not already in pay status)

- 50% and 75% Husband-and-Wife Pension formula subsidy and "reversionary" or "pop-up" feature.

- Optional Death Benefit consisting of 36 monthly payment of the Participant's accrued benefit to surviving spouse or, if no spouse, monthly payments divided among surviving dependent children until their attainment of age 19)

- Pensioner's Three-Year Guarantee of Benefits providing for remaining payments during the guarantee period to the Participant's surviving Spouse.
Additional Death Benefit Payments to Surviving Spouse of Pensioner providing two extra payments to surviving spouse of a Pensioner who received 36 or more monthly payments prior to death.

On November 12, 2010, the Board of Trustees adopted a Rehabilitation Plan and you were informed of the specific benefits that were subject to reduction or elimination under certain Schedules to the Rehabilitation Plan. The Rehabilitation Plan was distributed to Plan Participants, Contributing Employers and Local Unions on December 21, 2010. Upon the expiration date of each individual Collective Bargaining Agreement in effect on December 21, 2010, Local Unions and Contributing Employers are required to negotiate new Collective Bargaining Agreements whose terms conform to one of the two Alternative Schedules or the Default Schedule. If a bargaining group does not reach agreement on a Contribution rate that conforms to one of the Schedules within 180 days following the expiration of the prior Collective Bargaining Agreement, the Default Schedule is required by law to be automatically imposed on them by the Trustees. Nothing prevents the Contributing Employer and Local Union from agreeing to and implementing a Schedule earlier than the expiration date of a current Collective Bargaining Agreement. Over time, required updates to the Rehabilitation Plan may require further increases in contributions and/or the further reduction or elimination of adjustable benefits. You will be notified of any such actions taken by the Board of Trustees.

The Rehabilitation Plan has been updated at various times to reflect the necessary contribution levels. None of these required further changes in benefits.

CRITICAL AND DECLINING STATUS – POSSIBLE ACTIONS:

BENEFIT SUSPENSIONS AND PARTITION

Under MPRA, a plan that has been certified to be in critical and declining status and is projected to become insolvent may be able to adopt certain reductions to accrued benefits ("benefit suspensions"), subject to various requirements and limitations, if the plan has taken all other reasonable measures to avoid insolvency and the benefit suspensions are projected to prevent insolvency. Generally, in order for the plan sponsor of a critical and declining status plan to adopt any accrued benefit reductions, those reductions must be approved by the Department of the Treasury ("Treasury") in consultation with the Department of Labor ("DOL") and the Pension Benefit Guaranty Corporation ("PBGC"), and ratified by a vote of the plan’s participants and beneficiaries.

Because this Plan is in critical and declining status for the 2016-2017 plan year, the plan sponsor is eligible to apply to the Treasury for approval of benefit suspensions. In the event an application is made to the Treasury for approval of benefit suspensions, the plan must concurrently provide a notice to participants, beneficiaries, contributing employers and participating unions, containing information regarding the proposed benefit suspensions, including an individualized estimate of the effect of such benefit suspension on each participant and beneficiary.

MPRA also provides that a plan in critical and declining status that is not projected to avoid insolvency with benefit suspensions alone may be eligible to apply to the PBGC for a partition, subject to various requirements and limitations, if the partition (in addition to suspension) would be projected to prevent insolvency. Partition is a process whereby a multiemployer plan that is in danger of becoming insolvent (the original plan) transfers the minimum amount of liabilities necessary for it to remain solvent to a newly created successor plan. No plan assets are transferred. While the same Board of Trustees will...
administer the original plan and the successor plan, PBGC will provide financial assistance to the successor plan to pay the transferred benefits.

**EMPLOYER SURCHARGE**

The law requires all Contributing Employers 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 or subscription agreement. A 5% surcharge was applicable to the initial critical 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 10% surcharge is payable with respect to periods after March 31, 2011, until a negotiated contribution rate that satisfies the Rehabilitation Plan goes into effect.

**WHERE TO GET MORE INFORMATION**

For more information about this Notice, through August 31, 2016, you may contact:

Ms. Maria C. Jacini, Fund Manager  
Marine Carpenters Pension Fund  
5 Third Street, Suite 525  
San Francisco, CA 94103  
(415) 896-5742 or (800) 257-1515

For more information about this Notice, beginning September 1, 2016, you may contact:

Ms. Liz Jesinger, Fund Manager  
Marine Carpenters Pension Fund  
P.O. Box 2510  
San Ramon, CA 94583