

Employers' - Warehousemen's Pension Trust Fund

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2018 JUL 30 AM 11:24
EBSA/PUBLIC DISCLOSURE

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

FROM: Board of Trustees
Employers'—Warehousemen's Pension Plan (the "Plan")

SUBJECT: Notice of Actuary's Certification of Critical and Declining Status of the
Plan for the 2018-2019 Plan Year

This is to inform you that on June 29, 2018, 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, 2018:

- (1) The Plan is in critical status (as defined under the Pension Protection Act of 2006 ("PPA") and also known as "Red Zone" status); and
- (2) The Plan is in critical and declining status (as defined under the Multiemployer Pension Reform Act of 2014 ("MPRA")).

Federal law requires that you receive this notice.

Critical and Declining 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 is in critical status due to the following reasons:

- 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

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Luisa Gratz, *Chairperson*
Moises Figueroa, *Secretary*
Hector Aguilar
Gene Hulsey

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.

The Plan is considered to be in critical and declining status because (1) it meets the above criteria, and (2) is projected to become insolvent within twenty years and has a ratio of inactive to active participants that exceeds 2 to 1. Having met the criteria for critical status, the Plan is also in critical and declining status because it has a funded percentage under 80% and is projected to become insolvent within twenty years.

Rehabilitation Plan

This is the fourth consecutive Plan Year that the Plan has been certified to be in critical and declining status. Current federal law – the Pension Protection Act of 2006 (“PPA”) and the Multiemployer Pension Reform Act of 2014 (“MPRA”) – requires pension plans in critical and declining status to adopt a rehabilitation plan aimed at restoring the financial health of the plan. The law permits pension plans in critical and declining status to reduce, or even eliminate, benefits called “adjustable benefits” as part of a rehabilitation plan.

As a result of the Plan having first been certified as being in critical and declining status for the 2015 - 2016 Plan Year, the Board of Trustees, on February 25, 2016, adopted a rehabilitation plan containing both a preferred and a default schedule – each consisting of a combination of benefit reductions and employer contribution rate increases. Collective bargaining agreements entered into or renewed on or after April 1, 2015 are required to contain terms consistent with one of the two schedules. If the bargaining parties fail to adopt such an agreement within 180 days after the expiration of a prior collective bargaining agreement, the default schedule is automatically imposed on the employer and its employees. Regardless of schedule, effective as of July 29, 2015, 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 whose Actuarial Equivalent lump sum value is less than \$5,000) while it is in critical and declining status.

Adjustable Benefits

The Plan offers the following types of adjustable benefits that may be reduced or eliminated as part of any rehabilitation plan the Plan may adopt while in critical and declining status:

- Early Retirement Benefits, Special Early Retirement Benefits, or any retirement-type subsidy
- 120-month guarantee of payment feature connected with the single life annuity payment form (and joint and survivor annuity benefits that are “actuarially equivalent” to single life annuity benefits with the 120 month guarantee)
- Disability Retirement Benefit (if not yet in pay status)
- Pre-retirement death benefit options other than a qualified preretirement survivor annuity (QPSA).

On March 1, 2016, participants, beneficiaries, alternate payees, the unions, and contributing employers were notified of the terms of the rehabilitation plan and its schedules. Please refer to that document for specific changes to the Plan's benefit accrual formula and adjustable benefits.

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. With some exceptions, a 5% surcharge was applicable in the initial critical and declining year ending March 31, 2016 and a 10% surcharge is applicable for each succeeding Plan Year thereafter in which the Plan is in critical or critical and declining status. Employer surcharges cease to be applicable when an employer adopts a collective bargaining agreement containing the terms of either the preferred or the default schedule.

Benefit Suspensions and Plan Partition

Under current federal law, a plan that has been certified to be in critical and declining status and is projected to become insolvent may adopt certain reductions to accrued benefits, including benefits of current retirees, subject to various requirements and limitations, if doing so is projected to prevent insolvency. Generally, in order for a plan sponsor to adopt a benefit suspension, the suspension must be approved by the Department of the Treasury in consultation with the Department of Labor and the Pension Benefit Guaranty Corporation ("PBGC") and ratified by a vote of the plan's participants and beneficiaries. Current federal law also provides that a plan in critical and declining status that cannot be projected to avoid insolvency by benefit suspension alone, may apply to the PBGC for a partition, subject to various requirements and limitations, if a partition (in addition to suspension) is projected to prevent insolvency. Because the Plan continues to be in critical and declining status for the 2018-2019 Plan Year, the Trustees may be in a position to apply to the Treasury for approval of benefit suspensions and, if necessary, to PBGC for a partition. As of the date of this Notice, the Plan has not applied for benefit suspensions or a partition.

Where to Get More Information

For more information about this notice or the Trust, contact Ms. Lorena Gonzalez, Plan Manager, Employers' - Warehousemen's Pension Trust Fund, 5625 S. Figueroa Street, Los Angeles, CA 90037-4037, phone number (323) 751-5178. You have a right to receive a copy of any rehabilitation plan adopted by the Pension Plan.

As required by law, this notice is being provided to all required parties, including the Pension Benefit Guaranty Corporation ("PBGC"), the United States Department of Labor, each Plan Participant and Beneficiary, the Unions, and each Covered Employer.