

SAN FRANCISCO LITHOGRAPHERS PENSION TRUST

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NOTICE OF CRITICAL AND DECLINING STATUS

October 24, 2018

TO: Participants and Beneficiaries
Contributing Employers
Graphic Communications Union Local 583
Pension Benefit Guaranty Corporation
Secretary of Labor

FROM: Board of Trustees
San Francisco Lithographers Pension Trust

This is to inform you that on September 28, 2018, the actuary for the San Francisco Lithographers Pension Plan (the "Plan") certified to the U.S. Department of Treasury and to the Board of Trustees that the Plan is in "critical and declining status" for the Plan Year beginning July 1, 2018. 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 is in critical status due to the following reasons. Note that any single reason by itself is sufficient to result in the Plan being certified as being in critical status.

- A funding deficiency is projected in four years (ignoring any amortization extensions).
- A funding deficiency is projected in five years (ignoring any amortization extensions), the present value of vested benefits for non-active participants is greater than the present value of vested benefits for active participants, and the normal cost plus interest on the unfunded actuarial accrued liability (using a unit credit basis) is greater than the contribution for the current year.
- A funding deficiency is projected in five years (ignoring any amortization extensions) and the funded percentage is less than 65%.
- The funded percentage is less than 65% and the present value of assets plus contributions is less than the present value of benefit payments and administrative expenses over seven years.
- The present value of assets plus contributions is less than the present value of benefit payments and administrative expenses over five years.

- The Plan was in critical status for the prior Plan Year and either (a) a funding deficiency is projected for the Plan year or in any of the next nine Plan Years, without regard to the use of the shortfall method, but taking into account any extension of amortization periods of ERISA § 304(d)(2) or ERISA § 304 as in effect prior to the Pension Protection Act of 2006 (“PPA”) or (b) insolvency is projected for the current year of any of the 30 succeeding plan years.

Employer Surcharge

The PPA required that all contributing employers pay to the Plan a surcharge (an additional percentage of an employer’s then negotiated contribution rate) to help correct the Plan's financial situation beginning 30 days after the employer was notified of the Plan’s initial critical status certification. A 5% surcharge was applicable during the initial July 1, 2008 Plan Year that the Plan was in critical status and a 10% surcharge became applicable for each succeeding Plan Year in which either the Plan remained in critical status or until the employer’s employees became covered by a collective bargaining agreement or other contribution agreement which included terms consistent with a rehabilitation plan schedule adopted by the Board of Trustees. There are presently no employers paying surcharges.

Rehabilitation Plan

This is the eleventh year the Plan has been in critical status. The PPA requires a pension plan in critical status to adopt a rehabilitation plan aimed at restoring the financial health of the plan. As part of a rehabilitation plan, plans are permitted to reduce, or even eliminate, benefits called "adjustable benefits" as part of a rehabilitation plan. The types of benefits considered to be adjustable benefits are:

- 120-month payment guarantee that was previously part of the Life Annuity payment form
- Early Retirement Benefit, Supplemental Early Retirement Benefit or other retirement-type subsidy
- Pre-retirement death benefits other than Pre-Retirement Spousal Annuity
- Retirement-type subsidies in connection with benefit options

On October 26, 2008, you were notified that as of July 1, 2008 the Plan was no longer 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. On May 29, 2009, you were notified which specific adjustable benefits would be reduced or eliminated.

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 (other than a repeal of a recent benefit increase, as described below) will not reduce the level of your basic benefit payable at Normal Retirement Age.

Critical and Declining Status

The Multiemployer Pension Reform Act of 2014 (“MPRA”) added an additional funding status category – critical and declining. This is the fourth Plan Year that the Plan’s actuary has determined the Plan to be in critical and declining status. It is in critical and declining status for the Plan Year beginning July 1, 2018 due to the following reasons. Note that any single reason by itself is sufficient to result in the Plan being certified as being in critical and declining status.

- The Plan is in critical status and is projected to be insolvent within 15 years.

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

Critical and Declining Status – Possible Actions

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 a plan sponsor to adopt what are termed “benefit suspensions,” the suspensions 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. MPRA also provides that a plan in critical and declining status that cannot be projected to avoid insolvency by benefit suspensions alone, may be eligible to apply to the PBGC for a partition – subject to various requirements and limitations – if a partition (in addition to suspensions) is projected to prevent insolvency. Because the Plan is in critical and declining status for the 2018 Plan Year, the Board of Trustees is eligible to apply to Treasury for approval of benefit suspensions and, if necessary, to the PBGC for a partition. In the event an application is made to the Treasury for approval of benefit suspensions and/or to the PBGC for partition, the plan must provide a notice to participants, beneficiaries, contributing employers and participating unions, containing information regarding the proposed benefit suspensions and/or partition. The notice would include an individualized estimate of the effect of such benefit suspension on each participant and beneficiary.

Where to Get More Information

For more information about this Notice, you may contact the Plan Administrator at:

Mr. Scott Wall
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1600 Harbor Bay Parkway, Suite 200
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(415) 546-7800

You have a right to receive a copy of the Rehabilitation Plan from the Plan.

As required by law, the notice is being provided to all required parties, including the Pension Benefit Corporation (“PBGC”), the U.S. Department of Labor (“DOL”), each Plan participant and beneficiary, the Union and each contributing employer.