MEMORANDUM

TO: Participants, RISAVAG Retirement Plan
FROM: Board of Trustees
DATE: April 30, 2009
RE: Status of Pension Plan

INTRODUCTION

The passage of the Pension Protection Act of 2006 ("PPA"), the precipitous decline in the stock market, and the decrease in the active number of participants in the Plan, has changed the financial condition of the Plan and the terminology and reporting thereof. This memorandum is designed to briefly update you on the status of the Plan under these new rules.

GOVERNMENT MANDATED REPORTS

A. Accompanying this memo, Attached are the following documents mandated by the PPA:
   • Annual Funding Notice, *marked separately*
   • Actuarial Certification for January 1, 2009; and
   • Temporary Freeze Notice under WRERA Section 204 (c)(2)(A)(ii).

B. Actuarial Concepts. The foregoing reports are in a format specified by the government. When reference is made to Plan assets or liabilities, the reference is to the actuarial value of these items.

(1) Actuarial Value of Assets. The Plan’s actuary uses a smoothing valuation technique when valuing plan assets, which is designed to provide a less volatile asset valuation from year to year. When the Plan has investment gains the actuarial value of assets will be less than the fair market value. When the Plan has investment losses, as it did in 2008, the actuarial value of plan assets will be greater than fair market value. Thus the actuarial value of plan assets at January 1, 2009, exceeds the fair market value of the Plan’s assets.

(2) Actuarial Value of Liabilities. The actuarial value of the Plan’s liabilities is primarily dependent on the amount of benefits accrued by
participants and the discount rate applied by the actuary to determine their present value. At January 1, 2009, the actuary used a discount rate of 7.5% to reach a actuarial liability value of $8,761,000. Had the actuary used a discount rate of 6.5% the actuarial value of the Plan’s liability would be $9,746,000, and if a discount rate of 8.5% was used, the Plan liabilities would have been $7,597,000.

STATUS DETERMINATIONS

Beginning with the 2008 Plan Year, the actuary was required to certify the Plan’s status in accordance with the following categories:

- Critical Status (Red Zone)
- Endangered Status (Yellow Zone)
- Neither of the Above (Green Zone)

As of January 1, 2008, the Plan was in the Green Zone. This is the preferred status.

Due to investment losses in 2008, the actuary has determined that the Plan is in the Yellow Zone as of January 1, 2009. This would normally require the Plan to adopt a Funding Improvement Plan to improve the Plan’s funding over the next 10 years.

However, knowing that all retirement plans were severely affected by large investment losses in 2008, Congress passed the Worker, Retiree, and Employer Recovery Act of 2008 (“WRERA”) late in December 2008. That Act allows the Board of Trustees to freeze the Plan’s status for 2009 to be the same as it was in 2008.

The board has decided to use this Congressionally approved procedure to freeze the Plan in the Green Zone for 2009. This means that the board will not be filing a formal funding improvement plan for 2009.

However, the Board will be actively reviewing the Plan’s funding status to determine what combination of possible benefit reductions and contribution increases can be made to ensure the continued financial well-being of the Plan and its participants.

The Board made the decision to freeze for basically the following reasons:

- It allows the Board to review matters in an orderly fashion rather than in accordance with the rigid time frames required by the government;
- It allows the Board more time to assess the condition and likely movement of the Plan’s investments;
- It allows the Board more time to see what if any action Congress will take this year to help defined benefit plans cope with the current situation. The Board has no way of knowing what, if any, action Congress will take, but it is aware of that
Temporary Freeze Notice Under WRERA Section 204(c)(2)(A)(ii)

(a) **Identification**
Name of Plan: Richmond-Santa Rosa-Vallejo Newspaper Guild Retirement Plan
Name of Plan Sponsor: Board of Trustees, Richmond-Santa Rosa-Vallejo Newspaper Guild Retirement Trust
EIN: 94-6115024
Plan No. 001

(b) **Election**
An election has been made under section 204 of WRERA to treat the Plan as being neither in endangered nor critical status for the plan year beginning on January 1, 2009.

(c) **Actuary's Certification**
The Plan's status for the election year as certified by its actuary is: endangered.

(d) **Explanations**
(i) This election applies only for the 2009 plan year; and
(ii) If the plan is certified to be in endangered or critical status for the 2010 plan year, the Board of Trustees will provide notice of the Plan's status for the following year and steps will have to be taken to improve the Plan's funded situation, which steps may include increases in contributions and reductions in future benefit accruals.

(e) **Additional Information**
To obtain additional information about this election you may contact Doug Cuthbertson at:
N.C.A. Media Workers Guild
433 Natoma Street, 3rd Floor,
San Francisco, CA 94103,
Telephone: 415-421-6833,
Email: dcuthbertson@mediaworkers.org

Dated: 4/23/09

[Signature]
Authorized Trustee
The Worker, Retiree, and Employer Recovery Act of 2008 (WRERA) Section 204 allows sponsors of Multiemployer plans to temporarily freeze the plan’s funded status to be the same as that of the plan year immediately prior to the election year. Under section 205 of WRERA, a plan sponsor may elect to extend the Funding Improvement or Rehabilitation period by three (3) years. Internal Revenue Code Section 432 requires multiemployer plans to certify their funded status (i.e. endangered, critical, or neither). Please complete the items below and send your election to the IRS/EPCU.

1. Plan Name: Richmond-Santa Rosa-Vallejo Newspaper Guild Retirement Plan
2. Plan Sponsor: Board of Trustees, Richmond-Santa Rosa-Vallejo Newspaper Guild Retirement Trust
3. Sponsor Address: 433 Natoma Street, 3rd Floor
4. City: San Francisco State: CA ZIP: 94103
5. Name of Sponsor’s Contact Person: Doug Cuthbertson
8. Plan Year End: December 31 11. Year for which this election is being made: 2009

A. Are you a Multiemployer Plan Sponsor? ☐ No ☑ Yes
B. Are you submitting an application to request WRERA relief? ☐ No ☐ Yes
C. If you answered Yes to "B",
   1. Is this an election under section 204? ☐ No ☑ Yes
   2. Is this an election under section 205? ☑ No ☐ Yes
   3. Is this an election under both sections 204 & 205? ☑ No ☐ Yes
D. Have you previously submitted an annual PFA 432-Multiemployer certification to the IRS? ☐ No ☑ Yes
E. If this is an election under section 204, what is the section 432 status of the plan for the prior year (check one):
   1. Neither Endangered nor Critical (Green): ☑
   2. Endangered (Yellow): ☑
   3. Seriously Endangered (Orange): ☐
   4. Critical (Red): ☐

Robert J. Swafford
Print Name

Authorized Trustee Signature

4/23/09
Date
relatively few plans were in the Red Zone in 2008, whereas without the allowed zone freezes for 2009, many plans would be in the red zone in 2009. The Board is aware that representatives of those plans are appealing to Congress for relief legislation.

YELLOW ZONE STATUS

A multiemployer defined benefit pension plan is in the Yellow Zone if the Plan's actuary certifies as of January 1, that either:

• The Plan's funded percentage is less than 80%; or
• The Plan is projected to have a funding deficiency in the current year or any of the 6 succeeding plan years.

At January 1, 2008, the Plan's funded percentage was 84%, and it was not projected to have accumulated funding deficiency within the next 6 years.

At January 1, 2009, the Plan's percentage was 94.4%, but it was projected to have an accumulated funding deficiency 6 years out in 2014. However, it should be noted that if the market value of assets was used to determine the funded ratio instead of the actuarial value, the funded percentage would have been 78%, thus more clearly placing the Plan in the Yellow Zone.

POSSIBLE FUNDING IMPROVEMENT SCENARIOS

The Board will be exploring a variety of changes to improve the Plan's funding status. However, active employees currently account for only 28% of the total numbers of participants. Therefore the future benefit reductions allowed for plans in the Yellow Zone might have to be substantial. The Board will be reviewing possibly reducing future benefit accruals in both the basic benefit and supplemental formulas.

The actuary has preliminarily confirmed that if no changes were made to the benefit schedules, the required hourly contribution rate would be approximately $4.30 per hour instead of the current $2.60 per hour. This money could come from either new employer contributions or a diversion from wages, or a combination of both.

PRINCIPAL FINANCIAL

As you know all of the Plan's investments are with the Principal Financial Group. At the time this memorandum was prepared the fair market value of the Plan's assets was approximately $6,000,000. They were allocated between 4 funds as follows:

• Bond and Mortgage Fund 58%
• Large Cap S & P Index Fund 34%
• Mid Cap 400 Index Fund 4%
• Small Cap S & P 600 Index Fund  4%

Until August 2008, the Plan’s contract with Principal was a long-standing Deposit Administration agreement. When participants retired, an annuity was purchased for them from Principal.

In 2008 Principal informed the Plan that it was discontinuing this type of contract. After careful consideration the Board decided to switch the form of contract at Principal to a Flexible Pension Investment with a Benefit Index. Under this arrangement annuities were not purchased for new retirees, but they were guaranteed by Principal.

As part of this new contract, there is a provision that when the Plan’s Benefit Index hits the fair market value of Plan assets, then benefits which Principal has guaranteed will be purchased are they were under the old contract. By requiring lump sum payments to Principal in these situations, the Board believes the funding status of the Plan would be lessened.

Earlier this year the Plan was notified that the Benefit Index was approaching the value of Plan assets. To avoid worsening the Plan’s funded position, the Board decided to eliminate the Principal guarantee for participants retiring after April, 2009. It is hoped that this guarantee can be reinstated when there is more separation between the Benefit Index and the value of Plan assets.

CONCLUSION

There is no question that the Plan, like virtually all other defined benefit pension plans, is under financial stress at the present time. The Board is aware of the problem and is dealing with it. The Board hopes that this memorandum answers some of your questions.

The Board will be scheduling meetings at which you can come and ask questions. You will be notified of the dates and times of these meetings at a later date.