

Local 734 Welfare Fund / Pension Fund

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NOTICE OF CRITICAL AND DECLINING STATUS

For the

LOCAL 734 PENSION PLAN

This is to inform you that on July 23, 2019 the plan actuary certified to the U.S. Department of the Treasury, and also to the plan sponsor, that the plan is in critical and declining status for the plan year beginning May 1, 2019. Federal law requires that you receive this notice.

Critical and Declining Status

The plan is considered to be in critical and declining status because it has funding or liquidity problems, or both. The plan was considered to be in critical status for the prior nine plan years and the plan's actuary determined that the plan has not met the necessary tests to emerge from critical status. In particular, the Plan is projected to have an accumulated funding deficiency for the 2019 plan year, taking into consideration only those contributions that are included in current collective bargaining agreements. In addition, the Plan is projected to become insolvent within the next 20 years.

Rehabilitation Plan and 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. On September 20, 2010, the Trustees adopted a rehabilitation plan. The law permits pension plans to reduce, or even eliminate, benefits called "adjustable benefits" as part of a rehabilitation plan. On August 27, 2010 you were notified that the Plan could reduce or eliminate adjustable benefits. In October 2010 you were notified of changes in plan benefits that were effective January 2, 2011. The rehabilitation plan was updated effective March 26, 2014 and again on December 15, 2016. Another update to the rehabilitation plan will be effective September 2, 2019; information on changes in benefits is included in a separate notice with this mailing. 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 a participant's basic benefit payable at normal retirement. In addition, the reductions may only apply to participants and beneficiaries whose benefit commencement date is on or after August 27, 2010. Also effective as of August 27, 2010, 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) while it is in critical or critical and declining status.

Adjustable Benefits

The plan offers the following adjustable benefits which may be reduced or eliminated as part of any rehabilitation plan the pension plan may adopt:

- Post-retirement death benefits;
- Thirty six month payment guarantees;
- Disability benefits (if not yet in pay status);
- Early retirement benefit or retirement-type subsidy;
- Benefit payment options other than a qualified joint-and survivor annuity (QJSA);
- Recent benefit increases (i.e., occurring in past 5 years);

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 is applicable in the initial critical year and a 10% surcharge is applicable for each succeeding plan year thereafter in which the plan is in critical status. Contributing employers can avoid the surcharge by adopting a collective bargaining agreement with contribution rates that comply with the rehabilitation plan.

Where to Get More Information

For more information about this Notice, you may contact the Board of Trustees, c/o Mr. Thomas Boehm, Plan Administrator, Local 734 Pension Plan, 6643 North Northwest Highway, Chicago, Illinois 60631, (773)-594-2810. You have a right to receive a copy of the rehabilitation plan from the plan.

July 2019