

Alaska United Food & Commercial Workers Pension Trust

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Administered by
Welfare & Pension Administration Service, Inc.

December 17, 2010

NOTICE TO BARGAINING PARTIES

PENSION SURCHARGES AND CONTRIBUTION REQUIREMENTS

This notice and the attached Supplemental Contribution Schedule explain the obligation of contributing employers to pay surcharges and the obligations of the bargaining parties to include increased pension contributions in future collective bargaining agreements under the Trust's Rehabilitation Plan.

On March 31, 2010, the Plan actuary certified that the Plan is in critical status for the plan year beginning January 1, 2010. Previously, on April 29, 2010, the Trust had notified the participants and participating employers of a five percent (5%) surcharge to be imposed on contributions for hours worked during the period June through December, 2010.

The Pension Protection Act requires that a Plan's Board of Trustees adopt a rehabilitation plan aimed at restoring the financial health of the Plan. Based on a full review and determinations by the Plan's actuaries, as required by law, the Plan's Board of Trustees adopted a rehabilitation plan on November 17, 2010. The plan includes both the reduction and elimination of certain Plan benefits and supplemental employer contributions.

The materials below detail the benefit changes, the employer surcharge obligation, and future requirements for collectively bargained agreements with respect to pension contributions.

Benefit Changes

The benefit changes adopted by the Trustees effective January 1, 2013 to reduce costs are as follows:

- Rescission of the 3% retiree increase and the accrued benefit increase enacted in 2007;
- Elimination of all early retirement subsidies;
- Change in pre-retirement spousal death benefit from 100% to 50%;
- Elimination of the 2-year death benefit for non-married participants; and
- Elimination of the 2-year certain period for the normal form of benefit.

Surcharge Contributions

Effective January 1, 2011, the surcharge contribution to be paid by contributing employers will increase from five percent (5%) to ten percent (10%) of the contribution rate contained in the applicable Collective Bargaining Agreement for hours worked beginning January 1, 2011.

The Pension Protection Act of 2006 requires that all contributing employers to the Plan pay a surcharge to help correct the Plan's financial situation while it is in critical status. The surcharge is required until the applicable Collective Bargaining Agreement is renegotiated to include terms consistent with the rehabilitation plan adopted by the Plan's Board of Trustees. Thus, the surcharge is required of all contributing employers until they have renegotiated their Collective Bargaining Agreements and adopted provisions consistent with the rehabilitation plan being presented with this notice. The surcharges are solely for plan funding purposes and will not accrue additional benefits for Plan participants.

Rehabilitation Plan Supplemental Contributions

The Pension Protection Act allows a plan to have multiple schedules. At this point, the Trustees have adopted a single schedule. The attached schedule is the preferred and the default schedule. There are no other schedules. However, the Trustees will continually monitor the plan funding. Review of the schedule will take place annually and adjustments will be made as needed. The bargaining parties will be notified of the adoption of any additional schedules and of any adjustments in the preferred/default schedule attached.

After issuance of this notice, all new or renewed collective bargaining agreements must comply with and incorporate the rehabilitation plan terms described in this notice. Specifically, the bargaining parties must adopt the terms of the attached Supplemental Contribution Schedule within 180 days of the expiration date of the contract. This schedule requires the employers to make the supplemental contributions stated in the schedule, in addition to an employer's current pension contribution. If the attached schedule is updated or changed between now and when bargaining takes place, the parties must adopt the then current supplemental contribution schedule. If the bargaining parties do not adopt the schedule within 180 days of the expiration of their contract, the Plan will implement the then current schedule and require the contributing employer to make pension contributions according to its terms.

It is not required that new or renewed contracts have a duration that is the same as the attached contribution schedule. What is required is that contracts include the contribution rates set out in the schedule for the duration of the new or renewed contract.

All supplemental contributions payable to the Plan are solely for plan funding purposes and will not accrue additional benefits for Plan participants.

Nonconforming Agreements

The attached schedule must be adopted by the bargaining parties. In addition the Pension Protection Act prohibits the Plan from accepting agreements which provide for:

- A reduction in the level of contributions for any participant
- A suspension of contributions with respect to any period of service, or
- Any new direct or indirect exclusion of younger or newly hired employees from plan participation.

Collection of Contributions

Surcharge and Rehabilitation Plan payments are due and payable on the same schedule, terms and conditions as the monthly employer contributions. Should a contributing employer fail to make a surcharge payment such failure shall be treated as a delinquent employer contribution pursuant to the applicable Collective Bargaining Agreement, Trust Agreement at § 515 of the Employee Retirement Income Security Act (ERISA).

If you have any questions, please submit in writing to the Administration Office at the contact information listed on the Trust letterhead.

Sincerely,

Administration Office
Alaska UFCW Pension Trust

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Attachment

SUPPLEMENTAL EMPLOYER CONTRIBUTION SCHEDULE

ALASKA UFCW PENSION PLAN

PREFERRED AND DEFAULT SCHEDULE

The scheduled benefit increases stated herein must be included in all Collective Bargaining Agreements negotiated or renegotiated on or after January 1, 2011.

Neither the Union nor the contributing employers are required to negotiate Collective Bargaining Agreements in excess of three (3) years in duration. What is required is that for the period during which the Collective Bargaining Agreement is in effect that the parties incorporate the provisions of this rehabilitation plan.

Required Supplemental Pension Contributions.

During the rehabilitation period employers may not reduce the existing hourly contribution rate. Instead, Collective Bargaining Agreements renegotiated after January 1, 2011, shall provide for increases in pension contributions beginning January 1, 2013 of \$.25/hour. Each succeeding year on January 1st, there shall be an additional \$.25/hour added to the employer's pension contribution obligation.

<u>Dates</u>	<u>Total Supplemental Contribution Amount</u>
January 1, 2013	\$.25/hour
January 1, 2014	\$.50/hour
January 1, 2015	\$.75/hour
January 1, 2016	\$1.00/hour
January 1, 2017	\$1.25/hour
January 1, 2018	\$1.50/hour
January 1, 2019	\$1.75/hour
January 1, 2020	\$2.00/hour
January 1, 2021	\$2.25/hour
January 1, 2022	\$2.50/hour

This schedule will remain in effect for the duration of the Collective Bargaining Agreement. Upon expiration of that agreement, the new Collective Bargaining Agreement must be consistent with the most recent rehabilitation plan and schedule(s) provided by the Trustees. Updates to the rehabilitation plan may provide increases or decreases to the contribution schedule for future years depending upon plan experience.