RESILIENT FLOOR COVERING PENSION TRUST FUND

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DATE: APRIL 2020

TO: PARTICIPANTS AND BENEFICIARIES
CONTRIBUTING EMPLOYERS
LOCAL UNIONS
PENSION BENEFIT GUARANTY CORPORATION
SECRETARY OF LABOR

FROM: BOARD OF TRUSTEES

NOTICE OF CRITICAL STATUS PENSION PLAN

This is to inform you that on March 30, 2020 the actuary for the Resilient Floor Covering Pension Plan (the "Plan") certified to the U.S. Department of the Treasury, and to the Board of Trustees, that the Plan continues to be in critical status (the "red zone") for the Plan Year beginning January 1, 2020. Federal law requires that you receive this notice.

CRITICAL STATUS

The Plan is considered to be in critical status because it has funding problems. More specifically, the Plan's actuary determined that the Plan is in critical status this year because it is projected to have an accumulated funding deficiency for the 2020, 2021, 2022, and 2023 Plan Years.

In addition, the Plan was in critical status last year and has not passed the "Emergence Test" which allows plans to come out of critical status. In order to pass the Emergence Test, the Plan's actuary must certify that the Plan is not projected to have an accumulated funding deficiency for the current Plan Year or any of the nine succeeding Plan Years taking into account amortization period extensions under the current ERISA § 304(d)(2) or ERISA § 304 in effect prior to the Pension Protection Act of 2006.

REHABILITATION PLAN

Federal law requires pension plans in critical status to adopt a rehabilitation plan aimed at restoring the financial health of the Plan. The law permits pension plans in the red zone to reduce, or even eliminate, benefits called "adjustable benefits" as part of a rehabilitation plan.

As a result of the Plan having initially been certified as being in critical status for the Plan Year beginning January 1, 2010, you were notified on April 30, 2010 of the possibility that the Plan would reduce or eliminate certain adjustable benefits. In addition, you were notified that as of that date, the Plan was no longer permitted to pay benefits under its Level Income Option payment form while it is in critical status.

On April 12, 2010, the Board of Trustees adopted a rehabilitation plan consisting of a “default schedule” and four “alternative schedules” – each consisting of increased employer contributions and benefit reductions. In October 2010, you were notified that under the rehabilitation plan schedules, the Plan would reduce or eliminate the adjustable benefits effective January 1, 2011 for Participants not retired as of that date.[1]

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 will not reduce the level of a participant's basic benefit payable at Normal Retirement Age.

On June 25, 2010, the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010 was enacted. This law included funding relief provisions for multiemployer pension plans. As a result, on August 27, 2010, the Trustees elected extended loss amortization, a longer smoothing period for certain losses and a 130% upper limit on the actuarial value of assets.

As required under the Pension Protection Act of 2006, the Trustees have annually reviewed the funded status of the Plan and updated the rehabilitation plan on December 5, 2012, November 15, 2013, June 2, 2014, February 13, 2015, February 12, 2016, February 10, 2017, and May 11, 2018. As part of the 2017 update, the Trustees adopted “reasonable measures,” which will result in the Plan being projected to emerge from critical status after the Rehabilitation Period. Should it become necessary, the rehabilitation plan will be updated in the future.

ADJUSTABLE BENEFITS

To the extent that adjustable benefits have not already been eliminated or reduced above, the additional reduction or elimination of adjustable benefits, such as the Service Pension could take place as part of any future rehabilitation plan the pension plan may adopt.

EMPLOYER SURCHARGE

The law requires that all contributing employers pay to the Plan a surcharge to help correct the Plan's financial situation beginning 30 days after the employer is notified that the plan is in critical status. The surcharge is a percentage of an employer’s negotiated contribution rate. A 5% surcharge was applicable the first year in critical status (through December 31, 2010). Beginning January 1, 2011, the surcharge went up to 10% for each succeeding plan year in which the Plan remains in critical status**,** until the employer agrees to a collective bargaining agreement that implements one of the schedules in the rehabilitation plan. The collective bargaining agreements

[1] This Notice of Critical Status does not contain specific details describing (1) the conditions under which rehabilitation plan schedules apply to participants and (2) the eligibility for benefits and the structure of those benefits. This information is contained in other documents.

for all active participants have been renegotiated so as to conform to one of the alternative schedules.

WHERE TO GET MORE INFORMATION

For more information about this Notice, you may contact:

Pension Department
Health Services & Benefit Administrators, Inc.
4160 Dublin Boulevard, Suite 400
Dublin, CA 94568-7756
(800) 782-0010

You have a right to receive a copy of the rehabilitation plan from the Pension Fund.