NOTICE OF REDUCTION IN ADJUSTABLE BENEFITS

DESERT STATES EMPLOYERS & UFCW UNIONS PENSION PLAN

DECEMBER 1, 2010

INTRODUCTION

In April 2009, you received notice that the Desert States Employers & UFCW Unions Pension Plan (the "Plan") was in "critical status" pursuant to the Pension Protection Act of 2006 ("PPA") and that the Board of Trustees and bargaining parties were required to take steps to improve the funding status of the Plan. The Board of Trustees and your employer and union have now agreed to a number of changes (described in this notice) that will go into effect as of January 1, 2011. **The changes detailed in this notice do not apply to benefits already in pay status before 2011 and will not reduce the amount of your pension if you work until normal retirement age, or do not draw your pension before normal retirement age**.

NOTE: Your normal retirement age is generally age 62; however, it is age 65 for certain participants. Consult your Summary Plan Description to determine which rule applies to you. If you are subject to age 65 normal retirement age, then you should substitute age 65 for references to age 62 when reading this notice.

The remainder of this communication describes the changes to the Plan, and is being provided to you in accordance with Section 305(e)(8)(C) and Section 204(h) of the Employee Retirement Income Security Act ("ERISA") and Section 432(e)(8)(C) of the Internal Revenue Code (the "Code"). You should place this Notice with your Summary Plan Description ("SPD") and save it for future reference.

EFFECTIVE DATES OF CHANGES

The changes will be effective January 1, 2011.

BENEFIT CHANGES

Elimination of Subsidies for Early Pension and Vested Pension

The subsidies for the Early Pension and Vested Pension will be eliminated.

Explanation: The elimination of the Early Pension and Vested Pension subsidies means that if a participant retires and begins receiving a pension benefit before age 62, the amount of the pension will be subject to a full actuarial reduction for each month before the participant's 62nd birthday (unless the individual meets the eligibility requirements for a Rule of 85 or Golden 85 Pension). An actuarial reduction is a greater reduction than would apply with the Plan's subsidized reduction factors that were in effect before 2011.

Prior to this change, an individual meeting the eligibility requirements for an Early Pension or a Vested Pension could receive a pension as early as age 50. The reduction for early payment had been 3.3% per year or 6% per year, depending on your circumstances. Also, former participants in the Intermountain Plan could begin receiving an Early Retirement Benefit at age 55, reduced 12% per year from age 55 to 60, and 3% per year from age 60 to 65. You should consult your Summary Plan Description to determine which subsidy applies to you prior to 2011.

> *Example*: Joe is age 55, has 25 years of Benefit Credit, and is subject to a 3.3% subsidized early retirement reduction. Joe could receive a monthly benefit of $995 at age 62. Before this change, if Joe began to draw his pension at age 55, he would have received a monthly benefit of $765.16 (a 23.1% reduction based on his pension beginning seven years before age 62 at a reduction of 3.3% per year).
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> With the amendment, if Joe begins to draw his pension at age 55, he will receive a monthly benefit of $501.08 (a full actuarial reduction – 49.64% in this situation – based on his pension beginning seven years before age 62).

<u>Elimination of Special Early Retirement Benefit</u>

The Special Early Retirement Benefit in the Intermountain Plan will be eliminated.

Explanation: The elimination of the Special Early Retirement Benefit means that if a participant retires and begins receiving a pension benefit before age 62, the pension will be subject to a full actuarial reduction for each month before the individual's 62nd birthday (unless the individual meets the eligibility requirements for a Rule of 85 Pension).

Prior to this change, an individual who was a former participant in the Intermountain Plan who had thirty (30) or more years of Credited Service could receive an unreduced pension as early as age 55.

<u>Elimination of the Special 20 Benefit</u>

The Special 20 Benefit in the Intermountain Plan will be eliminated.

Explanation: The elimination of the Special 20 Benefit means that, if a participant retires and begins receiving a pension benefit before age 62, the pension will be subject to a full actuarial reduction for each month before the individual's 62nd birthday (unless the individual meets the eligibility requirements for a Golden 85 Pension).

Prior to this change, an individual who was a former participant in the Intermountain Plan who had twenty (20) or more years of service could receive an unreduced pension as early as age 60 and, if the individual retired between ages 55 and 60, the reduction factor would be 2% per year.

> *Example*: Jack is age 55, has earned 25 years of Credited Service and is eligible for a monthly benefit of $995. Without the amendment, assuming Jack was eligible for the Special 20 Benefit and began to draw his pension at age 55, his monthly benefit would have been $895.50 (a 10% reduction based on his pension beginning five years before age 60 at a reduction of 2% per year).

> With the amendment, if Jack begins to draw his pension at age 55, his monthly benefit is reduced to $523.07 (a full actuarial reduction – 47.43% in this situation – based on her pension beginning 7 years before age 62).

Elimination of Age 60 Supplement.

The Age 60 Supplement will be eliminated.

Explanation: Prior to this change, certain participants who terminated employment on or after their 60th birthday would receive an additional benefit of $200 per month until the first month following the month the individual attained age 62.

Following this change, the Age 60 Supplement is eliminated and individuals who terminate employment on or after their 60th birthday will not receive the additional monthly benefit.

Elimination of Disability Pension

The Disability Pension will be eliminated.

Explanation: Prior to this change, the Disability Pension was generally available to participants who terminated employment, were totally and permanently disabled and met certain other conditions in the Plan.

Following this change, the Disability Pension is eliminated and individuals will not be eligible to commence a Disability Pension on or after January 1, 2011.

> *Example*: Dan is age 45 with 12 years of Benefit Credit and is eligible for a pension at age 62 equal to $500 per month. In January 2011, Dan becomes disabled. Without the elimination of the Disability Pension, Dan would have been eligible for a Disability Pension of $500 per month beginning in 2011 if he satisfied the Plan's eligibility requirements.
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> Following the change, Dan will not be eligible to receive a Disability Pension. Dan remains eligible for an Early, Vested or Normal Pension at the applicable ages.

Changes to Pre-Retirement Death Benefits

Death benefits in excess of the amount required by law are eliminated.

Explanation: Prior to this change, if a vested participant died before his pension commenced, his surviving spouse was eligible for a pre-retirement survivor annuity. The amount/timing of such benefit depended on the participant's age at death, years of Vesting Service and whether he had terminated covered employment before death. In certain circumstances, the survivor benefit would commence in the month following the participant's death; in other circumstances the survivor annuity would commence as of the later of (1) the month in which the participant died, or (2) the earliest date the participant could have elected a pension had he survived. In certain circumstances, the amount of the survivor annuity was reduced for age if the benefit commenced before the participant's normal retirement age (using the Early Pension factors addressed elsewhere in this Notice, plus a reduction of 2.1% per year before age 50). Consult your Summary Plan Description for more detail on the available survivor benefits prior to 2011.

Following the change, the amount of the monthly benefit payable to the surviving spouse remains at 50% of the monthly benefit the participant would have been entitled to receive in the form of a Fifty Percent Husband and Wife Annuity. However, the benefit will reflect an actuarial adjustment due to age, with benefits commencing as of the first day of the month following the later of the participant's death or the earliest date the participant could have elected a pension had he survived.

> *Example*: Sam and his wife are both 52 years old. Sam has 15 years of Benefit Credit and Vesting Service when he dies (10 years at the $35 Benefit Credit rate, 5 years at the $45 Benefit Credit rate). Prior to the change, Sam's surviving spouse would have received a monthly benefit equal to $175.29 (50% of the benefit Sam would have received determined as of his date of death after applying the 9% Husband and Wife Annuity reduction factors and reducing for age using the Plan's 33% subsidized reduction factor). This benefit would begin on the first day of the month following Sam's death.
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> After the change, Sam's surviving spouse will receive a monthly benefit of $100.39 (50% of the monthly benefit Sam would have been entitled to receive in the form of a Fifty Percent Husband and Wife Annuity) beginning on the first day of the month following Sam's death, reduced actuarially for age.

In addition, prior to this change, if an individual died and was a former participant in the Intermountain Plan who had ten (10) or more years of service, his or her surviving spouse would have been entitled to receive an additional death benefit for the lesser of 48 months or the number of months between the participant's death and the date the Qualified Pre-Retirement Survivor Annuity becomes payable. This benefit is also eliminated.

Elimination of Post-Retirement Death Benefits

Post-Retirement Death Benefits in excess of the qualified joint and survivor annuity are eliminated.

Explanation: Prior to this change, if an individual who was a former participant in the Intermountain Plan died within twenty-four (24) months of the date his or her benefits commenced and the joint and survivor option had been waived, the participant's surviving spouse would have been entitled to receive a death benefit for the remainder of the twenty-four (24) month period. The benefit amount would have been equal to the benefit the participant was receiving prior to death.

Following the change, this Post-Retirement Death Benefit is eliminated and the spouse of an individual who waived the joint and survivor option and dies after pension benefits begin will not receive a monthly benefit.

Further, the lump sum death benefit of $1,000 previously payable upon the death of an individual who died after payment under a Normal, Rule of 85, Early, or Vested Pension is eliminated.

Change in Benefit Service Accrual Rate

The Plan's benefit rate for Benefit Service earned on or after January 1, 2011 has changed. In general, for years to prior to 2011, your monthly pension benefit upon retirement is equal to the years (plus fractions of years) of Benefit Credit you earn multiplied by the benefit rates in effect for the relevant years. Prior to 2011, an individual earned years of Benefit Credit based upon the number of Hours of Service he or she earns for each Plan Year, and 1,800 Hours of Service earned a full year of Benefit Credit.

Explanation: The benefit formula for service on or after January 1, 2011 will be converted to a percent of contributions formula whereby each year you earn a benefit equal to 1% of contributions paid to the Plan on your behalf under the Collective Bargaining Agreement. Your total benefit at normal retirement age equals the sum of (1) the benefit you earned under the Plan's formula prior to 2011 plus (2) the benefit you earned under the percent of contributions formula for service on and after January 1, 2011.

> *Example*: Jim works 1,800 hours each year from January 1, 2004 until he retires on December 31, 2021. Assume the employer contributes $.98 per hour to the Plan on Jim's behalf after 2010. Assume Jim qualified for the $35 accrual rate prior to 2011 (increases to $45 after 10 Benefit Credits). With the amendment, the amount of Jim's monthly pension benefit would be calculated as the sum of the following:
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> > Jan. 1, 2004 - Dec. 31, 2010 = 7 years at $35 = $245 per month
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> > Jan. 1, 2011 - Dec. 31, 2021 = 11 years * ($.98 * 1,800 * .01) = $194.04 per month
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> > Total benefit = $439.04 per month
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> With the change, Jim would earn a benefit payable at age 62 equal to $439.04 per month. Without the change, Jim would have earned a benefit payable at age 62 equal to $710 per month (10 years at $35, 8 years at $45).
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> Comparable reductions would occur for different benefit accrual rates.

Elimination of Level Income Options

The Level Income Option will be eliminated.

Explanation: Prior to this change, an individual could retire prior to age 62, elect the Level Income Option, and receive approximately the same monthly income for life after taking into account the estimated Social Security benefits payable beginning at age 62. The individual's monthly benefit payable under the Plan before age 62 would be increased. At age 62 the Plan's benefit would be reduced by roughly the same amount the individual will receive from Social Security.

Following this change, the Level Income Option is no longer available and an individual's benefit will not be adjusted to take into account estimated Social Security benefits.

> *Example*: Jane is age 55 and has earned 25 years of Vesting Service. If Jane began to draw her pension at age 55, she would be eligible to receive the Level Income Option. Without the amendment, she could have received a greater monthly amount until she turned 62. After age 62, her pension would have decreased to take into account her Social Security benefits.

With the change, Jane cannot choose the Level Income Option because the Level Income Option is eliminated.

Elimination of Fifty Percent Joint and Survivor Annuity

The Fifty Percent Joint and Survivor Annuity will be eliminated.

Explanation: Prior to this change, an individual could elect a Fifty Percent Joint and Survivor Annuity that paid a reduced pension to the participant during his lifetime and then paid a survivor annuity to his non-spouse beneficiary (equal to half of what had been paid to the participant during his lifetime). This benefit is being eliminated. Note, the Fifty Percent Husband and Wife Annuity is not being eliminated.

Following this change, the Fifty Percent Joint and Survivor Annuity is no longer available.

Example: Jim is unmarried, age 55 and has earned 25 years of Vesting Service. Without the amendment, he and a beneficiary would be eligible to receive payment in the form of the Fifty Percent Joint and Survivor Annuity.

With the change, Jim cannot choose the Fifty Percent Joint and Survivor Annuity because the Fifty Percent Joint and Survivor Annuity is eliminated.

Elimination of "Pop-Up" Benefit

The "pop-up" benefit is eliminated.

Explanation: Prior to this change, if a former participant in the Intermountain Plan elected an optional form of benefit that would pay a survivor benefit to his spouse following the participant's death, the participant would receive a reduced amount during his lifetime, and then the survivor would receive a benefit following the participant's death. However, if the participant's spouse predeceased the participant, then the participant's benefit was restored to a single life annuity (meaning the pension amount was increased to the amount that would have been payable had he not elected a form of benefit that paid a survivor benefit).

Following the change, if a participant elects a form of benefit that pays a survivor benefit following his death, and then the participant's spouse predeceases him, the amount of the participant's benefit will not change.

Example: Steve is entitled to a monthly pension in the form of a single life annuity in the amount of $995. Rather than electing a single life annuity, he elects the Fifty Percent Husband and Wife Annuity form of benefit that pays a survivor annuity to his spouse following his death. The monthly amount of the Fifty Percent Husband and Wife Annuity payable to Steve is $850. Steve's wife dies three years after Steve commences his pension. Prior to the change, Steve's pension would increase to $995 per month in the month following the death of his beneficiary.

After the change, Steve's pension will continue to be paid in the amount of $850 per month.

PARTICIPANT RIGHTS

If your claim for a pension benefit is denied in whole or in part, you must receive a written explanation of the reason for the denial. You have the right to have the Plan review and reconsider your claim. Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials from the Plan and do not receive them within 30 days, you may file suit in a Federal Court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a State or Federal Court. If it should happen that Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor ("DOL"), or you may file suit in a Federal Court. The court will decide who should pay court costs and legal fees.

For assistance from the DOL, contact the DOL's Employee Benefits Security Administration ("EBSA"), which maintains regional and district offices covering your state or territory. You may obtain the contact information for the closest EBSA office (or receive other assistance) by calling their toll free Hotline at (866) 444-EBSA [3272]. You can also obtain information on the EBSA's website at: www.askebsa.dol.gov.

CONCLUSION

The Board of Trustees has taken the actions described in this Notice after reviewing many factors, particularly the earnings on Plan investments, which determine the level of benefits that can be promised and paid. The professionals retained by the Plan have advised the Trustees that the amendments described in this Notice combined with increased contributions from participating employers are needed to promote the financial stability of the Plan in the future and preserve the Plan's ability to pay core pension benefits.

We urge you to read this notice carefully, and keep it as a reference. The Trustees will keep you informed on the financial status of the Plan and we encourage you to contact the Plan Office at (602) 249-3582 with any questions you may have.

BOARD OF TRUSTEES
DESERT STATES EMPLOYERS & UFCW UNIONS PENSION PLAN

ADDENDUM FOR RED ZONE PARTICIPANTS SUBJECT TO DEFAULT SCHEDULE

In addition to the other changes described in the Notice of Reduction of Adjustable Benefits, the following change applies if your employer is subject to the Plan's Default Schedule. This only applies to employees of those employers that did not adopt the Plan's Alternate Schedule.

<u>Elimination of Rule of 85 Pension</u>

The Rule of 85 Pension (also known as the "Golden 85 Pension" for former participants of the Intermountain Plan) is being eliminated.

Explanation: Prior to this change, if a participant's years of service and age equal or exceed 85, then such participant was eligible to receive an unreduced pension as early as age 50 (or at any age under the Intermountain Plan).

> *Example:* Fred is age 55 and has 30 years of Vesting Service. Fred is entitled to a monthly benefit of $995 at age 62. Before this change, Fred could begin drawing his unreduced pension in the amount of $995 at age 55 because his age and years of Vesting Serviceequals 85.
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> With the amendment, if Fred begins to draw his pension at age 55, he will receive a monthly benefit of $501.08 (a full actuarial reduction—49.64% in this situation—based on his pension beginning seven years before age 62).