November 14, 2012

TO: ALL PARTICIPATING EMPLOYERS AND LOCAL UNIONS

FROM: BOARD OF TRUSTEES
BAKERY AND CONFECTIONERY UNION AND INDUSTRY
INTERNATIONAL PENSION FUND

RE: REHABILITATION PLAN SCHEDULES

I. INTRODUCTION

As you were previously notified, the Bakery and Confectionery Union and Industry International Pension Fund ("the Fund" or "the Plan") was certified by its actuary to be in "critical status" (sometimes referred to as the "red zone") under the Pension Protection Act of 2006 ("PPA"). The Fund's Board of Trustees, as the plan sponsor of a "critical status" pension plan, is required by PPA to develop and adopt a "rehabilitation plan," which is to include schedules of required contributions and possible benefit adjustments ("PPA Schedules") to be selected by the bargaining parties.

PPA requires the Fund's Trustees to provide these PPA Schedules to the parties that bargain agreements requiring contributions to the Fund (and to employers such as local unions that participate in the Fund pursuant to other agreements). The PPA Schedules adopted by the Trustees are set forth below. Unless otherwise indicated, all capitalized terms used in these PPA Schedules shall have the definitions and meanings assigned to them in the Fund's Rules and Regulations.

The parties will be required to negotiate terms consistent with one of the PPA Schedules within 180 days after their current collective bargaining agreement expires, or the terms of the Default Schedule must be imposed on them by law. The parties may choose to reopen a collective bargaining agreement at an earlier time to negotiate terms consistent with one of the PPA Schedules. If an agreement is reopened and a new agreement is reached implementing one of the PPA Schedules before January 1, 2013, the required percentage increases contained in the applicable PPA Schedule will be based on the Employer's current contribution rate (including the current 5% surcharge). If the agreement is reached to implement a PPA Schedule on or after January 1, 2013, the required percentage increases will be based on the Employer's contribution rate in effect on that date (i.e., the rate required by the Employer's current collective bargaining agreement plus a 10% surcharge).

Contributing employers who participate in the Fund only for non-collectively bargained groups must elect one of the schedules below on or before June 30, 2013, or the Default Schedule will apply. If that election is made before January 1, 2013, the required percentage increases contained in the schedules will be based on the employer's current contribution rate

(including the current 5% surcharge). If the election is made on or after January 1, 2013, the required percentage increases will be based on the rate in effect on that date (i.e., the rate required by the employer's current participation agreement plus a 10% surcharge).

Included with this Notice is a Form that can be used by an Employer (for a non-collectively bargained group) or by the bargaining parties (for collectively-bargained groups) to elect one of the PPA Schedules described below.

II. PPA SCHEDULES OF CONTRIBUTIONS AND BENEFITS

A. PREFERRED SCHEDULE

1. Benefits

The Preferred Schedule contains benefit reductions that are primarily designed to roll back benefit increases that were previously adopted by the Fund's Trustees in the period 1998 to 2001. The Code, as in effect at that time, contained an unrealistically low standard to determine whether a multiemployer plan was "overfunded." Because the Code has now been amended to raise the "overfunding" threshold, and in response to the Fund being in critical status, these benefit increases are being rolled back.

The benefit reductions will be effective as of the dates stated below, for all Participants who earn at least one Hour of Service under a Collective Bargaining Agreement that includes terms consistent with the Preferred Schedule and who have a Pension Effective Date on or after January 1, 2014. In addition, the benefit reductions described in Section IV below apply to all active Participants, including those who are covered by a Collective Bargaining Agreement that includes terms consistent with the Preferred Schedule.

i. Husband and Wife Pension Subsidies. Under amendments to the Rules and Regulations adopted in June 2000, the 50% Husband and Wife Pension is fully subsidized, and the 75% and 100% Husband and Wife Pensions and Husband and Wife Pop-up Pensions are partially subsidized. These subsidies will be eliminated for all Participants with a Pension Effective Date on or after January 1, 2014. All Husband and Wife Pensions beginning on or after that date will be actuarially reduced, using the same actuarial factors that the Fund used from July 1995 through December 1999 (and using the same actuarial assumptions to develop factors for the Husband and Wife optional forms of pension that have been added to the Plan since that date), as shown in Appendix A.

ii. Early Retirement Pension Eligibility. Under amendments to the Rules and Regulations of the Plan adopted in December 1998, the minimum amount of pension credit required for eligibility for an Early Retirement Pension was reduced from fifteen years to ten years. For all Participants with a Pension Effective Date on or after January 1, 2014, the minimum pension credit required for an Early Retirement Pension will be increased to fifteen years.

iii. Minimum Pension Credit Required for Eligibility for Golden 80 and Golden 90 Pensions (Plans C, CC and G). Under the Rules and Regulations as amended December 3, 1998, the minimum pension credit required for eligibility for a Golden 80 or Golden 90 Pension (Plans C, CC and G) for Participants who first began to participate in the Plan on or after that date was ten years. Effective for Participants with a Pension Effective Date on or after January 1, 2014, all Participants must have a minimum of fifteen years of pension credit to qualify for these pensions.

iv. Becoming Eligible for Golden 80 and Golden 90 Pensions. Participants who have not yet reached the required combination of age and service to be eligible for a Golden 80 or Golden 90 Pension as of April 30, 2012 will not be permitted to "age into" the Golden 80 or Golden 90 benefit after leaving covered employment.[1]

v. Credit for Periods of Disability. Effective on or after January 1, 2014, the cumulative amount of pension credit awarded for periods of total disability will be the greater of the amount required under applicable regulations or 48 months.

2. Contribution Rate Increases

The Preferred Schedule contains two alternative schedules of contribution rate increases. One schedule will be effective on the date the PBGC approves the Fund's rules changes that are needed to create a "New Pool" of withdrawal liability and allow current participating employers to elect it (the "PBGC Approval Date"). The other schedule will be effective immediately, and all agreements that require contributions to the Fund that are ratified after November 17, 2012 must comply with this schedule to be covered by the Preferred Schedule.

i. Old Pool Employer

This section describes the schedule that applies until the New Pool is approved, or if no New Pool is created, or for those employers who elect not to participate in the New Pool (or whose participation in the New Pool is not approved by the Fund). Under this schedule, the employer will be required to pay the following for each account with a separate collective bargaining agreement:

> Compounded contribution rate increases of 5% per year, calculated on a base equal to the sum of (i) any surcharge applicable as of the day before the effective date of the first collective bargaining agreement that contains terms consistent with the Preferred Schedule for the account ("CBA Effective Date") plus (ii) the contribution rates required under the collective bargaining agreement that was in effect for that account on the earlier of January 1, 2013 or the day before the parties agree upon terms

[1] Except for the effective date, this amendment is identical to the amendment adopted effective July 1, 2010. This amendment is adopted as a contingent measure because of the pending court challenge to the earlier amendment.

consistent with the Preferred Schedule (including any contribution rate increases that were negotiated before January 1, 2013 with effective dates on or after January 1, 2013, but not including any contribution rate increases that are negotiated on or after January 1, 2013).

These contribution rate increases will not result in any increases in pension benefit level for any Participant. The required increase will take effect for contracts that are ratified after November 17, 2012.

For example, assume that a collective bargaining agreement negotiated in August 2011 expires July 31, 2015. Assume that agreement calls for contribution rates of $1.00 per hour effective August 2011, $1.25 per hour effective August 1, 2012, $1.50 per hour effective August 1, 2013 and $1.75 per hour effective August 1, 2014. Because the Fund entered critical status in 2012, the employer was required to begin contributing a 5% surcharge of the amount otherwise required effective for hours worked in June 2012. The required surcharge will increase to 10% for hours worked in January 2013 and thereafter. Thus, when the above contract expires in 2015, the employer will be contributing $1.9250 per hour (the required $1.75 per hour plus a 10% surcharge). Assuming that the employer and the local union negotiate another four-year contract effective August 1, 2015, and assuming that the employer does not wish to participate in (or is not approved for) the New Pool as described in more detail below, the required contribution rates under the successor contract will be $2.0213 in the contract year beginning August 1, 2015, $2.1223 in the next contract year, $2.2284 in the third contract year and $2.3398 in the fourth contract year. These rates all assume no increase in benefit levels for the Participants covered by the agreement. See page 10 for the rates that apply to benefit level increases.

ii. <u>New Pool Employer</u>

Effective on the PBGC Approval Date, the Fund will have two withdrawal liability pools: the Old Pool and the New Pool. The Old Pool initially will consist of all employers that had an obligation to contribute to the Fund before and on the PBGC Approval Date. The amount of unfunded vested benefit liabilities initially in the Old Pool will be the amount of unfunded vested benefit liabilities in the Plan as of the December 31st immediately preceding the PBGC Approval Date. The New Pool will consist of employers that first commenced participation in the Fund after the PBGC Approval Date.

Employers with an existing obligation to contribute to the Fund on the PBGC Approval Date will have until December 31, 2015, to elect participation in the New Pool. Participation in the New Pool will be conditioned upon (i) Trustee Approval and (ii) the employer paying its share of the unfunded vested benefit liabilities in the Old Pool on terms agreed to between the employer and the Trustees. Election by an existing employer to participate in the New Pool must be made for the employer's entire controlled group that participates in the Plan. Each of the Controlled Group's accounts must adopt the Preferred Schedule as the individual accounts' collective bargaining agreements expire and are renewed. The amount of withdrawal liability paid by these existing employers will be credited to the Old Pool. The contribution rates and benefit accruals for employers participating in the New Pool will be designed to avoid the creation of future withdrawal liability, to the extent possible, and any withdrawal liability that is

created will be allocated to employers using the direct attribution method. More information will be available to employers who are interested in electing to participate in the New Pool after the PBGC Effective Date.

For each account of an employer that elects to participate in the New Pool, there will be no contribution rate increase (other than existing PPA surcharges) on each of the first 5 anniversary dates of the collective bargaining agreement following the controlled group's election to participate in the New Pool. Beginning on the 6th anniversary date of the account's collective bargaining agreement, the governing collective bargaining agreement must require the following:

> 16 annual compounded contribution rate increases of 2.5% calculated on a base equal to the sum of (i) any PPA surcharge applicable on the day before the CBA Effective Date for that account, plus (ii) the contribution rates required under the collective bargaining agreement that was in effect on the earlier of January 1, 2013, or the day before the parties agree upon terms consistent with the Preferred Schedule (including any contribution rate increases that were negotiated before January 1, 2013, but not including any contribution rate increases that are negotiated on or after January 1, 2013). Beginning on the 22nd CBA Effective Date anniversary after the New Pool election, the Employer will pay annual contribution rate increases of 5% per year, compounded.

For example, assume the same collective bargaining agreement referenced above, negotiated in August 2011 and expiring July 31, 2015. When the above contract expires in 2015, the employer will be contributing $1.925 per hour (the required $1.75 per hour plus a 10% surcharge). Assume that in early 2015, the Employer and the Fund enter into an agreement for the Employer to enter the New Pool. Assuming that the employer and the local union negotiate another four-year contract effective August 1, 2015, the required contribution rate under the successor contract will be $1.9250 per hour for each year of the agreement. For the next four-year agreement, effective August 1, 2019, the employer's contribution will be $1.9250 beginning August 1, 2019, $1.9731 in the next contract year, $2.0225 in the third contract year and $2.0730 in the fourth contract year. These contribution rate increases will not result in any increases in the pension benefit level for any Participant. See page 10 for the rates that apply to benefit level increases.

iii. <u>Contribution Rules Applicable to All Employers Under the Preferred Schedule</u>

These schedules of increases will remain in effect for as long as the Preferred Schedule (as periodically updated by the Trustees) requires such increases, and the employer has the obligation to contribute to the Fund for that account, without regard to the subsequent expiration or renegotiation of any collective bargaining agreement. Collective bargaining agreements that are entered into, renewed or extended after the date of any changes to the rehabilitation plan will be subject to the rehabilitation plan in effect at the time of such entry, renewal or extension. The schedules of contribution rates provided by the Fund, and agreed to by the bargaining parties in

negotiating a collective bargaining agreement, will remain in effect for the duration of that agreement.

All employers under the Preferred Schedule will be required to comply with the following uniform employer contribution requirements:

- The employer must make contributions to the Fund, up to the weekly maximum stated in the collective bargaining agreement,[2] for every hour or portion of an hour, beginning on the first day of employment, that a person (a) works in a job classification that is covered by the collective bargaining agreement or (b) receives pay in lieu of such work, including all forms of pay for holidays, vacation, sick leave, pro rata vacation and severance.

- There are no exceptions for employees who are not union members, for probationary employees, or for temporary, seasonal, part-time or leased employees.

- The only exceptions are self-employed persons, corporate officers, owners or partners, as defined in Section 1.09 of the Fund's Rules and Regulations.

If an Employer adopts terms consistent with the Preferred Schedule but then completely withdraws from the Fund, for any reason, fewer than 5 years after the last CBA Effective Date that applies to any of its Accounts, each of the Employer's Accounts for which fewer than 5 years elapsed between the CBA Effective Date for that Account and the withdrawal will be retroactively placed in the Default Schedule. With respect to those Accounts, the Employer will be obligated to pay all the additional contributions (plus interest) that would have been required had the employer initially adopted terms consistent with the Default Schedule for those Accounts. These amounts will be treated as delinquent contributions under the Fund's delinquency collection policy and under Section 515 of ERISA, and will be due to the Fund in addition to any withdrawal liability that the employer owes to the Fund. Benefits for Participants who worked in such an Employer Account after adoption of terms consistent with the Preferred Schedule will be reduced, as far as the law allows, to the Default Schedule benefits, effective as of the date of the Employer's withdrawal. The benefits of participants who have Pension Effective Dates before that date will not be affected.

B. DEFAULT SCHEDULE

NOTE: The Default Schedule imposes greater benefit reductions and requires higher contribution rate increases than does the Preferred Schedule. This is because the Trustees have concluded that bargaining parties that negotiate the Default Schedule, or that have the Default Schedule imposed on them pursuant to ERISA Section 305(e)(3)(C), are not likely to remain in the Fund for the long term and therefore impose an actuarially higher cost on the Fund.

[2] The weekly maximum must be 35, 37.5 or 40 hours per week, corresponding to the regular workweek under the Collective Bargaining Agreement. The weekly maximum does not apply to amounts paid for pro rata vacation or severance pay.

1. <u>Benefits</u>

The benefit reductions in the default schedule apply to all Participants who have a Pension Effective Date after the Default Schedule Effective Date, if they have at least one Hour of Service under a Collective Bargaining Agreement during or after the month in which the Default Schedule Effective Date occurs for that Collective Bargaining Agreement.

The Default Schedule Effective Date is the date that is the earliest of (i) the effective date of a Collective Bargaining Agreement that includes terms consistent with the Default Schedule, (ii) the date on which the employer unilaterally implements such terms as part of a last, best, and final offer, or (iii) the date on which the Fund imposes the Default Schedule on the bargaining parties pursuant to ERISA Section 305(e)(3)(C). In the case of a Collective Bargaining Agreement that expired before – and has not been renewed by – November 17, 2012, the Default Schedule will be imposed 180 days after that date, if the parties have not reached agreement on terms consistent with one of the PPA Schedules within that 180-day period.

As PPA requires, the Default Schedule reduces all adjustable benefits. It will include the following specific benefit reductions, effective on the Default Schedule Effective Date. In addition, the benefit reductions described in Section IV below will apply to Participants covered by the Default Schedule to the extent that they impose benefit reductions greater than those detailed below.

i. Future Accrual Benefit Rate. The accrual rate for all Participants covered by the Default Schedule will be the lesser of (i) the benefit accrual rate in effect for that account on January 1, 2012, or (ii) the accrual rate that is the equivalent to 1% of the required employer contributions for that account (assuming contributions of 2000 hours per Participant per year). Surcharges and annual contribution rate increases required by the Default Schedule are not included in the 1% accrual calculation.

ii. Golden 80 and Golden 90 Benefits, including Plan CC. These benefits are eliminated for Participants covered by the Default Schedule. Elimination of these benefits does NOT reduce the Employer's required contribution rate under the Default Schedule.

iii. Early Retirement Pensions. Early retirement pensions will be payable at age 55, if the Participant has a minimum of 15 years of pension credit. Any pension benefit received before age 65 will be subject to full actuarial reduction. The factors for the reductions are in Appendix B.

iv. 36-Month Guarantee. The 36-month guarantee currently provided for certain forms of pension benefits is eliminated.

v. Benefit Increases Effective After January 1, 2007. All pension benefit level increases that were negotiated or effective on or after January 1, 2007 will be cancelled for all Participants to whom the Default Schedule applies. The cancellation of these benefit increases does NOT reduce the Employer's required contribution amounts under the account's Collective Bargaining Agreement.

vi. Husband and Wife Subsidies. The Plan currently provides a fully-subsidized 50% Husband and Wife Pension and partially subsidized 75% and 100% Husband and Wife Pensions and Pop-up Pensions. Under the Default Schedule, all subsidies are eliminated and full actuarial reduction will apply for Participants to whom the Default Schedule applies and who have a Pension Effective Date after the Default Schedule Effective Date. See Appendix C for the factors that will apply to these benefits.

vii. Disability Pensions. Disability pensions are eliminated for all Participants to whom the Default Schedule applies.

viii. Credit for Periods of Disability. For Participants to whom the Default Schedule applies, the cumulative amount of pension credit for periods of total disability will be the greater of a lifetime maximum of 48 months, or the amount of credit required under applicable regulations.

ix. 10-Year Certain Benefit. For Participants subject to the Default Schedule and with a Pension Effective Date on or after the Default Schedule Effective Date, the 10-Year Certain Pension will be subject to full actuarial reduction.

2. <u>Contribution Rate Increases</u>

Employers to whom the Default Schedule applies will be required to pay the following:

> compounded 10% contribution rate increases per year, calculated on a base equal to the sum of (i) any PPA Surcharge applicable on the day before the Default Schedule Effective Date plus (ii) the contribution rate required under its Collective Bargaining Agreement that was in effect on the earlier of January 1, 2013 or the day before the Default Schedule Effective Date (including any contribution rate increases that were negotiated before January 1, 2013 with effective dates on or after January 1, 2013).

These required increases will begin as of the Default Schedule Effective Date and will be effective on each anniversary of the Default Schedule Effective Date thereafter, for 25 years. Beginning on the 26th anniversary of the Default Schedule Effective Date, the required contribution rate increases will be 7.5% per year, compounded.

For example, assume the same collective bargaining agreement negotiated in August 2011 that expires July 31, 2015. Assume that agreement calls for contribution rates of $1.00 per hour effective August 2011, $1.25 per hour effective August 1, 2012, $1.50 per hour effective August 1, 2013 and $1.75 per hour effective August 1, 2014. Because the Fund entered critical status in 2012, the employer was required to begin contributing a 5% surcharge of the amount otherwise required effective for hours worked in June 2012. The required surcharge will increase to 10% for hours worked in January 2012 and thereafter. Thus, when the above contract expires in 2015, the employer will be contributing $1.9250 per hour (the required $1.75 per hour plus a 10% surcharge). Assuming that the employer and the local union negotiate another four-year contract

under the Default Schedule effective August 1, 2015, the required contribution rates under the successor contract will be $2.1175 in the contract year beginning August 1, 2015, $2.3293 in the next contract year, $2.5622 in the third contract year and $2.8184 in the fourth contract year.

These contribution rate increases will not result in any increases in the pension benefit level for any Participant covered by the Collective Bargaining Agreement. Moreover, no increases in pension benefit level may be negotiated for accounts that are subject to the Default Schedule.

3. Contribution Rules Applicable to All Employers Under the Default Schedule

These schedules of increases will remain in effect, unless the bargaining parties subsequently negotiate a Collective Bargaining Agreement consistent with the Preferred Schedule, for as long as the Default Schedule (as periodically updated by the Trustees) requires such increases, and the employer has an obligation to contribute to the Fund for that account, without regard to the subsequent expiration or renegotiation of any collective bargaining agreement. Collective bargaining agreements that are entered into, renewed or extended after the date of any changes to the rehabilitation plan will be subject to the rehabilitation plan in effect at the time of such entry, renewal or extension. The schedules of contribution rates provided by the Fund, and agreed to by the bargaining parties in negotiating a collective bargaining agreement, will remain in effect for the duration of that agreement.

All employers under the Default Schedule will be required to comply with the following uniform employer contribution requirements:

- The employer must make contributions to the Fund, up to the weekly maximum stated in the collective bargaining agreement,[3] for every hour or portion of an hour, beginning on the first day of employment, that a person (a) works in a job classification that is covered by the collective bargaining agreement or (b) receives pay in lieu of such work, including all forms of pay for holidays, vacation, sick leave, pro rata vacation and severance.
- There are no exceptions for employees who are not union members, for probationary employees, or for temporary, seasonal, part-time or leased employees.
- The only exceptions are self-employed persons, corporate officers, owners or partners, as defined in Section 1.09 of the Fund's Rules and Regulations.

4. Additional Rules Applicable to Agreements Under the Default Schedule

[3] The weekly maximum must be 35, 37.5 or 40 hours per week, corresponding to the regular workweek under the Collective Bargaining Agreement. The weekly maximum does not apply to amounts paid for pro rata vacation or severance pay.

If an account is covered by the Default Schedule for any reason, and the bargaining parties subsequently agree to a Collective Bargaining Agreement containing terms consistent with the Preferred Schedule:

- If the new terms are agreed to within 180 days of the Default Schedule Effective Date, the Preferred Schedule contribution rates and benefits will apply to the Account retroactively as of the Default Schedule Effective Date, to the extent permitted by PPA.

- If the new terms are agreed to more than 180 days after the Default Schedule Effective Date, benefits, contribution rates, and Surcharges will be changed to those that would be in effect under the Preferred Schedule, to the extent permitted under PPA, but only prospectively.

No pension benefit level increases, as described below, may be negotiated for accounts subject to the Default Schedule.

III. NEW RATES FOR FUTURE INCREASES IN BENEFIT LEVELS

For Employers that first begin participating in the Fund on or after January 1, 2013, and for existing Employers and local unions that have elected the Preferred Schedule and wish to negotiate increases in pension benefit levels effective on or after January 1, 2013, the following contribution rates will govern:

Benefit Plan[4]	Rate per $25 of PBL[5]
Plan A	.2138
Plan C	.0098
Plan CC	.0033
Plan G	.0198
Plan D-1	.0060
Plan D-2	.0118
Plan D-3	.0175
Plan D-4	.0235

[4] These rates are subject to existing rules that require that Plan A be provided in order for Plans C, G or D to be provided, and at the same benefit level. See Section 4.25 of the Rules and Regulations.
[5] These rates are based on a 40-hour workweek. Corresponding rates are available from the Fund Office for 35-hour and 37.5-hour workweeks.

IV. ADDITIONAL BENEFIT CHANGES THAT APPLY TO ALL PARTICIPANTS

In addition to benefit changes associated with the PPA Schedules, the Trustees have also adopted the following benefit changes as part of the Rehabilitation Plan. These changes apply to all active Plan participants on the effective dates described below:

- **Elimination of Certain Optional Forms of Benefits**. Effective for Pension Effective Dates after May 1, 2012, the Plan has suspended the Social Security Option and any lump-sum payments of $5,000 or more under the 10-Year Certain Option and the 36-month guarantee. The Social Security Option and all lump sums of $5,000 or more are eliminated under the Rehabilitation Plan.

- **Disability Pension Eligibility.** For all Pension Effective Dates on or after January 1, 2014, the amount of pension credit required for eligibility for a Disability Pension will increase from 10 to 15 years.

- **Disability Pension Amount.** For all Pension Effective Dates on or after January 1, 2014, the amount of the Disability Pension will be reduced by 1/4 of 1% for each month by which the Participant is younger than age 65 on the Pension Effective Date. In no case will the reduction be greater than 50% and in no case will the resulting amount for Participants age 55 and over be less than 110% of the Early Retirement benefit amount.

- Effective January 1, 2014, pension credit awarded for periods of total disability will be subject to a lifetime maximum of 48 months or, if greater, the amount of credit required under applicable regulations.

- **Increase in Hours of Service Required to Earn Pension Credit.** Effective for Hours of Service earned on or after January 1, 2013, the Fund will increase the number of Hours of Service required for a year of pension credit.

- **Change in Rules for Past Service Credit**. Effective for all accounts that first begin to participate in the Plan on or after January 1, 2013, and for all pension benefit level increases negotiated by existing accounts on or after January 1, 2013, the plan will grant past service credit, and higher pension benefits based on past service, only on a provisional basis. In order for a Participant to earn full past service credit under a new benefit level, the Employer must make contributions at that new benefit level for at least 5 full years. If a new Employer does not have an obligation to make contributions to the Fund for that period of time, all past service credit granted to employees in that account will be cancelled. If an existing employer does not continue to have an obligation to make contributions to the Plan at that higher level for the 5-year period, the higher benefit level will be payable only to pensioners who have Pension Effective Dates before the Employer’s contribution obligation ceased.

- Participants who return to covered employment after a break in service will have their final pension benefit calculated based on a sum of their pre-break pension credit and benefit level and their post-break credit and benefit level.

- Participants who work under an Account covered by the Preferred Schedule and then subsequently under an Account covered by the Default Schedule will have their benefit determined as follows: (i) eligibility for any form of benefits, including Golden 80 and Golden 90, will be determined under the Default Schedule, and (ii) the amount of benefits accrued after January 1, 2013 will be determined based on a proration of credit earned under the Preferred Schedule and the Default Schedule.

- Participants who work under an Account covered by the Default Schedule and then subsequently under an Account covered by the Preferred Schedule will have their benefit determined as follows: (i) eligibility for Golden 80 and Golden 90 will be determined without considering the credit earned by the Participant under the Default Schedule, and (ii) the amount of any benefit will be determined based on a proration of credit earned under the Preferred Schedule and the Default Schedule. If the Participant has earned at least 2000 Hours of Service under the Preferred Schedule after his employment under the Default Schedule ends, both his benefit eligibility and benefit amount will be determined entirely under the Preferred Schedule, except that service under the Default Schedule will not be counted toward eligibility for a Golden 80 or Golden 90 benefit.

- If a Participant works simultaneously under an Account covered by the Preferred Schedule and an Account covered by the Default Schedule, the Schedule under which he worked the majority of the last 4000 Hours of Service preceding his Pension Effective Date will govern his benefits.

V. BENEFIT CHANGES FOR TERMINATED PARTICIPANTS

Those Participants who were not working in covered employment on April 29, 2012, or who terminated covered employment after April 29, 2012 without having earned an Hour of Service under a collective bargaining agreement covered by the Preferred or Default Schedule, will receive benefits under the Preferred Schedule, including but not limited to the rule that requires that participants achieve age and service totaling 80 or 90 while in covered employment to be eligible for a Golden 80 (Plan G) or Golden 90 (Plan C) Pension.[6]

If a participant returns to covered employment after starting to receive a pension, the benefits he is already entitled to receive will not be affected by reductions in the Rehabilitation Plan. But benefits he will earn in covered employment after adoption of the Rehabilitation Plan will be affected to the same extent as other active participants working under the same account.

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[6] As noted above, this rule change was initially effective July 1, 2010, and is re-adopted under this Rehabilitation Plan as a contingent measure because of pending court challenges to that initial amendment. If the initial amendment is upheld, the initial effective date of July 1, 2010 will govern.

VI. EMPLOYERS THAT WITHDRAW OR OTHERWISE CEASE PARTICIPATION IN THE FUND

A. Benefit Reductions and Contribution Increases Applicable to Groups That Negotiate Withdrawal From the Fund

After November 17, 2012, if any Employer and local union enter into a collective bargaining agreement that calls for an Employer account to cease participation in the Fund, or if an Employer unilaterally imposes a last, best and final offer that calls for such withdrawal, and in either case the Employer continues the affected operations without participating in the Plan, all Participants who have at least one Hour of Service under that Account in the month that includes the ratification or implementation date will become subject to the benefit reductions prescribed by the Default Schedule. These reductions will apply to all Participants who have a Pension Effective Date after the date of the Employer's withdrawal. This rule also applies to agreements and unilateral implementations (including those pursuant to Section 1113 of the Bankruptcy Code) that become effective while an employer is in a bankruptcy proceeding that was first filed after November 17, 2012. If the Employer and local union had previously negotiated the Preferred Schedule, the Employer will become retroactively subject to the contribution rates required by the Default Schedule for the affected account as of the date that the Preferred Schedule was previously effective.

B. Benefit Reductions and Contribution Increases Applicable to Groups That Cease Participation in the Fund due to Decertification

After November 17, 2012, if any Employer account ceases to have the obligation to contribute to the Fund due to decertification of a collective bargaining representative by a group of the Employer's employees, all Participants who had Hours of Service in that account in the month in which the decertification occurs will become subject to the Default Schedule. Those benefit reductions will apply to all Participants who have a Pension Effective Date after the date of decertification. If the Employer had previously made contributions pursuant to the Preferred Schedule, the Account will retroactively become subject to the Default Schedule of contributions.

VII. EFFECTIVE DATES, DEFINED TERMS AND QUESTIONS

A. Collectively-Bargained Groups

The contribution rates in these schedules are effective for collective bargaining agreements that are ratified after November 17, 2012. For bargaining parties whose previous collective bargaining agreement is expired on November 17, 2012, and who have not yet ratified a new collective bargaining agreement, those parties will have 180 days after November 17, 2012 to ratify an agreement that is consistent with either the Preferred or the Default Schedule. If those bargaining parties have not ratified such an Agreement within 180 days after November 17, 2012, the Default Schedule will be imposed by law. For contracts that expire after November 17, 2012, the bargaining parties will have 180 days after the expiration of the previous agreement to ratify a new agreement that is consistent with the Preferred or the Default

Schedule. If they fail to do so, the Default Schedule will be imposed by operation of law. Any extension of an existing collective bargaining agreement for 180 days or longer will be treated as a new collective bargaining agreement under the Rehabilitation Plan.

For example, assume that a collective bargaining agreement expires on September 15, 2012 and a successor agreement has not yet been ratified as of November 17, 2012. The Employer and Local Union will have 180 days after November 17, 2012 to ratify a new collective bargaining agreement that is consistent with the Preferred or the Default Schedule.

If the bargaining parties are unable to meet the 180-day deadline for ratification of a new collective bargaining agreement but are able to agree on a schedule of pension contributions, they can execute a Participation Agreement that is consistent with the Preferred or Default Schedule set forth herein and avoid imposition of the Default Schedule and the accompanying surcharges. Employers and Local Unions wishing to do so should contact the Fund Office for more information.

Bargaining parties who wish to do so may reopen an existing collective bargaining agreement in order to adopt one of the PPA Schedules. If an agreement is reopened and a new PPA Schedule is adopted prior to January 1, 2013, the required percentage increases contained in the applicable PPA Schedule will be based on the Employer's current contribution rate (including the current 5% surcharge). If the agreement to implement a PPA Schedule is reached on or after January 1, 2013, the required percentage increases will be based on the Employer's contribution rate in effect on that date (the rate required by the Employer's current collective bargaining agreement plus a 10% surcharge). The signed form must be received by the Fund Office before midnight on December 31, 2012, to have an effective date before January 1, 2013.

B. Non-Collectively Bargained Groups

For Employers that participate in the Fund solely with respect to non-collectively bargained employees, benefits and contributions for those employees, including surcharges, are determined as if the employees were covered by a collective bargaining agreement expiring on January 1, 2013. Such groups that adopt a PPA Schedule prior to January 1, 2013 will pay the required percentage increases based on the Employer's current contribution rate, plus the 5% surcharge. If such Employers wait until after January 1, 2013 to adopt a PPA Schedule, the required percentage increases will be based on the Employer's contribution rate in effect on that date (i.e., the rate required by the Employer's current participation agreement plus a 10% surcharge). The signed form must be received by the Fund Office before midnight on December 31, 2012, to have an effective date before January 1, 2013.

For Employers that participate in the Fund both with respect to employees that are covered by collective bargaining agreements and others that are not covered by collective bargaining agreements, all benefits and contributions for the employees not covered by a collective bargaining agreement, including surcharges, are determined as if those employees were covered under the Employer's collective bargaining agreement that was in effect on, and the first to expire after, January 1, 2012.

C. <u>Glossary of Defined Terms</u>

The following terms when used in this memorandum will have the indicated meanings unless otherwise specified:

1. **Account** means a group of one or more Employer facilities or one or more groups of Employees covered by a Collective Bargaining Agreement or other document requiring contributions by the Employer to the Fund.

2. **CBA Effective Date** means the effective date of the first Collective Bargaining Agreement that contains terms consistent with the Preferred Schedule for the Account.

3. **Code** means the Internal Revenue Code, as amended from time to time, and applicable Treasury regulations.

4. **Collective Bargaining Agreement (or CBA)** means a collective bargaining agreement between an Employer and a Local Union of the BCTGM, pursuant to which the Employer is obligated to make contributions to the Pension Fund for the purpose of providing pension benefits to employees whose work is covered by that agreement. To the extent that the contribution rate in the Collective Bargaining Agreement is different from the contribution rate accepted by the Employer in the Fund's standard collective bargaining clause, the rate in the standard collective bargaining clause will govern. Any extension of a Collective Bargaining Agreement by 180 days or more will be considered a new Collective Bargaining Agreement for purposes of the Rehabilitation Plan and the application of all rules under the PPA.

5. **Controlled Group** has the meaning that is defined in regulations implementing section 4001(b) of ERISA, 29 U.S.C. § 1301(b).

6. **Default Schedule** means the Default Schedule of contributions and benefits in the Fund's Rehabilitation Plan and described in this memorandum.

7. **Default Schedule Effective Date** means the date that is the earliest of (i) the effective date of a Collective Bargaining Agreement that includes terms consistent with the Default Schedule, (ii) the date on which the employer unilaterally implements such terms as part of a last, best, and final offer, or (iii) the date on which the Fund imposes the Default Schedule on the bargaining parties pursuant to ERISA Section 305(e)(3)(C).

8. **Employer** means all entities defined as Employers in Section 1.07 of the Rules and Regulations, and also all Contributing Unions, Contributing

Credit Unions, and Contributing Welfare Funds defined in Sections 1.21 and 1.23 of the Rules and Regulations.

9. **Fund or Pension Fund** means the Bakery and Confectionery Union and Industry International Pension Fund.

10. **Hour of Service** has the same meaning as is given in Section 1.25 of the Rules and Regulations, and may also include any hours described in Section 5.07 of the Rules and Regulations that are contiguous with Hours of Service in Covered Employment for the same Employer, but only if the Trustees determine that the Participant moved to non-Covered Employment in order to evade application of the Default Schedule.

11. **PBGC Approval Date** means the date on which the Pension Benefit Guaranty Corporation approves amendments to the Pension Fund's withdrawal liability rules, permitting the establishment of a New Pool of withdrawal liability.

12. **Pension Effective Date** has the same meaning as "Effective Date of a Participant's pension" as that term is defined in Section 8.01(a) of the Rules and Regulations.

13. **PPA Schedules** means the Preferred Schedule and Default Schedule.

14. **Preferred Schedule** means the Preferred Schedule of contributions and benefits in the Fund's Rehabilitation Plan and described in this memorandum.

15. **Rehabilitation Plan** means the Rehabilitation Plan adopted by the Pension Fund's Board of Trustees are required by the Pension Protection Act of 2006.

D. Questions

All questions regarding the contributions required and benefits provided under these Schedules, and the bargaining parties' options and obligations under these Schedules, should be referred in writing to the Fund Office at the following address:

Bakery and Confectionery Union and Industry International Pension Fund
Attn: Administrative Services
10401 Connecticut Avenue
Kensington, MD 20895-3960.

You may also call the Fund Office with your questions at 301.468.3786; 301.468.3754 or 301.468.3751 between 8:00 a.m and 4:00 p.m., Eastern Time, Monday through Friday.

APPENDIX A

Bakery and Confectionery Union and Industry International Pension Fund

Preferred Plan Pension Option Actuarial Charts

Age of Spouse In Relation To Participant	50% Disability H&W	50% Disability H&W Pop-Up	75% Disability H&W	75% Disability H&W Pop-Up	100% Disability H&W	100% Disability H&W Pop-Up	50% H&W	50% H&W Pop-Up	75% H&W	75% H&W Pop-Up	100% H&W	100%H&W Pop-Up
Maximum Reduction	75.0%	75.0%	66.0%	66.0%	59.0%	58.0%	85.0%	84.0%	79.0%	78.0%	74.0%	72.0%
9 Years Younger	75.4%	75.3%	66.5%	66.4%	59.6%	58.5%	85.4%	84.4%	79.5%	78.5%	74.6%	72.6%
8 Years Younger	75.8%	75.6%	67.0%	66.8%	60.2%	59.0%	85.8%	84.8%	80.0%	79.0%	75.2%	73.2%
7 Years Younger	76.2%	75.9%	67.5%	67.2%	60.8%	59.5%	86.2%	85.2%	80.5%	79.5%	75.8%	73.8%
6 Years Younger	76.6%	76.2%	68.0%	67.6%	61.4%	60.0%	86.6%	85.6%	81.0%	80.0%	76.4%	74.4%
5 Years Younger	77.0%	76.5%	68.5%	68.0%	62.0%	60.5%	87.0%	86.0%	81.5%	80.5%	77.0%	75.0%
4 Years Younger	77.4%	76.8%	69.0%	68.4%	62.6%	61.0%	87.4%	86.4%	82.0%	81.0%	77.6%	75.6%
3 Years Younger	77.8%	77.1%	69.5%	68.8%	63.2%	61.5%	87.8%	86.8%	82.5%	81.5%	78.2%	76.2%
2 Years Younger	78.2%	77.4%	70.0%	69.2%	63.8%	62.0%	88.2%	87.2%	83.0%	82.0%	78.8%	76.8%
1 Year Younger	78.6%	77.7%	70.5%	69.6%	64.4%	62.5%	88.6%	87.6%	83.5%	82.5%	79.4%	77.4%
Same Age	79.0%	78.0%	71.0%	70.0%	65.0%	63.0%	89.0%	88.0%	84.0%	83.0%	80.0%	78.0%
1 Year Older	79.4%	78.3%	71.5%	70.4%	65.6%	63.5%	89.4%	88.4%	84.5%	83.5%	80.6%	78.6%
2 Years Older	79.8%	78.6%	72.0%	70.8%	66.2%	64.0%	89.8%	88.8%	85.0%	84.0%	81.2%	79.2%
3 Years Older	80.2%	78.9%	72.5%	71.2%	66.8%	64.5%	90.2%	89.2%	85.5%	84.5%	81.8%	79.8%
4 Years Older	80.6%	79.2%	73.0%	71.6%	67.4%	65.0%	90.6%	89.6%	86.0%	85.0%	82.4%	80.4%
5 Years Older	81.0%	79.5%	73.5%	72.0%	68.0%	65.5%	91.0%	90.0%	86.5%	85.5%	83.0%	81.0%
6 Years Older	81.4%	79.8%	74.0%	72.4%	68.6%	66.0%	91.4%	90.4%	87.0%	86.0%	83.6%	81.6%
7 Years Older	81.8%	80.1%	74.5%	72.8%	69.2%	66.5%	91.8%	90.8%	87.5%	86.5%	84.2%	82.2%
8 Years Older	82.2%	80.4%	75.0%	73.2%	69.8%	67.0%	92.2%	91.2%	88.0%	87.0%	84.8%	82.8%
9 Years Older	82.6%	80.7%	75.5%	73.6%	70.4%	67.5%	92.6%	91.6%	88.5%	87.5%	85.4%	83.4%
10 Years Older	83.0%	81.0%	76.0%	74.0%	71.0%	68.0%	93.0%	92.0%	89.0%	88.0%	86.0%	84.0%
Each Year Older Maximum 99%	+0.4%	+0.3%	+0.5%	+0.4%	+0.6%	+0.5%	+0.4%	+0.4%	+0.5%	+0.5%	+0.6%	+0.6%

Above factors are simplified factors actuarially equivalent to a 3-year certain and life based on 7% interest and the GA71 male mortality table with a 7-year setback for females for healthy participants and spouse and the 1968 RRB table used for the disabled participants.

APPENDIX B

Bakery and Confectionery Union and Industry International Pension Fund

Early Retirement Factors For Default Plan

Months

	AGE	0	1	2	3	4	5	6	7	8	9	10	11
Years	55	40.00%	40.30%	40.60%	40.90%	41.19%	41.49%	41.79%	42.09%	42.39%	42.69%	42.98%	43.28%
	56	43.58%	43.90%	44.23%	44.55%	44.87%	45.19%	45.52%	45.84%	46.16%	46.48%	46.81%	47.13%
	57	47.45%	47.81%	48.17%	48.53%	48.88%	49.24%	49.60%	49.96%	50.32%	50.68%	51.03%	51.39%
	58	51.75%	52.15%	52.55%	52.95%	53.34%	53.74%	54.14%	54.54%	54.94%	55.34%	55.73%	56.13%
	59	56.53%	56.97%	57.42%	57.86%	58.31%	58.75%	59.20%	59.64%	60.08%	60.53%	60.97%	61.42%
	60	61.86%	62.36%	62.85%	63.35%	63.85%	64.34%	64.84%	65.34%	65.83%	66.33%	66.83%	67.32%
	61	67.82%	68.38%	68.93%	69.49%	70.04%	70.60%	71.16%	71.71%	72.27%	72.82%	73.38%	73.93%
	62	74.49%	75.12%	75.74%	76.37%	76.99%	77.62%	78.24%	78.87%	79.49%	80.12%	80.74%	81.37%
	63	81.99%	82.69%	83.40%	84.10%	84.81%	85.51%	86.22%	86.92%	87.62%	88.33%	89.03%	89.74%
	64	90.44%	91.24%	92.03%	92.83%	93.63%	94.42%	95.22%	96.02%	96.81%	97.61%	98.41%	99.20%

APPENDIX C

Bakery and Confectionery Union and Industry International Pension Fund

Default Plan Pension Option Actuarial Charts

Age of Spouse In Relation To Participant	50% H&W	50% H&W Pop-Up	75%H&W	75% H&W Pop-Up	100% H&W	100%H&W Pop-Up
Each Year Younger	-0.4%	-0.4%	-0.5%	-0.5%	-0.6%	-0.6%
20 Years Younger	80.0%	79.0%	73.0%	72.0%	67.0%	65.0%
19 Years Younger	80.4%	79.4%	73.5%	72.5%	67.6%	65.6%
18 Years Younger	80.8%	79.8%	74.0%	73.0%	68.2%	66.2%
17 Years Younger	81.2%	80.2%	74.5%	73.5%	68.8%	66.8%
16 Years Younger	81.6%	80.6%	75.0%	74.0%	69.4%	67.4%
15 Years Younger	82.0%	81.0%	75.5%	74.5%	70.0%	68.0%
14 Years Younger	82.4%	81.4%	76.0%	75.0%	70.6%	68.6%
13 Years Younger	82.8%	81.8%	76.5%	75.5%	71.2%	69.2%
12 Years Younger	83.2%	82.2%	77.0%	76.0%	71.8%	69.8%
11 Years Younger	83.6%	82.6%	77.5%	76.5%	72.4%	70.4%
10 Years Younger	84.0%	83.0%	78.0%	77.0%	73.0%	71.0%
9 Years Younger	84.4%	83.4%	78.5%	77.5%	73.6%	71.6%
8 Years Younger	84.8%	83.8%	79.0%	78.0%	74.2%	72.2%
7 Years Younger	85.2%	84.2%	79.5%	78.5%	74.8%	72.8%
6 Years Younger	85.6%	84.6%	80.0%	79.0%	75.4%	73.4%
5 Years Younger	86.0%	85.0%	80.5%	79.5%	76.0%	74.0%
4 Years Younger	86.4%	85.4%	81.0%	80.0%	76.6%	74.6%
3 Years Younger	86.8%	85.8%	81.5%	80.5%	77.2%	75.2%
2 Years Younger	87.2%	86.2%	82.0%	81.0%	77.8%	75.8%
1 Year Younger	87.6%	86.6%	82.5%	81.5%	78.4%	76.4%
Same Age	88.0%	87.0%	83.0%	82.0%	79.0%	77.0%
1 Year Older	88.4%	87.4%	83.5%	82.5%	79.6%	77.6%
2 Years Older	88.8%	87.8%	84.0%	83.0%	80.2%	78.2%
3 Years Older	89.2%	88.2%	84.5%	83.5%	80.8%	78.8%
4 Years Older	89.6%	88.6%	85.0%	84.0%	81.4%	79.4%
5 Years Older	90.0%	89.0%	85.5%	84.5%	82.0%	80.0%
6 Years Older	90.4%	89.4%	86.0%	85.0%	82.6%	80.6%
7 Years Older	90.8%	89.8%	86.5%	85.5%	83.2%	81.2%
8 Years Older	91.2%	90.2%	87.0%	86.0%	83.8%	81.8%
9 Years Older	91.6%	90.6%	87.5%	86.5%	84.4%	82.4%
10 Years Older	92.0%	91.0%	88.0%	87.0%	85.0%	83.0%
Each Year Older	+0.4%	+0.4%	+0.5%	+0.5%	+0.6%	+0.6%
Maximum 99%						

Above factors are simplified factors actuarially equivalent to a life annuity based on 7% interest and the GA71 male mortality table with a 7-year setback for females