FUND LETTERHEAD

TO: Teamsters Locals 317, 445, and 687 and Contributing Employers to the Industry and Local 338 Pension Fund

FROM: Board of Trustees of the Industry and Local 338 Pension Fund

DATE: June __, 2017

RE: Funding Improvement Plan for the Plan Year Beginning July 1, 2016 and Anticipated Early Election of Critical Zone Status

Please read this memo carefully as it includes important information about the Funding Improvement Plan for the Industry and Local 338 Pension Fund (the "Fund"),and the anticipated early election of Critical Zone Status.

As you may know, federal pension law categorizes multiemployer defined benefit pension plans, such as this Fund, into different zones based on their funding percentages and other tests. The zones are as follows:

1. ***Neither Endangered, Seriously Endangered, Critical, or Critical and Declining*** – funding percentage of 80% or more;

2. ***Endangered*** – funding percentage under 80% or an accumulated funding deficiency in the current or next six plan years;

3. ***Seriously Endangered*** – funding percentage under 80% and a projected accumulated funding deficiency in the current or next six plan years;

4. ***Critical*** - (a) funding percentage under 65% and fails a seven-year solvency test, or (b) an accumulated funding deficiency in the current or next three plan years (four plan years if the funding percentage is under 65%); and

5. ***Critical and Declining*** - a critical zone plan that is (a) projected to become insolvent in the current or next 14 plan years, or (b) projected to become insolvent in the current or next 19 plan years and either has a ratio of inactive to active participants greater than 2 to 1 or is less than 80% funded.

In October of 2016, we sent you the enclosed Notice of Endangered Status in which we advised that on September 28, 2016 the Fund's actuary had certified to the U.S. Department of the Treasury that the Fund is in Endangered Status for the plan year beginning July 1, 2016 because

it is projected to have a funding deficiency within the next seven years. The Notice of Endangered Status explained that, as required by law, the Trustees must adopt a Funding Improvement Plan aimed at restoring the Fund's financial health.

The purpose of this memo is to advise you that, as required by federal law, the Trustees have adopted the enclosed Funding Improvement Plan. Please read the Funding Improvement Plan carefully as it includes required provisions for upcoming collective bargaining agreements.

The zone certification process is an annual one that must occur by the 90th day of each plan year. This Fund has a July 1 to June 30 plan year which means that the Fund's actuary will be certifying the status of the Fund for the plan year beginning on July 1, 2017. That certification will occur by September 28, 2017. It is expected that the Fund will remain in Endangered Status. However, under federal law, pension plans that are not yet in Critical Status but that are projected to be in Critical Status in any of the succeeding five plan years may elect to be in Critical Status for the current plan year. Based on currently available information, the Trustees expect that the Fund will qualify for an early election of Critical Status. Under the law, the Trustees will have until October 28, 2017 to make an early election of Critical Status.

The reason for making such an early election is that the law provides additional tools for Critical Status plans to improve their funded position which are not available to Endangered Status plans. These additional tools authorize pension fund trustees (1) to impose additional contributions on employers – called surcharges - within 30 days of sending a notice of surcharge to employers and (2) to eliminate certain benefits currently available under the Fund. While these changes are not undertaken lightly, they are a valuable tool to improve the Fund's financial health. In addition, assuming the Trustees elect Critical Status in October of 2017, the Trustees will adopt a Rehabilitation Plan later this year which will supersede the Funding Improvement Plan.

The anticipated changes described in the above paragraph are a very general overview of what the Trustees currently expect to happen assuming that the Fund qualifies for an early election of Critical Status in October of 2017 and the Trustees make such an early election. In those circumstances, Participants and Contributing Employers will receive additional information describing changes in benefits and contribution requirements.

Please be assured that the Trustees have worked diligently over the years in conjunction with the Fund's professional advisors to preserve the financial viability of the Fund and will continue to do so. However, as is the case with other pension funds, this Fund's health is greatly influenced by variables beyond the control of the Trustees, such as market volatility and reductions in employment levels.

You can expect to receive additional notices from the Fund in the coming fall. In the interim, if you have any questions, please contact Associated Administrators, LLC, 911 Ridgebrook Road, Sparks, MD 21152-9451, (855) 412-3797.