

ANNUAL FUNDING NOTICE

For

UFCW Local 1776 and Participating Employers Pension Fund

Introduction

This notice includes important information about the funding status of your pension plan (“the Plan”) and general information about the benefit payments guaranteed by the Pension Benefit Guaranty Corporation (“PBGC”), a federal insurance agency. All traditional pension plans (called “defined benefit pension plans”) must provide this notice every year regardless of their funding status. This notice does not mean that the Plan is terminating. It is provided for informational purposes and you are not required to respond in any way. This notice is for the Plan year beginning January 1, 2016 and ending December 31, 2016 (“Plan Year”).

How Well Funded Is Your Plan

Under federal law, the Plan must report how well it is funded by using a measure called the “funded percentage.” This percentage is obtained by dividing the Plan’s assets by its liabilities on the Valuation Date for the Plan year. In general, the higher the percentage, the better funded the plan. Your Plan’s funded percentage for the Plan year and each of the two preceding Plan years is set forth in the chart below, along with a statement of the value of the Plan’s assets and liabilities for the same period.

Funded Percentage			
	2016 Plan Year	2015 Plan Year	2014 Plan Year
Valuation Date	January 1, 2016	January 1, 2015	January 1, 2014
Funded Percentage	92.60%	93.62%	85.48%
Value of Assets	\$48,965,845	\$ 46,837,957	\$ 43,669,383
Value of Liabilities	\$52,881,664	\$ 50,028,144	\$ 51,084,928

Year-End Fair Market Value of Assets

The asset values in the chart above are measured as of the Valuation Date for the Plan year and are actuarial values. Because market values can fluctuate daily based on factors in the marketplace, such as changes in the stock market, pension law allows plans to use actuarial values that are designed to smooth out those fluctuations for funding purposes. The asset values below are market values and are measured as of the last day of the Plan year, rather than as of the Valuation Date. Substituting the market value of assets for the actuarial value used in the above chart would show a clearer picture of a plan’s funded status as of the Valuation Date. The fair market value of the Plan’s assets as of the last day of the Plan year and each of the two preceding plan years is shown in the following table:

	December 31, 2016	December 31, 2015	December 31, 2014
Fair Market Value of Assets	\$48,823,612	\$45,954,912	\$46,085,260

The December 31, 2016 fair market value of assets disclosed above is reported on an unaudited basis since this notice is required to be distributed before the normal completion time of the audit which is currently in progress.

Endangered, Critical or Critical and Declining Status

Under federal pension law a plan generally will be considered to be in “endangered” status if, at the beginning of the plan year, the funded percentage of the plan is less than 80 percent or in “critical” status if the percentage is less than 65 percent (other factors may also apply). A plan is in “critical and declining” status if it is in critical status and is projected to become insolvent (run out of money to pay benefits) within 15 years (or within 20 years if a special rule applies). If a pension plan enters endangered status, the Trustees of the plan are required to adopt a funding improvement plan. Similarly, if a pension plan enters critical status or critical and declining status, the Trustees of the Plan are required to adopt a rehabilitation plan. Rehabilitation and funding improvement plans establish steps and benchmarks for pension plans to improve their funding status over a specified period of time. The plan sponsor of a plan in critical and declining status may apply for approval to amend the plan to reduce current and future payment obligations to participants and beneficiaries.

The Plan was not in endangered Status, critical Status, or critical and declining Status in the Plan Year, nor was it projected to be in critical Status for any of the succeeding 5 Plan Years.

Participant Information

The total number of participants in the Plan as of the Plan’s valuation date was 5,231. Of this number, 2,710 were active participants, 874 were retired or separated from service and receiving benefits, and 1,647 were retired or separated from service and entitled to future benefits.

Funding & Investment Policies

Every pension plan must have a procedure for establishing a funding policy to carry out plan objectives. A funding policy relates to the level of assets needed to pay for benefits promised under the Plan currently and over the years. The funding policy of the Plan is to fund the Plan through a combination of contributions received from contributing employers and investment income generated by the Plan’s investments. The funding level is designed to comply with the requirements of ERISA and the Internal Revenue Code. These requirements include minimum funding levels and also include maximum limits on the contributions that may be deducted by contributing employers for federal income tax purposes. The Plan’s Trustees develop and implement the funding policy and monitor the funding level with the assistance of the Plan’s enrolled actuary and the Plan’s investment advisor.

Once money is contributed to the Plan, the money is invested by Plan officials called fiduciaries, who make specific investments in accordance with the Plan’s investment policy. Generally speaking, an investment policy is a written statement that provides the fiduciaries who are responsible for a plan’s investments with guidelines or general instructions concerning investment management decisions. The investment policy of the Plan has been adopted by the Board of Trustees with the advice of the Plan’s investment consultant. The investment policy, generally, is to invest the assets of the Plan in several different asset classes, within permitted allocation ranges. The investment policy is intended to (1) generate net of fee returns in excess of the Plan’s actuarial assumed rate of return, within an acceptable level of volatility; (2) maintain sufficient liquidity to fund benefit payments; and (3) preserve the principal value of the Plan.

Based on the advice of the Plan’s investment consultant, the Trustees have diversified the Plan’s investments with allocations to a number of different asset classes. In accordance with the Plan’s investment policy, the Plan’s assets were allocated among the following categories of investments, as of the end of the Plan year. These allocations are percentages of total assets:

Asset Allocations	Percentage
1. Interest-bearing cash	4%
2. U.S. Government securities	6.6%
3. Corporate debt instruments (other than employer securities):	
Preferred	0%
All other	6.6%
4. Corporate stocks (other than employer securities):	
Preferred	0%
Common	54.3%
5. Partnership/joint venture interests	0%
6. Real estate (other than employer real property)	12.7%
7. Loans (other than to participants)	0%
8. Participant loans	0%
9. Value of interest in common/collective trusts	10.9%
10. Value of interest in pooled separate accounts	0%
11. Value of interest in master trust investment accounts	0%
12. Value of interest in 103-12 investment entities	0%
13. Value of interest in registered investment companies (e.g., mutual funds)	4.9%
14. Value of funds held in insurance co. general account (unallocated contracts)	0%
15. Employer-related investments:	0%
Employer Securities	0%
Employer real property	0%
16. Buildings and other property used in Plan operation	0%
17. Other	0%

For information about the Plan's investment in any of the following types of investments as described in the chart above, contact Healthcare Strategies, Inc., 3031 B Walton Road, Plymouth Meeting, PA, 19462, 800.458.8618.

Right to Request a Copy of the Annual Report

A pension plan is required to file with the US Department of Labor an annual report called the Form 5500 that contains financial and other information about the Plan. Copies of the annual report are available from the US Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1513, Washington, DC 20210, or by calling 202.693.8673. For 2009 and subsequent Plan years, you may obtain an electronic copy of the Plan's annual report by going to www.efast.dol.gov and using the Form 5500 search function. Or you may obtain a copy of the Plan's annual report by making a written request to the Plan administrator. Individual information, such as the amount of your accrued benefit under the Plan, is not contained in the annual report. If you are seeking information regarding your benefits under the Plan, contact the Plan administrator identified below under "Where to Get More Information about Your Plan."

Summary of Rules Governing Insolvent Plans

Federal law has a number of special rules that apply to financially troubled multiemployer plans that become insolvent, either as ongoing plans or plans terminated by mass withdrawal. The plan administrator is required by law to include a summary of these rules in the annual funding notice. A plan is insolvent for a plan year if its available financial resources are not sufficient to pay benefits when due for that plan year. An insolvent plan must reduce benefit payments to the highest level that can be paid from the plan's available resources. If such resources are not enough to pay benefits at the level specified by law (see Benefit Payments Guaranteed by the PBGC, below), the plan must apply to the PBGC for financial assistance. The PBGC will loan the plan the amount necessary to pay benefits at the guaranteed level. Reduced benefits may be restored if the plan's financial condition improves.

A plan that becomes insolvent must provide prompt notice of its status to participants and beneficiaries, contributing employers, labor unions representing participants, and PBGC. In addition, participants and beneficiaries also must receive information regarding whether, and how, their benefits will be reduced or affected, including loss of a lump sum option.

Benefit Payments Guaranteed by the PBGC

The maximum benefit that the PBGC guarantees is set by law. Only benefits that you have earned a right to receive and that cannot be forfeited (called vested benefits) are guaranteed. Specifically, the PBGC guarantees a monthly benefit payment equal to 100 percent of the first \$11 of the Plan's monthly benefit accrual rate, plus 75 percent of the next \$33 of the accrual rate, times each year of credited service. The PBGC's maximum guarantee, therefore, is \$35.75 per month times a participant's years of credited service.

Example 1: If a participant with 10 years of credited service has an accrued monthly benefit of \$600, the accrual rate for purposes of determining the PBGC guarantee would be determined by dividing the monthly benefit by the participant's years of service ($\$600/10$), which equals \$60. The guaranteed amount for a \$60 monthly accrual rate is equal to the sum of \$11 plus \$24.75 ($.75 \times \$33$), or \$35.75. Thus, the participant's guaranteed monthly benefit is \$357.50 ($\35.75×10).

Example 2: If the participant in Example 1 has an accrued monthly benefit of \$200, the accrual rate for purposes of determining the guarantee would be \$20 (or $\$200/10$). The guaranteed amount for a \$20 monthly accrual rate is equal to the sum of \$11 plus \$6.75 ($.75 \times \$9$), or \$17.75. Thus, the participant's guaranteed monthly benefit would be \$177.50 ($\17.75×10).

The PBGC guarantees pension benefits payable at normal retirement age and some early retirement benefits. In addition, the PBGC guarantees qualified preretirement survivor benefits (which are preretirement death benefits payable to the surviving spouse of a participant who dies before starting to receive benefit payments). In calculating a person's monthly payment, the PBGC will disregard any benefit increases that were made under the plan within 60 months before the earlier of the plan's termination or insolvency (or benefits that were in effect for less than 60 months at the time of termination or insolvency). Similarly, the PBGC does not guarantee benefits above the normal retirement benefit, disability benefits not in pay status, or non-pension benefits, such as health insurance, life insurance, death benefits, vacation pay, or severance pay.

For additional information about the PBGC and the pension insurance program guarantees, go to the Multiemployer Page on PBGC's website at www.pbgc.gov/multiemployer. Please contact your employer or plan administrator for specific information about your pension plan or pension benefit. PBGC does not have that information. See "Where to Get More Information about Your Plan," below.

Where to Get More Information about Your Plan

For more information about this notice, you may contact

Healthcare Strategies, Inc.
3031B Walton Road
Plymouth Meeting, PA 19462
Telephone: 610.941.9400
Toll-free: 800.458.8618

For identification purposes, the official Plan number is 001, the Plan sponsor's name is Board of Trustees of the UFCW Local 1776 and Participating Employers Pension Fund, and the employer identification number or "EIN" is 23-6461717.