**April 2015**

## Answers to Your Questions

***What is happening with your pension?***

As you know, the Central States Pension Fund is facing a financial crisis. By its own estimates, the Fund will run out of money within 11 years unless significant changes occur. The Fund administrators recently said it would consider cuts in benefits for current and future retirees to keep the Fund viable. How deep these cuts will be is not known. However, it is clear there will be cuts. Central States has said they will announce details this summer.

Teamsters and Kroger want to ensure you have a stable and reliable pension at retirement. It was clear as we negotiated your new Master Agreement that action is needed now. We have reached a tentative agreement that will protect the benefits you earned through Central States and provide you solid benefits moving forward.

This solution would transfer your existing pension benefits with Central States to a new fund. The new fund will be established as the International Brotherhood of Teamsters (IBT) Consolidated Pension Fund.

Before this becomes effective, the tentative agreement must be ratified by you and other members. Central States also must agree to the transfer.

We have advised Central States of this tentative agreement. Initial reaction from Central States was not positive. We hope, however, they will engage in dialog with us and more fully consider the benefits of this agreement for you and for the Central States Pension Fund, as the proposed transfer would remove a significant financial obligation from the Central States Fund.

***What are the benefits of the tentative agreement reached by Teamsters and Kroger?***

If Central States agrees to the transfer, there would be no reduction in your benefits accrued through the date of transfer, even though Central States has said it will need to make cuts. It would be yours – 100 percent. Your future service would be accrued through the new IBT Consolidated Pension Fund. A new formula has been developed and agreed to by the union and company for the IBT Pension Fund.

***How will the new IBT Consolidated Fund work?***

Under our agreement, Kroger and Teamsters will ask Central States to transfer your pension benefits from the Central States Pension Plan to the new IBT Consolidated Fund by June 30, 2016. Associates/Members would begin to earn retirement benefits for future service under the new IBT Consolidated Pension Fund by July 1, 2016. Kroger would be responsible for funding the benefits earned by Kroger Associates/Members and keeping them stable and secure. The agreement would be in effect for 10 years.

An equal number of representatives from Teamsters and contributing employers will govern the new fund. Participants in the fund will include 1,500 Associates/Members working at distribution centers in Memphis, Houston, Hutchinson and Goddard and dairies at Crossroad Farms (Indianapolis) and in Michigan.

***What happens after 10 years when this pension agreement expires?***

Your pension is a negotiated benefit. At expiration, the company and union would review this agreement and it would be subject to negotiations over future benefits and funding. It could continue as is or could change if the parties agree that changes or adjustments are needed. However, the benefit you have previously earned could not be changed as part of the new agreement negotiated between the Company and the Teamsters.

***Why are the company and Teamsters doing this now?***

It became apparent to the Teamsters and company during our Master Agreement negotiations this past year that the financial situation of the Central States Pension Fund was not improving. The recent letter that Central States sent to participants (which you should have received) explaining its financial situation validated our concern.

Central States will either become insolvent or need to cut benefits in an effort to remain solvent. Neither is good for you. If Central States were to become insolvent, your pension would be reduced to the level guaranteed by the Pension Benefit Guaranty Corporation ("PBGC"). The PBGC is a governmental agency. It guarantees a portion of your Central States pension should the Fund go insolvent. However, the PBGC guarantee is a significant reduction from what Central States promised and what you would earn through the IBT Consolidated Pension Fund. Complicating things further is the fact that the PBGC is in financial difficulty too.

***What happens to your retirement benefits with this change?***

The benefits you have earned to date through Central States would be secure with this transition. They would not be subject to any of the cuts expected to occur by Central States.

You would earn future benefits based on a formula agreed to by the union and company. It is a pay-based formula. This means that increases in your pay means your pension will automatically increase too. The formulas are set and guaranteed for the next 10 years. They are as follows:

| Plan Years | Accrual Rate (Percent of adjusted W2) |
|---|---|
| 1 - 2 | 0.75 % first 5 years |
| | 1 % over 5 years |
| 3 - 5 | 0.9 % for first 5 years |
| | 1.2 % over 5 years |
| 6 - 8 | 1.05 % first 5 years |
| | 1.4 % over 5 years |
| 9 - plus | 1.125 % first 5 years |
| | 1.5 % over 5 years |

Your years of service with Central States will count in determining whether you have over 5 years of service and get the higher accrual rate.

This agreement provides an additional option. If you have worked for the company for 10 years or more (as of the transfer date), you can receive the greater of either: 1) the benefit that would have been available to you on your retirement date had Kroger remained in Central States or 2) the benefit you are eligible for under the new IBT Consolidated Pension Fund.

***What makes the IBT Consolidated Fund any more secure or stable than Central States? How can I be assured that this fund will remain viable?***

The IBT Consolidated Pension Fund will have strong financial footing right from the start. Kroger will fully fund the benefits of Kroger Associates/Members and retirees that are transferred from Central States within three years. As important, Kroger is contractually committed to keeping the benefits of its employee and retirees well funded and secure.

***What about early retirement? Is it still possible for me to retire before age 62 without a reduction in my pension benefit?***

Early retirement is an option under the new IBT Consolidated Pension Fund. You need to be 55 and have 10 years or more with the company. If you retire before age 62, benefits accrued under the new IBT Consolidated Plan would be reduced by 6 percent (which is 0.5 percent per month).

The benefit you had earned under Central States would be subject to the early retirement rules of Central States that are in effect when your benefit is transferred to the new fund.

***If I retire early, can I defer receiving my pension until I reach age 62 to prevent early retirement reductions?***

Yes. While you could start benefits if you retire early (and are eligible for early retirement), you are not required to start benefits at that time.

***How do survivor benefits work under this new approach and plan?***

If you die before retiring, your spouse would receive 50 percent of your earned benefit under the IBT Consolidated Pension Plan for his or her life. For the benefits you have earned through Central States (up until day of transfer), your surviving spouse would have the same options your spouse had under Central States.

***Right now Central States prohibits me from retiring and working at another Teamster-organized business. Does the new IBT Consolidated Pension Fund have that same rule?***

If you retire from Kroger, you are not prohibited from working at another job, but you would not accrue any additional service under the IBT Consolidated Pension Fund. Service is only accrued for your work as a Kroger associate.

If you have started receiving retirement benefits and you work more than 40 hours during any month for a company in transportation, logistics or warehousing of food products (in the same job or using the same skill or skills), your benefit would be “suspended” (not paid) for that month.

***Why not give us money directly instead of a pension?***

Teamsters and Kroger always have been committed to providing you a solid total compensation package. That includes good wages, solid and affordable health care and a pension for retirement. Associates/Members have told the Teamsters and company that having a pension you can count on at retirement is very important to you. That is what this tentative agreement and the formation of the IBT Consolidated Pension Fund is all about. It ensures a stable, reliable pension benefit for you when you retire. Unfortunately, Central States is not in financial condition to deliver a secure benefit for you.

***What about supervisors who have been part of Central States, but now are part of the management team? Are their accrued benefits part of this transfer?***

If a supervisor or manager working for Kroger today earned a benefit under Central States while a Kroger associate, their Central States benefit would be transferred and protected.

***What happens if Central States refuses to agree to the transfer?***

We hope Central States will review this agreement carefully and closely. If they do, they will realize that it is a good plan for you and a good plan for Central States too. It protects the benefits you have earned as part of Central States from cuts. It also removes from Central States a significant financial liability. In fact, in our proposal, Kroger has agreed to pay more to Central States than what is legally obligated to pay if Central States agrees to the transfer, which should be good for the Fund.