

MEMORANDUM

TO: All Individuals Who Are Contemplating Retirement

FROM: UFCW Benefits Office

DATE: August 2, 2001

RE: **UFCW Pension Plan for Employees**

We would like to take the opportunity to inform you that under terms of the Tax Reform Act of 1986, individuals who retire after July 1, 1986, will no longer benefit from the three-year Basis Recovery Rule formerly contained in the Internal Revenue Code.

What this means is that a large portion of your benefit will immediately be subject to Federal Income Tax.

Therefore, you may wish to consult with your tax advisor to determine if you should have Federal Income Tax Withholding taken from your benefit check as a precaution against a large tax liability at the end of the year.

There is no tax exclusion for the type of disability benefits paid by the Plan until you attain age 65 and therefore, if you are receiving disability benefits, you should consider this when determining the amount to be withheld from your benefits.

Should you have any questions concerning this situation, please feel free to call on us.