Central Laborers' Pension Fund

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http://www.central-laborers.com

April 26, 2013

TO: PARTICIPANTS, BENEFICIARIES, CONTRIBUTING EMPLOYERS AND UNIONS OF THE CENTRAL LABORERS' PENSION FUND

As Trustees of the Central Laborers' Pension Fund (the "Plan"), we are committed to keeping you informed of the Fund's financial health. This letter provides an update on the Plan's status and discusses two federally-mandated notices which are enclosed. The timing and content of these notices can be confusing, so we want to take the opportunity to give you some background on both of them. You are getting these notices within three months of getting last year's notices because the Plan recently changed the starting date of its Plan Year from October 1 to January 1, effective January 1, 2013. (Benefit accruals will continue to be calculated from October 1 each year as they have been in the past.)

Annual Funding Notice

The **Pension Protection Act of 2006** (the "PPA") was enacted to improve the financial condition of, and provide transparency on, the financial state of pension funds. The PPA requires multiemployer pension funds like ours to have their financial status certified each year. Depending on the status, the plans are assigned one of the following zone categories:

> Trustees of plans in the "green zone" are not required to take any action. Trustees of plans in the "yellow", "orange" or "red" zones, however, are required by law to take corrective action to restore the financial health of their plans.

- **"Green zone"** pension plans are in good financial health;
- **"Yellow zone"** pension plans are considered "endangered;"
- **"Orange zone"** pension plans are considered "seriously endangered;"or
- **"Red zone"** pension plans are considered "critical".

The PPA also requires trustees of pension plans to comply with certain annual reporting requirements, including certifying their plan's financial condition. The attached Annual Funding Notice for the period from October 1, 2012, through December 31, 2012 (the "2012 Plan Year") includes information regarding Plan assets and liabilities. This notice indicates that our Plan was in the "red zone" for the 2012 Plan Year, based on its financial condition as of October 1, 2012.

Notice of Plan Status

As of January 1, 2013, the Plan was again certified as being in the "red zone". In accordance with the requirements of the PPA, the Trustees have adopted a Rehabilitation Plan. Copies of that plan were provided to contributing employers and participating unions. The purpose of the Rehabilitation Plan is to improve the financial status of the Plan over a ten-year period by increasing the rate of employer contributions, changing benefits, or both.

In Closing

Improving the Plan's funded status is our top priority, and we are committed to taking necessary action to ensure that you will receive the benefits under the Plan for which you are eligible when you retire. We will continue to monitor the financial markets closely and manage the Plan in a manner that will preserve its fiscal health. Please take some time to review the enclosed notices. If you have any questions, please contact Mr. Dan Koeppel, in writing, at P.O. Box 1267, Jacksonville, Illinois, 62651-1267.

Sincerely,

The Board of Trustees

ANNUAL FUNDING NOTICE
FOR
CENTRAL LABORERS' PENSION FUND

Introduction

This notice includes important funding information about your pension plan ("the Plan"). This notice also provides a summary of federal rules governing multiemployer plans in reorganization and insolvent plans and benefit payments guaranteed by the Pension Benefit Guaranty Corporation (PBGC), a federal 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 October 1, 2012, and ending December 31, 2012 (referred to hereafter as "2012 Plan Year").

Funded Percentage

The funded percentage of a plan is a measure of how well that plan is funded. 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. The Plan's funded percentage for the 2012 Plan Year and 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.

	2012 Plan Year*	***2011 Plan Year***	***2010 Plan Year***
Valuation Date	***October 1, 2012***	***October 1, 2011***	***October 1, 2010***
Funded Percentage	59.7%	64.5%	69.7%
Value of Assets	$861,082,623	$909,629,015	$948,710,918
Value of Liabilities	$1,441,273,174	$1,410,276,725	$1,361,833,413

**Estimates*

Fair Market Value of Assets

Asset values in the chart above are actuarial values, not market values. Market values tend to show a clearer picture of a plan's funded status as of a given point in time. However, 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 for funding purposes. While actuarial values fluctuate less than market values, they are estimates. As of December 31, 2012, the preliminary fair market value of the Plan's assets was $819,022,983. As of September 30, 2012, the preliminary fair market value of the Plan's assets was $816,554,195. As of September 30, 2011, the fair market value of the Plan's assets was $767,181,717.

Participant Information

The total number of participants in the Plan as of the Plan's valuation date was 16,871. Of this number, 6,633 were active participants (whether vested or not), 6,983 were retired or separated from service and receiving benefits, and 3,255 were retired or separated from service and entitled to future benefits.

Funding & Investment Policies

The law requires that every pension plan have a procedure for establishing a funding policy to carry out the plan objectives. A funding policy relates to the level of contributions needed to pay for benefits promised under the plan currently and over the years. The Plan's funding policy is to receive contributions made by employers pursuant to collective bargaining agreements with unions that represent the plan's participants, which together with the investment earnings, are projected to fund the pension benefits described in the applicable plan documents in accordance with applicable law.

Once money is contributed to the Plan, the money is invested by plan officials called fiduciaries. Specific investments are made 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 plan investments with guidelines or general instructions concerning various types or categories of investment management decisions. The investment policy of the Plan delegates to various investment managers the authority to invest the assets of the Plan as required to achieve the long-range and short-term needs of the Plan in accordance with the applicable provisions of ERISA. The primary objectives of the investment policy are (i) to earn the highest possible total return consistent with risk prudent to the cash flow requirements of the Plan and (ii) to create a stream of investment returns to ensure the adequate funding of actuarially determined benefits through contributions and professional management of Plan assets.

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 2012 Plan Year. These allocations are percentages of total assets:

	Asset Allocations	**Percentage**
1.	Interest-bearing cash	1.36%
2.	U.S. Government securities	7.59%
3.	Corporate debt instruments (other than employer securities):	
	Preferred	0.00%
	All other	8.86%
4.	Corporate stocks (other than employer securities):	
	Preferred	0.00%
	Common	39.25%
5.	Partnership/joint venture interests	21.20%
6.	Loans (other than to participants)	1.39%
7.	Value of interest in common/ collective trusts	11.99%
8.	Value of interest in pooled separate accounts	8.28%
9.	Value of interest in registered investment companies (e.g., mutual funds)	0.08%
Total		100.00%

For information about the Plan's investment in any of the following types of investments as described in the chart above – common/collective trusts or pooled separate accounts – contact Mr. Dan Koeppel, Executive Director of Central Laborers' Pension Fund, at (217) 243-8521.

Critical or Endangered 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% or in "critical" status if the percentage is less than 65% (other factors may also apply). 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, 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 was in critical status during the period beginning October 1, 2012, and ending December 31, 2012 because the Plan is projected to have a funding deficiency within four years.

On January 16, 2012, the Trustees adopted a Rehabilitation Plan with the following changes:

<u>Preferred Schedule:</u>

- The minimum age required for a Service Pension was increased to age 55 for participants who had earned less than 25 pension credits as of February 29, 2012.
- The contribution rate subject to the applicable pension multiplier was decreased by 10% for the 2012 and 2013 anniversary dates of all collective bargaining agreements, 0% for 2014 and 2015, 5% from 2016 through 2021 and 3% in 2022.
- The hourly contribution rate was increased by 5%, compounded annually, from 2012 through 2021 and 3% in 2022.

<u>Default Schedule:</u>

- The Service Pension was eliminated.
- The Disability Pension and Occupational Disability Benefit were eliminated.
- The contribution rate subject to the applicable pension multiplier was decreased by 10% for the 2012 and 2013 anniversary dates of all collective bargaining agreements.

Based upon actuarial projections, it is anticipated that the Plan will emerge from critical status by October 1, 2024.

A copy of the Rehabilitation Plan was mailed to all plan participants and contributing employees on January 27, 2012. Additional copies of the Rehabilitation Plan and copies of the actuarial and financial data that demonstrate any action taken by the Plan towards fiscal improvement can be obtained by contacting Mr. Dan Koeppel, Executive Director of Central Laborers' Pension Fund, at (217) 243-8521.

Events with Material Effect on Assets or Liabilities

Federal law requires trustees to provide in this notice a written explanation of events, taking effect in the current plan year, which are expected to have a material effect on plan liabilities or assets. Material effect events are occurrences that tend to have a significant impact on a plan's funding condition. An event is material if it, for example, is expected to increase or decrease Total Plan Assets or Plan Liabilities by five percent or more. For the plan year beginning on January 1, 2013, and ending on December 31, 2013, the Trustees of the Plan are not aware of the likely occurrence of any event which will have a material effect on Plan liabilities and assets for the year.

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 (i.e., Form 5500) containing 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. You may also obtain a copy of the Plan's most recent annual report by making a written request to the plan administrator. A labor organization representing plan participants and beneficiaries and any employer that has an obligation to contribute to the plan may request a copy of the most recent annual report. A labor organization and employer must also submit a written request to the plan administrator.

Summary of Rules Governing Plans in Reorganization and Insolvent Plans

Federal law has a number of special rules that apply to financially troubled multiemployer plans. The plan administrator is required by law to include a summary of these rules in the annual funding notice. Under so-called "plan reorganization rules," a plan with adverse financial experience may need to increase required contributions and may, under certain circumstances, reduce benefits that are not eligible for the PBGC's guarantee (generally, benefits that have been in effect for less than 60 months). If a plan is in reorganization status, it must provide notification that the plan is in reorganization status and that, if contributions are not increased, accrued benefits under the plan may be reduced or an excise tax may be imposed (or both). The law requires the plan to furnish this notification to each contributing employer and the labor organization.

Despite the special plan reorganization rules, a plan in reorganization nevertheless could become insolvent. A plan is insolvent for a plan year if its available financial resources are not sufficient to pay benefits when due for the plan year. An insolvent plan must reduce benefit payments to the highest level that can be paid from the plan's available financial resources. If such resources are not enough to pay benefits at a level specified by law (see Benefit Payments Guaranteed by the PBGC, below), the plan must apply to the PBGC for financial assistance. The PBGC, by law, 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 notification of the insolvency 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 as a result of the insolvency, including loss of a lump sum option. This information will be provided for each year the plan is insolvent.

Benefit Payments Guaranteed by the PBGC

The maximum benefit that the PBGC guarantees is set by law. Only 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 $500, 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 ($500/10), which equals $50. The guaranteed amount for a $50 monthly accrual rate is equal to the sum of $11 plus $24.75 (.75 x $33), or $35.75. Thus, the participant's guaranteed monthly benefit is $357.50 ($35.75 x 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 x $9), or $17.75. Thus, the participant's guaranteed monthly benefit would be $177.50 ($17.75 x 10).

The PBGC guarantees pension benefits payable at normal retirement age and some early retirement benefits. 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 pre-retirement death benefits to a spouse or beneficiary (e.g., a qualified pre-retirement survivor annuity) if the participant dies after the plan terminates, 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.

Where to Get More Information

For more information about this notice, you may contact the individual below.

Mr. Dan Koeppel
Executive Director
Central Laborers' Pension Fund
P.O. Box 1267
Jacksonvile, IL 62651-1267
(217) 243-8521

For identification purposes, the official plan number is 001 and the plan sponsor's employer identification number or "EIN" is 37-6052379. For more information about the PBGC and benefit guarantees, go to PBGC's website, www.pbgc.gov, or call PBGC toll-free at 1-800-400-7242 (TTY/TDD users may call the Federal relay service toll free at 1-800-877-8339 and ask to be connected to 1-800-400-7242).

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CENTRAL LABORERS' PENSION FUND
NOTICE OF PLAN STATUS (Red Zone)

April 26, 2013

To Participants, Beneficiaries, Participating Unions, and Contributing Employers:

The Pension Protection Act ("PPA" or the "Act"), signed into law in 2006, is intended to improve the financial condition of pension plans. The Act implemented several safeguards as well as notification requirements to share more information about a plan's "financial health" with participants and others directly interested in the plan.

Many of the Act's safeguard provisions relate to funding, which, in simplest terms, is how much money a plan has coming in, going out, and what is in reserve (or "in the bank") for the future. The safeguards are intended to prevent and correct avoidable funding problems.

Starting with the 2008 plan year, the Act requires that a pension plan be tested annually to determine how well it is funded. Benchmarks for measuring a plan's funding, with formal classifications, were established. Plans that are in "endangered," "seriously endangered", or "critical" status must notify all plan participants, beneficiaries, unions, and contributing employers of the Plan's status, as well as take corrective action to restore the plan's financial health.

Plan's Status – Red Zone

On March 29, 2013, the Central Laborers' Pension Fund ("the Plan") was certified by its actuary that the Plan is in "critical" status (also known as the "Red Zone") for the plan year beginning January 1, 2013. This is based on the actuary's determination that the Plan is projected to have a funding deficiency within four years. This means that contributions to the Plan are not expected to be high enough to meet government standards for funding both past and future benefits.

Rehabilitation Plan

Federal law requires that a plan in critical status adopt a "Rehabilitation Plan" aimed at restoring the financial health of the plan. This is the third time the Plan has been certified in critical status, and the Trustees adopted a Rehabilitation Plan on January 16, 2012, to address the funding issues.

The law permits pension plans in critical status to eliminate or change benefits called "adjustable benefits" as part of a Rehabilitation Plan. These include:

- Plan benefits, rights, and provisions, including pre and post-retirement death benefits (other than qualified joint and survivor annuities), disability benefits not yet in pay status, and similar benefits;
- Early retirement benefits or retirement-type subsidies; and
- Temporary supplemental benefits.

On January 27, 2012, you were notified about the Rehabilitation Plan that reduced and/or eliminated some of the adjustable benefits and you were notified that the Plan was not permitted to pay lump sum benefits (or any other payment in excess of the monthly amount paid under a single life annuity) while it is in critical status. If the Trustees determine that further benefit reductions are necessary, you will receive a separate notice in the future identifying and explaining the effect of those reductions. Any reduction of adjustable benefits will not reduce the level of a participant's accrued benefit payable at the Plan's normal retirement age of 65. In addition, the reductions may only apply to participants and beneficiaries whose pension starting date is on or after February 1, 2012.

Employer Surcharge

The law requires that all contributing employers pay to a critical status plan a surcharge to help correct the Plan's current financial situation. The amount of the surcharge is equal to a percentage of the amount an employer is otherwise required to contribute to the Plan under the applicable collective bargaining agreement. Until the employer agrees to a collective bargaining agreement that implements the Rehabilitation Plan, a 10% surcharge will continue to be applicable for contributions after January 1, 2013, while the Plan is in the Red Zone. **The surcharges are no longer payable after the bargaining parties negotiate a collective bargaining agreement consistent with the Rehabilitation Plan.**

What's Next

We understand that legally required notices like this one can create concern about the Plan's future. While the "critical" status (or "Red Zone") classification is required to be used by law, we are working with our actuaries and consultants to continue to review the Plan's condition and address its issues. We will take actions necessary to improve the Plan's financial condition.

The Rehabilitation Plan and any benefit, contribution, or other Plan provision changes (other than statutorily required suspension of certain optional forms of payment) will be communicated to all affected individuals and parties before any changes are made. For more information about this notice or the Plan in general, please contact the Plan's Executive Director, Mr. Dan Koeppel, at the address shown above.

Sincerely,
Board of Trustees

As required by law, this notice is being provided to the Pension Benefit Guaranty Corporation (PBGC) and the Department of Labor.