



FOX VALLEY & VICINITY LABORERS

HEALTH AND WELFARE AND PENSION FUNDS

Date: September 26, 2014
To: Pension Fund Participants
From: Board of Trustees
Subject: Annual Funding Notice

BOARD OF TRUSTEES

WELFARE FUND

Management:

Michael Shales, Chairman

John P. Bryan

Al Orosz

Union:

Dan Brejc, Secretary

Vernon Bauman

Jeffrey P. Frost

PENSION FUND

Management:

Michael Shales, Chairman

John P. Bryan

Al Orosz

Union:

Vernon Bauman, Secretary

Dan Brejc

Jeffrey P. Frost

Enclosed with this memorandum you will find the Annual Funding Notice for the Pension Fund which is required by Federal law.

This notice was provided to you at this time in prior years and is required by an act of Congress called the Pension Protection Act (PPA). The PPA requires pension plans to annually assess their health. Plans that are generally healthy are often referred to as being in the "green zone." Plans that are not completely healthy are labeled as "endangered" (e.g., "yellow zone") or "critical" (e.g., "red zone"). Plans in these categories must take steps to improve their funding over time.

For 2014, the Pension Fund is in the "green zone."

This is a result of steps taken by the Board of Trustees in prior years to help improve funding. A plan must be at least 80% funded to be considered in the "green zone." The Plan's "funded percentage" during the last 6 years is presented below:

	Actuarial Value Of Assets	Market Value of Assets
June 1, 2009	71%	55%
June 1, 2010	78%	65%
June 1, 2011	78%	73%
June 1, 2012	77%	68%
June 1, 2013	78%	74%
June 1, 2014 (preliminary)	80%	77%

The "Actuarial Value of Assets" is used to determine the Plan's zone status under PPA. It recognizes investment gains and losses over a 5 year period (10 years for the 2008 investment loss). The "Market Value of Assets" is the amount available to the Plan after all investment gains and losses have been fully recognized. As you can see, except for 2012, the funded percentage using the Market Value of Assets has improved each year.

In prior years, the Pension Fund was in the "yellow zone" (endangered status) and also was required to provide a Notice of Endangered Status in addition to the Annual Funding Notice. Because the Fund is in the "green zone" for 2014 this additional notice is not necessary.

If the funded percentage were to fall below 80% in a future year, the Pension Fund could return to the yellow zone.

The Board of Trustees, the Fund Administrator, and the Fund's professional service providers will continue to work together to ensure that the Fund remains well funded for the future and that the Fund's benefits will continue to be supported by the negotiated contributions.

Annual Funding Notice:

All multiemployer pension funds are required to issue an Annual Funding Notice each year to all participants, beneficiaries, labor organizations, contributing employers, and the Pension Benefit Guaranty Corporation (PBGC). Certain information is required to be presented in the notice. Below is some additional information concerning certain sections of the notice.

How Well Funded Is Your Plan

In accordance with the regulations for preparing the Annual Funding Notice, the Funded Percentage on page 1 is a snapshot of the Fund as of June 1, 2013 and prior years. The notice does not require the Fund to show the Funded Percentage as of June 1, 2014, but as stated above, the preliminary Funded Percentage as of June 1, 2014 is 80%.

Rules Governing Plans in Reorganization and Insolvent Plans

This section of the Annual Funding Notice applies only to severely financially troubled pension plans.

As a result of the prudent financial management of our Pension Fund, we do not anticipate that these special rules regarding "plan reorganization" and plan insolvency will apply to our Fund.

Benefit Payments Guaranteed by the PBGC

We expect the Fund's assets to grow in future years. As a result of this continued expected growth in the Fund's assets, we do not anticipate that the Fund would become insolvent and unable to pay benefits. Thus, the PBGC benefit guarantees are of no foreseeable concern.

In summary, the Fund has sufficient assets to pay all promised benefits for many years to come.

ANNUAL FUNDING NOTICE

For the

FOX VALLEY AND VICINITY LABORERS 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 June 1, 2013 and ending May 31, 2014 (referred to hereafter as "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.

	2013	2012	2011
Valuation Date	June 1, 2013	June 1, 2012	June 1, 2011
Funded Percentage*	78%	77%	78%
Value of Assets *	\$326,455,784	\$303,636,475	\$289,336,131
Value of Liabilities	\$416,464,608	\$391,746,633	\$367,781,410

* Values reflect election of funding relief under the Preservation of Access to Care of Medicare Beneficiaries and Pension Relief Act of 2010.

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 three preceding plan years (to match the Valuation Dates) is shown in the following table:

	5/31/2014	5/31/2013	5/31/2012	5/31/2011
Fair Market Value of Assets	\$337,514,168	\$310,378,013*	\$267,361,636	\$270,309,120

*Revised from an estimated value of \$303,924,311 reported in last year's notice

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 percent or in "critical" status if the percentage is less than 65 percent (other factors may also apply, including a projected accumulated funding deficiency in a later year). 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 is in endangered status in the Plan Year ending May 31, 2014 because the Plan has a funded percentage less than 80 percent.

In an effort to improve the Plan's funding situation, a funding improvement plan was adopted by the Trustees in January 2011. You may obtain a copy of the Plan's funding improvement plan and the actuarial and financial data that demonstrate any action taken by the plan toward fiscal improvement by contacting the plan administrator.

The Plan is not in endangered or critical status for the Plan Year beginning June 1, 2014.

Participant Information

The total number of participants in the plan as of the Plan's valuation date, June 1, 2013, was 4,438. Of this number, 1,479 were active participants, 1,047 were retired or separated from service and receiving benefits, and 1,912 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 meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974 and comply with the provisions of the funding improvement plan.

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 plan investments with guidelines or general instructions concerning investment management decisions. The investment policy of the Plan is to invest in a diversified portfolio of assets that is designed to meet or exceed an annual rate of return of 7.75% per year over the long term while maintaining sufficient liquidity to pay Plan benefits and administrative expenses.

Under 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	1%
2. U.S. Government securities	
3. Corporate debt instruments (other than employer securities):	
Preferred	
All other	
4. Corporate stocks (other than employer securities):	
Preferred	
Common	
5. Partnership/joint venture interests	
6. Real estate (other than employer real property)	
7. Loans (other than to participants)	
8. Participant loans	
9. Value of interest in common/collective trusts	19%
10. Value of interest in pooled separate accounts	
11. Value of interest in master trust investment accounts	
12. Value of interest in 103-12 investment entities	
13. Value of interest in registered investment companies (e.g., mutual funds)	78%
14. Value of funds held in insurance co. general account (unallocated contracts)	1%
15. Employer-related investments:	
Employer Securities	
Employer real property	
16. Buildings and other property used in plan operation	1%
17. Other	

For information about the Plan's investment in any of the following types of investments as described in the chart above – common/collective trusts, pooled separate accounts, master trust investment accounts, or 103-12 investment entities – contact the Plan administrator at the address at the end of this notice.

Events with Material Effect on Assets or Liabilities

Federal law requires the plan administrator 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 June 1, 2014 and ending May 31, 2015, there are no events expected to have a material effect on assets and liabilities.

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. You may also 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."

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 plan is required to furnish this notification to each contributing employer and the labor organization.

Despite these special plan reorganization rules, a plan in reorganization 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 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. 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 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 \$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 $\$24.75 (.75 \times \$33)$, 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 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:

Board of Trustees
c/o Patricia M. Shales, Administrative Manager
Fox Valley and Vicinity Laborers Pension Fund
2371 Bowes Road, Suite 500
Elgin, Illinois 60123-5523
(847) 742-0900
Toll Free (866) 828-0900

For identification purposes, the official plan number is 001 and the plan sponsor's employer identification number or "EIN" is 36-6147409.

For more information about the PBGC and multiemployer benefit guarantees, go to PBGC's website, www.pbgc.gov.