TO: **All Participants, Beneficiaries in Pay Status, Participating Unions, and Contributing Employers**

FROM: **Board of Trustees**

DATE: **April 30, 2017**

RE: **Funding All Past and Future Benefits for Laborers and Surviving Spouses**

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Enclosed with this memorandum are two notices required by federal pension law, specifically the Employee Retirement Income Security Act (ERISA), as amended by the Pension Protection Act of 2006 (PPA) and the Multiemployer Pension Reform Act of 2014 (MPRA). One notice is an Annual Funding Notice describing one measure of the Pension Fund's financial status as of December 31, 2016. The second is a Notice of Funding Zone Status for 2017. The content of these notices is mostly set by government regulations, and you may find them to be technical and confusing. Hopefully this memorandum will help make the situation more understandable.

Most importantly, we want to be clear that the Pension Fund is <u>not</u> insolvent, terminating, or failing. Over the past 50 years, the Fund has paid more than $3 billion in life-long pensions to retirees and their surviving spouses, many in their '80s and older. The Fund continues to pay pensions on time and in full every month, currently at the rate of about $155 million per year. We expect, based on sound professional advice, that the Fund will remain viable and continue to pay pensions for decades to come.

However, the Pension Fund's funding level is not where we want it to be and not where the PPA's tougher funding rules require it to be. The Fund is still working through the decline in asset values and contributions during the history-making crash of investment markets in 2008 - 2009, and the recession in the construction industry that followed. Before those catastrophic events, the Fund had been soundly funded for decades. We are committed to returning to those days.

Rather than hope that things improve on their own or with modest measures, we are taking decisive action to protect benefits that have already been earned, benefits that are being earned, and benefits that will be earned in the future. We elected to place the Pension Fund into the Early Red Zone for 2017, rather than merely slide into the Yellow Zone with a funding percentage of 76.4%. We made this choice, with professional input, because Early Red status gives the Fund access to more legal tools to restore the Fund's long history of financial soundness. With these tools, the Fund can more quickly return to Green Zone status under a Rehabilitation Plan that fairly distributes the funding burdens and encourages continued participation. We are very mindful of the challenges you are already facing and we intend to design a Plan that minimizes disruption.

Your continuing participation, support and cooperation is key to the rehabilitation effort.

Thank you for your attention to this memorandum and the enclosed notices.

LABORERS NATIONAL PENSION FUND

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April 2017

ANNUAL FUNDING NOTICE FOR 2016 PLAN YEAR

Introduction

This notice includes important information about the funding status of your multiemployer pension plan (the "Plan"). It also includes 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 required by federal law. This notice is for the plan year beginning January 1, 2016 and ending December 31, 2016 ("Plan Year").

How Well Funded Is Your Plan

The law requires the administrator of the Plan to tell you how well the Plan is funded, using a measure called the "funded percentage." The Plan divides its assets by its liabilities on the Valuation Date for the plan year to get this percentage. In general, the higher the percentage, the better funded the plan. The Plan's funded percentage for the Plan Year and each of the two preceding plan years is shown in the chart below. The chart also states 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	79.0%	83.00%	84.6%
Value of Assets	$1,503,175,787	$1,552,483,666	$1,575,376,499
Value of Liabilities	$1,902,754,583	$1,869,702,801	$1,861,612,125

Year-End Fair Market Value of Assets

The asset values in the chart above are measured as of the Valuation Date. They also are "actuarial values." Actuarial values differ from market values in that they do not fluctuate daily based on changes in the stock or other markets. Actuarial values smooth out those fluctuations and can allow for more predictable levels of future contributions. Despite the fluctuations, market values tend to show a clearer picture of a plan's funded status at a given point in time. The asset values in the chart below are market values and are measured on the last day of the Plan Year. The chart also includes the year-end market value of the Plan's assets for each of the two preceding plan years.

	December 31, 2016	December 31, 2015	December 31, 2014
Fair Market Value of Assets	$1,371,181,712*	$1,389,144,399	$1,446,999,589

*Preliminary based on unaudited figures

Endangered, Critical, or Critical and Declining Status

The Plan was not in “endangered,” “critical,” or “critical and declining” funding status for the 2016 plan year. It was in the “green zone”, the best funding zone under federal pension law.

Under federal pension law, a plan generally is in “endangered” status if its funded percentage is less than 80 percent. A plan is in “critical” status if the funded 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. Funding improvement and rehabilitation 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.

Participant Information

The total number of participants and beneficiaries covered by the Plan on the valuation date was 44,292. Of this number, 12,652 were current employees, 20,208 were retired and receiving benefits, and 11,432 were retired or no longer working for the employer and have a right to future benefits.

Funding & Investment Policies

Every pension plan must have a procedure to establish a funding policy for plan objectives. A funding policy relates to how much money is needed to pay promised benefits. The funding policy of the Plan maintains a set of contribution rate / set accrual rate. The accrual rate is actuarially set so that the contribution rate is projected to cover the Plan’s Scheduled Cost (Normal Cost plus amortization of unfunded liabilities including administrative expenses and adjustment for monthly payments) based on reasonable actuarial assumptions and amortization.

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. The Plan employs a major investment consulting firm to assist the Board of Trustees in designing and monitoring the Plan’s investment policy and program including asset allocation and selection of investment managers and opportunities. The Plan also employs several professional investment management companies to manage diversified investment accounts.

Pension plans also have investment policies. These generally are written guidelines or general instructions for making investment management decisions. The investment policy of the Plan provide for, in general: (a) a diversified allocation of investments among various asset classes including domestic equities (large, mid and small cap), international equities, domestic fixed income, real estate, alternative investments (including fund of funds, private equity and infrastructure) and cash, with percentage range limits; (b) engagement of one or more qualified professional investment managers to make specific investment decisions within each asset class; (c) guidelines and restrictions regarding each asset class; (d) measurement of investment performance, including benchmarks; (e) communications and reporting requirements; (f) brokerage policies; and (g) proxy voting policies.

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.	Cash (Interest bearing and non-interest bearing)	0.8%
2.	U.S. Government securities	3.8%
3.	Corporate debt instruments (other than employer securities):	
	Preferred	0%
	All other	4.2%
4.	Corporate stocks (other than employer securities):	
	Preferred	0%
	Common	19.0%
5.	Partnership/ joint venture interests	34.2%
6.	Real estate (other than employer real property)	0%
7.	Loans (other than to participants)	0%
8.	Participant loans	0%
9.	Value of interest in common/ collective trusts	34.6%
10.	Value of interest in pooled separate accounts	3.4%
11.	Value of interest in 103-12 investment entities	0%
12.	Value of interest in registered investment companies (e.g., mutual funds)	0.04%
13.	Value of funds held in insurance co. general account (unallocated contracts)	0%
14.	Employer-related investments:	
	Employer Securities	0%
	Employer real property	0%
15.	Buildings and other property used in plan operation	0%
16.	Other	0%

For information about the Plan's investment in any of the following types of investments- common/ collective trusts, pooled separate accounts, or 103-12 investment entities - contact Fund Administrator Lu Beth Greene, Laborers National Pension Fund, at 972-233-4458, or in writing at P.O. Box 803415, Dallas, Texas 75380-3415.

Right to Request a Copy of the Annual Report

Pension plans must file annual reports with the US Department of Labor. The report is called the "Form 5500." These reports contain financial and other information. You may obtain an electronic copy of your Plan's annual report by going to www.efast.dol.gov and using the search tool. Annual reports also are available from the US Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, N.W., Room N-1513, Washington, D.C. 20210, or by calling 202-693-8673. Or you may obtain a copy of the Plan's annual report by making a written request to the plan administrator in care of Fund Administrator LuBeth Greene, Laborers National Pension Fund, P.O. Box 803415, Dallas, Texas 75380-3415. Annual reports do not contain personal information, such as the amount of your accrued benefit. You may contact your plan administrator if you want information about your accrued benefits. Your plan administrator is identified below under "Where To Get More Information."

Summary of Rules Governing Insolvent Plans

The Laborers National Pension Fund is not insolvent and is not projected to become insolvent. However, federal law requires that the following summary of insolvency rules be included in this notice.

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. There are separate insurance programs with different benefit guarantees and other provisions for single-employer plans and multiemployer plans. Your Plan is covered by PBGC's multiemployer program. 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 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 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 a 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

For more information about this notice, you may contact Fund Administrator Lu Beth Greene, Laborers National Pension Fund, at 972-233-4458, or in writing at P.O. Box 803415, Dallas, Texas 75380-3415, or at www.lnpf.com. The Fund Office's business hours are 8:00 AM – 4:30 PM (Central), Monday through Friday. For identification purposes, the official plan number is 001, employer identification number (EIN) is 75-1280827, and the plan sponsor's name is Laborers National Pension Fund.

LABORERS NATIONAL PENSION FUND

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NOTICE OF FUNDING ZONE STATUS FOR 2017
(Early Critical Zone)

To All Participants, Beneficiaries in Pay Status, Participating Unions, and Contributing Employers:

The Pension Protection Act of 2006 (PPA) amended federal pension laws to set tougher funding standards for multiemployer pension funds like the Laborers National Pension Fund (the "Fund"). The Fund is required by the PPA to send you this Notice that the Fund's actuary has submitted to the U.S. Department of the Treasury an annual certification of the Fund's PPA funding zone status. This Notice is also intended to inform you that the Fund has elected "Early Critical (Red) Zone" status for 2017.

The Fund's actuary certified that the Fund would be in the Endangered (Yellow) Zone, because its funding percentage is 76.4%. The actuary also certified that the Fund is eligible under the Multiemployer Pension Reform Act of 2014 to voluntarily choose to enter Early Critical (Red) Zone status. This choice is available because the Fund is projected to be in the Red Zone within five years unless action is taken to improve funding.

The Board of Trustees, with professional advice and after careful deliberation, decided to exercise this choice to put the Fund into Early Red Zone status for 2017. The Board did so because this status gives the Fund access to more legal tools to restore the Fund's long history of financial soundness. With these tools, the Fund can more quickly and fairly return to the Green Zone status that it has long held.

Funding Rehabilitation Plan

The PPA requires the Board of Trustees to develop a so-called Rehabilitation Plan ("Plan") designed to restore the Fund's financial health over the next 10 to 12 years. The Plan must be adopted by the Board by no later than November 26, 2017. The Board intends to act more quickly than required, but to do so with great care taking into account all relevant considerations including the effects on collective bargaining, participants and contributing employers. The Board is mindful that the success of the Plan, and of the Fund, depends on maintaining and expanding the contribution base.

In general, the parties to each collective bargaining agreement will be required to make or negotiate changes in the employers' contribution obligations to implement the Plan. The Plan will include at least one "default schedule", and may include one or more "alternative schedules", that the bargaining parties can adopt to implement the Plan. The bargaining parties can wait until negotiations on new collective bargaining agreement to agree on a schedule, or they can re-open their current agreement to incorporate a schedule. The law provides for imposition of a default schedule after the current agreement expires if the parties are unable to agree.

The Board of Trustees will be required by law to annually assess the progress of the Plan in improving the Fund's financial health and whether the Fund is on track to emerge from Red Zone status within the permitted rehabilitation period. Adjustments to the Plan may be necessary or appropriate over time depending on investment performance and other developments, but the Board's intention is to design a Plan that minimizes the chances of changes in the future.

Once the Plan is developed, a copy of the Plan (including the schedules) will be distributed to all contributing employers and participating LIUNA affiliates.

Possible Changes in "Adjustable Benefits"

Under the law, a rehabilitation plan could include contribution rate requirements and revisions to the Fund's benefit schedule for future accruals, as well as reductions in, or elimination of, so-called "adjustable benefits" and future accruals. If reductions in adjustable benefits will be included in the Plan, a separate notice explaining those reductions will be sent to any and all affected participants. No change in adjustable benefits will reduce any participant's accrued benefit payable at normal retirement age. Further, no reduction in adjustable benefits will be applied to any pensioner or beneficiary whose benefits began (benefit commencement date) before April 30, 2017 or such later date as the Board of Trustees may set.

The "adjustable benefits" currently offered by the Fund are:

- 60-month benefit guarantees
- Disability Pension (if not in pay status)
- Early Retirement Pension and similar retirement-type subsidies
- Early Regular Pension (age 55 with 30 years of service)
- Widow-Widowers Pension (immediate payment subsidy)
- Various pension benefit payment options (except for the 50% Husband and Wife Pension)

Whether these adjustable benefits will be changed or eliminated under the Plan is not yet known.

Lump Sum Payment Restrictions

Effective April 30, 2017 and until the Pension Fund emerges from red zone status, the Pension Fund is not permitted by the PPA to pay any lump sum benefits or pay any other benefit in excess of the monthly amount that would be payable to the pensioner under a single life annuity. This means that the Fund must suspend its Social Security level income option, and widow/widower lump sum option. Exceptions are made for a lump sum cash-out of a participant or beneficiary whose entire benefit entitlement has an actuarial value that does not exceed $5,000.

Temporary Contribution Surcharge

The PPA requires a pension fund in Red Zone status to automatically assess a 5% surcharge on employer contributions payments due during the initial year of that status, and increase the surcharge amount to 10% thereafter. This PPA surcharge remains in effect with respect to any particular contributing employer until the employer agrees to a schedule under the rehabilitation plan. The law's intent is to provide employers with an economic incentive to quickly agree to a rehabilitation plan schedule.

The automatic PPA surcharge can be minimized or avoided if an employer and its union bargaining partner agree early on a Plan schedule.

Unless advised otherwise by the Fund, each employer is required to pay the automatic PPA surcharge as follows: a 5% surcharge will be assessed on employer contributions due for work performed (or compensation paid) during the period July 1, 2017 through December 31, 2017. Effective January 1, 2018, the PPA surcharge rate will be increased to 10%. The PPA surcharge will not be assessed on contributions due for work performed (or compensation paid) after the employer agrees to a Plan schedule.

The PPA surcharge is based on the total amount of contributions owed to the Fund for a month, and is payable at the same time as the employer's regular monthly contributions. The Fund will not issue a billing to employers for the surcharge. Rather, all employers should take this Notice as notification of this new legal obligation.

> For example: Assume a contributing employer owes contributions totaling $10,000 for work performed (or compensation paid) in July 2017. The contribution payment and report are due by August 20, 2017 under the Fund's rules. In addition to the $10,000, the employer must include in its July 20th contribution payment a surcharge of $500 for a total payment of $10,500.

Non-payment of the surcharge by an employer is treated as a violation of federal law and as a delinquent contribution that is subject to interest charges and the Fund's contribution collection rules.

Contribution Rate Reductions Prohibited

The PPA prohibits the Fund from accepting collective bargaining agreements or participation agreements that provide for (a) a reduction in the contribution rate in effect under previous agreements, (b) a suspension of contributions for any period, or (c) any new exclusion of younger or newly hired employees from Fund coverage. Congress considered such changes to be detrimental to a multiemployer pension plan's funding improvement program.

More Information Needed?

For more information about this Notice, you may write Fund Administrator Lu Beth Greene at Laborers National Pension Fund, P.O. Box 803415, Dallas, Texas 75380-3415, or telephone her at (972) 233-4458.

The business hours of the Fund's administrative office are 8:00 A.M. to 4:30 P.M. (Central Time), Monday through Friday. You will have a right to obtain a copy of the Rehabilitation Plan from the Fund's office after it is adopted by the Board of Trustees.

cc U.S. Department of Labor
Pension Benefit Guaranty Corporation