

# ANNUAL FUNDING NOTICE

For

## Indiana 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, 2016 and ending May 31, 2017 (“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.

<b>Funded Percentage</b>			
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Valuation Date</b>	June 1	June 1	June 1
<b>Funded Percentage</b>	75.7%	71.9%	67.2%
<b>Value of Assets</b>	\$ 959,471,106	\$ 910,637,226	\$ 848,592,189
<b>Value of Liabilities</b>	\$ 1,267,091,915	\$ 1,266,746,363	\$ 1,262,016,493

### 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 two preceding plan years is shown in the following table:

	<b>May 31, 2017</b>	<b>May 31, 2016</b>	<b>May 31, 2015</b>
<b>Fair Market Value of Assets</b>	\$ 1,032,554,244	\$ 944,954,474	\$ 945,876,825

### **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). 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 “endangered” status in the Plan Year ending May 31, 2017 because of a funded ratio of 75.7%, no projected funding deficiency in the funding standard account, at least 8 years of benefit payments within plan assets, and other results. Note, “projected funding deficiency” means that contributions would be insufficient to satisfy Federal requirements; it does not mean that the Fund would become bankrupt or run out of money. In an effort to improve the Plan’s funding situation, the trustees adopted a funding improvement plan on December 17, 2015. The funding improvement plan was recently updated on December 20, 2016. The funding improvement period is June 1, 2017 through May 31, 2027 or the date the Fund’s Actuary certifies it has emerged from endangered status.

The Trustees adopted a new funding improvement plan during the plan year. The key features of the schedules contained in this plan are:

#### **Default Schedule**

<i>Benefit Changes</i>	None
<i>Contribution Rate Changes</i>	15¢ increase effective 2016 (already negotiated)
<i>Contribution Rate Changes</i>	25¢ increase effective 2017 (already negotiated)
<i>Contribution Rate Changes</i>	25¢ increase effective 2018 (already negotiated)

#### **Contribution Rate Increase Schedule**

<i>Benefit Changes</i>	None
<i>Contribution Rate Changes</i>	15¢ increase effective 2016 (already negotiated)
<i>Contribution Rate Changes</i>	25¢ increase effective 2017 (already negotiated)
<i>Contribution Rate Changes</i>	25¢ increase effective 2018 (already negotiated)

Federal law requires the Board of Trustees to monitor the progress toward achieving the objectives and annual standards of the funding improvement plan. The Board of Trustees remains committed to the proper funding of your pension benefits and assures you that they will take appropriate actions to meet this goal. The funding improvement plan and its objectives and annual standards are based on a number of assumptions about future experience and may have to be adjusted if those assumptions are not met. Additional contribution rates increases and/or benefit reductions might be required. You will receive a separate notice identifying and explaining any additional changes in benefits, if necessary, you will receive an annual notice, like this one, identifying any event that has a material effect on the Plan assets or liabilities.

You may obtain a copy of the Plan’s funding improvement plan, any update to such plan, and the actuarial and financial data that demonstrate any action taken by the plan toward fiscal improvement by contacting the Plan Administrator.

If the Plan is in endangered or critical status for the plan year ending May 31, 2018, separate notification of the status has or will be provided.

### **Participant Information**

The total number of participants in the Plan as of the Plan's valuation date was 25,089. Of this number, 8,196 were active participants, 6,493 were retired or separated from service and receiving benefits, 9,102 were retired or separated from service and entitled to future benefits, and 1,298 were beneficiaries of deceased participants receiving or entitled to receive 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 all contributing employers have agreed to make contributions that the Plan's actuary has estimated, as of the latest actuarial valuation date, to be sufficient to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974, as amended.

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 that are responsible for plan investments with guidelines or general instructions concerning investment management decisions. The investment policy of the Plan is recommended by its Administrative Committee and approved by its Board of Trustees. The policy has been developed to reflect a long-term investment horizon. It contains approved asset class and allocation targets to create a broadly diversified pool of assets, consisting primarily of equities and fixed income securities, which is expected to produce a total return within a given level of expected risk. Investment managers are allocated funds within these targets to manage on behalf of the Plan and are selected on the basis of proved skill within a given asset class.

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:

<b>Asset Allocations</b>	<b>Percentage</b>
1. Cash (Interest bearing and non-interest bearing)	1.26
2. U.S. Government securities	2.07
3. Corporate debt instruments (other than employer securities):	
Preferred	-
All Other	7.25
4. Corporate stocks (other than employer securities):	
Preferred	-
Common	12.67
5. Partnership/joint venture interests	23.91
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	51.43
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)	0.34

14. Value of funds held in insurance co. general account (unallocated contracts)	-
15. Employer-related investments:	
Employer securities	-
Employer real property	-
16. Buildings and other property used in plan operation	-
17. Other	1.07

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:

Clyde Robinson  
ASB Capital Management, Inc.  
7501 Wisconsin Avenue  
Suite 1300W  
Bethesda, MD 20814  
240-482-2991

Jay Butterfield  
American Realty Advisors  
801 North Brand Boulevard, Suite 800  
Glendale, CA 91203  
818-409-3269

Lisa Rynne  
State Street Global Advisors  
One Lincoln Street; 33<sup>rd</sup> Floor  
Boston, MA 02111  
617-664-2485

James Dominguez  
Northern Trust Global Investments  
50 S. LaSalle Street M23  
Chicago, IL 60603  
312-557-3391

Kevin Sheehan  
RREEF Management LLC  
222 S. Riverside Plaza, Floor 26  
Chicago, IL 60606  
312-537-3591

Tracy Ivey  
Thompson, Siegel & Walmsley LLC  
6806 Paragon Place, Suite 300  
Richmond, VA 23230  
804-521-6419

Angelique Richardson  
Wellington Management Company, LLP  
280 Congress Street  
Boston, MA 02210  
617-263-4009

**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](http://www.efast.dol.gov) and using the Form 5500 search function. Or you may 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 the 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 the 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 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 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 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 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 ( $\$35.75 \times 10$ ).

*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 ( $\$17.75 \times 10$ ).

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 Somer Taylor at Indiana Laborers Pension Fund, P.O. Box 1587, 413 Swan Street, Terre Haute, IN 47808, 812-238-2551. For identification purposes, the official Plan number is 001 and the Plan sponsor's name and employer identification number or "EIN" are Board of Trustees - Indiana Laborers Pension Fund, 35-6027150.

You may obtain a pension benefit statement showing the amount of your vested pension benefit by writing the Fund Office at the address provided above and requesting a copy. You are limited to one such statement in a 12-month period.

For more information about the PBGC, go to PBGC's website, [www.pbgc.gov](http://www.pbgc.gov).