

LABORERS' NATIONAL (INDUSTRIAL) PENSION FUND

905 16th Street, N.W.
Washington, D.C. 20006

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April 2013

**NOTICE OF CONTINUATION OF "CRITICAL STATUS"
WITHIN THE MEANING OF THE PENSION PROTECTION ACT OF 2006**

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

This Notice is required by the Pension Protection Act of 2006 (PPA) to inform you that the Pension Fund's actuary has completed its annual certification of the Pension Fund's funding zone status and has determined that the Fund's funding status remains in the "critical" ("red") zone for 2013, as expected under the Fund's funding rehabilitation program. In accordance with the PPA, the actuary submitted a certification of the Fund's red zone status to the U.S. Department of the Treasury on March 29, 2013.

This does not mean that the Fund is terminating or that it is insolvent.

The Pension Fund was previously determined to be in the red zone for 2010 because the actuary projected that the Fund would have an "accumulated funding deficiency" under PPA standards unless significant changes were made to improve the Fund's funding over a period of years. As explained more fully below, the Fund's Board of Trustees adopted a "Funding Rehabilitation Plan" to improve the funding status over a period of 10-12 years. As expected when the Plan was adopted, the Fund remains in the red zone for 2013. To exit the red zone under the PPA's new funding standards, the Fund must be projected to have no funding deficiency within the next 10 years. The Fund's actuary projected that the Fund would have a funding deficiency in 2016 if no corrective action were taken.

Rehabilitation Plan

The PPA required the Board of Trustees to develop a Funding Rehabilitation Plan ("FRP") aimed at restoring the Pension Fund's financial health over the next 10 to 12 years or more. The Board of Trustees adopted a FRP on July 26, 2010. A copy of the FRP was distributed thereafter in accordance with the FRP.

In general, the FRP requires the parties to each collective bargaining agreement to adopt one or the other of two "Schedules": a Preferred Schedule or a Default Schedule within a certain period that is determined by the expiration date of their collective bargaining agreements. The bargaining parties can wait until negotiations on a new collective bargaining agreement to agree on a Schedule, or they can re-open their current agreement to incorporate a Schedule. The law requires the Fund to impose the Default Schedule after the current agreement expires if the parties are unable to agree. The Preferred Schedule requires employer contribution rate increases of 10% per year for 10 years and maintains benefits for participants covered by this Schedule. The Default Schedule requires employer contribution rate increases of 8% per year for 10 years and reduces benefits and benefit options for participants covered by this Schedule (see "Adjustable Benefits", below).

The Board of Trustees is required by law to annually assess whether the Pension Fund is recovering its financial health under the FRP and is on track to exit the red zone status within the permitted rehabilitation period. Adjustments to the FRP might be necessary or appropriate over time depending on investment performance and other developments.

The Board has determined that the FRP remains on track.

**Changes in "Adjustable Benefits"
For Participants Covered By the Default Schedule**

Under the law, a rehabilitation plan may include contribution rate requirements and revisions to a pension fund's benefit schedule for future accruals, as well as reductions in, or elimination of, so-called "adjustable benefits" and future accruals. Under this Pension Fund's FRP, adjustable benefits are reduced for participants covered by the

Default Schedule, as explained in notices already sent, or that will be sent in the future, to participants affected by the Default Schedule. No reductions in adjustable benefits are included in the Preferred Schedule.

No change in adjustable benefits will reduce any participant's accrued benefit payable at Normal Retirement Age. Further, no reduction in adjustable benefits have been applied to any pensioner or beneficiary whose benefits began (benefit commencement date) before April 30, 2010.

The adjustable benefits currently offered by the Pension Fund (except for participants covered by the Default Schedule) are:

- 60-months of benefits guarantee
- Disability Pension
- Early Retirement Pension (with subsidized benefit) and similar retirement-type subsidies
- Various pension benefit payment options (except for the 50% Husband and Wife Pension)

Lump Sum Payment Restrictions

Effective April 30, 2010 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 has been required to suspend its Partial Lump Sum option, 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 and the \$5,000 death benefit.

Temporary Employer Contribution Surcharge

The PPA requires the Pension Fund to impose on each employer a contribution surcharge until such time as the employer and the union that are parties to the collective bargaining agreement adopt a Schedule or a Schedule is imposed by law. In effect, the surcharge is a temporary tax.

For work performed (or compensation paid) during the period June 1, 2010 through December 31, 2010, the surcharge amount was 5% of total contributions owed each month. Effective January 1, 2011, the surcharge rate increased to 10%, as mandated by the PPA.

The surcharge is based on the total amount of contributions owed to the Pension Fund for a month, and is payable at the same time as the employer's regular monthly contributions.

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. In addition, a delinquent employer may be required by law to pay a 100% excise tax to the Internal Revenue Service.

Contribution Rate Reductions Prohibited

The PPA and the FRP prohibit the Pension 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 contact Fund Administrator Adam Downs, LIUNA National (Industrial) Pension Fund, 905 16th Street, N.W., Washington, D.C. 20006. The Pension Fund's office telephone number is (202) 737-1664. The Fund office's business hours are 8:30 A.M. to 4:15 P.M. (Eastern Time), Monday through Friday. The FRP is available at www.inipf.org or you may obtain a copy of the FRP upon request. For identification purposes, the Plan Number is 001 and the Plan Sponsor's EIN is 52-6074345.

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