

SUBURBAN TEAMSTERS OF NORTHERN ILLINOIS PENSION FUND

1171 Commerce Dr., West Chicago, Illinois 60185
(630) 293-0390

Notice of Plan Status

April 28, 2017

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

The Pension Protection Act (PPA or Act), signed into law in 2006, is intended to improve the financial condition of pension plans. Many of the Act's provisions relate to funding, which, in simplest terms, refers to how much money a pension plan has coming in, going out, and in reserve (or "in the bank") for the future. The Act's provisions are intended to create more funding discipline to prevent and correct avoidable funding problems.

Starting with the 2008 plan year, the Act requires that pension plans be tested annually to determine how well they are funded. Benchmarks for measuring a plan's funding, with formal labels, were established. Plans that are in the yellow ("seriously endangered" or "endangered") or red ("critical") zones must notify all plan participants, beneficiaries, unions, and contributing employers of the plan's status, and must take corrective action to improve the plan's funding.

In recent years, steps have been taken to bring this Pension Plan's benefit liabilities into balance with its assets. This has been done through a combination of benefit changes and increases in contributions from contributing employers. While these actions are expected to improve the financial situation over time, there is currently a shortfall that must be resolved for the Plan to comply with the Act's requirements.

Plan's Status – Yellow Zone

On March 31, 2017, the Pension Fund's actuary certified that the Pension Plan is in the yellow "endangered" zone for the Plan Year beginning January 1, 2017. This yellow zone certification is based on the actuary's determination that the Plan's ratio of assets to liabilities (funded ratio) is less than 80% in the current plan year. The Fund is currently 78.68% funded. This does not mean that the Fund will have a problem paying benefits to current pensioners and beneficiaries in the near future. It means that, if corrective action is not taken, the Fund may have a problem paying benefits years in the future. The Trustees are taking corrective action, as explained below.

Funding Improvement Plan

The Act requires that a plan in the yellow "endangered" zone adopt a Funding Improvement Plan (FIP) that will enable the plan to improve its funded position to meet statutory funding requirements by the end of the 10-year Funding Improvement Period which will begin January 1, 2018 and end on December 31, 2027. The Funding Improvement Plan is different from the Rehabilitation Plan that was previously adopted by the Trustees and went into effect as of January 1, 2011. To comply with the Act, the Trustees adopted the Funding Improvement Plan on November 16, 2015, which went into effect as of January 1, 2016. The early adoption of the FIP is intended to permit the Fund to emerge from the "endangered" zone at an earlier date and provide flexibility in the event of unfavorable investment or actuarial experience. Employers and Unions have been notified of the items that will need to be covered in new or renewed collective bargaining agreements under the FIP as of the effective date of its first execution or renewal of the collective bargaining agreement on or after January 1, 2016.

What's Next

The benefit and contribution changes that were made as part of the Rehabilitation Plan allowed the plan to emerge from the red "critical" zone in 2015. The Trustees have now adopted a Funding Improvement Plan designed to further restore the Pension Plan to a sound financial footing. However, the Trustees and their advisors will continue to monitor the Plan's progress toward its goals and, if further action is required, it will be taken and all interested parties will be advised.

For more information about this notice or the Pension Plan in general, contact the Pension Plan Office at the address or phone number listed at the top of this letter.

Sincerely,

Board of Trustees

Federal law requires that you receive this notice. Also as required by law, this notice is being provided to the Pension Benefit Guaranty Corporation (PBGC) and the Department of Labor.

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