# CENTRAL LABORERS' PENSION FUND
# NOTICE OF PLAN STATUS (Yellow Zone)

April 26, 2019

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

The US Congress enacted the Pension Protection Act (the "PPA") of 2006 and also the Multiemployer Pension Reform Act of 2014 ("MPRA"), in part, to improve the financial condition of pension plans by ensuring that pension plans have the assets necessary to fund pension benefits when participants retire. PPA implemented several safeguards aimed at improving plan funding levels as well as notification requirements to share more information about a plan's "financial health" with participants and others related to the plan.

Many of PPA's safeguard provisions relate to funding, which, in simplest terms, is how much money a plan has coming in, going out, and what is in reserve (or "in the bank") for the future. The safeguards are intended to prevent and correct avoidable funding problems.

Starting with the 2008 plan year, PPA requires that a pension plan be tested annually to determine how well it is funded. Benchmarks for measuring a plan's funding, with formal classifications ("zone status"), were established. Plans that are in "endangered," "seriously endangered", or "critical" status must notify all plan participants, beneficiaries, unions, and contributing employers of the Plan's status, as well as take corrective action to restore the plan's financial health.

PPA's zone status rules were modified by MPRA, enacted on December 16, 2014. MPRA, among other changes, added a new zone status for deeply troubled pension plans called "critical and declining". Additional measures to improve funding shortfalls are available to "critical and declining" plans.

## Plan's Status – Yellow Zone

On March 29, 2019, the Central Laborers' Pension Fund ("the Plan") was certified by its actuary that the Plan is in "endangered" status (also known as the "Yellow Zone") for the Plan year beginning January 1, 2019 ("2019 Plan year"). This is based on the actuary's determination that the Plan is projected to be less than 80% funded as of January 1, 2019.

## Funding Improvement Plan

The PPA requires pension plans in endangered or seriously endangered status to adopt a funding improvement plan aimed at restoring the financial health of the plan. The Trustees of the Plan adopted a Funding Improvement Plan ("FIP") effective March 31, 2016 (which was revised on November 6, 2017). The goal of this FIP was to increase the Plan's funded percentage by at least 33% of the difference between the funded percentage as of January 1, 2016 and 100% by the end of the funding improvement period (i.e., 73.1% as of December 31, 2028), and to avoid a funding deficiency by the end of the funding improvement period. The Plan's actuary has estimated that the Plan's funded percentage, as of January 1, 2019, was 65.4%. The FIP generally requires the same contribution rate increases that were required by the most recent Rehabilitation Plan, except in cases where the employer did not elect a schedule of that Rehabilitation Plan. The required contribution rate increases for those employers were slightly higher. The Appendix to the FIP specifies the applicable contribution rate increases depending on the FIP Schedule that is applicable to an employer.

## What's Next

Since the Plan's financial condition generally changes with changes in the economy, PPA requires that the Plan's funding status be reviewed and certified annually. Any necessary changes will be communicated to all affected individuals and/or parties. This means that you will receive a notice like this each year until the Plan is no longer in the yellow zone.