

LABORERS'  
PENSION  
FUND

**LABORERS' PENSION FUND**  
(CHICAGO and VICINITY)

11465 CERMAK ROAD  
WESTCHESTER, ILLINOIS 60154-5768  
Telephone: (708) 562-0200

Toll Free: (866) 906-0200  
Pension Fax: (708) 562-0790  
e-mail: Pension@chilpwf.com

**CONSTRUCTION AND GENERAL LABORERS' DISTRICT  
COUNCIL OF CHICAGO AND VICINITY PENSION FUND**

September 27, 2009

**TO: PARTICIPANTS, BENEFICIARIES, CONTRIBUTING EMPLOYERS  
AND UNIONS OF THE CONSTRUCTION AND GENERAL LABORERS'  
DISTRICT COUNCIL OF CHICAGO AND VICINITY PENSION FUND**

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As Trustees of the Construction and General Laborers' District Council of Chicago and Vicinity Pension Fund (the Plan), we are committed to keeping you informed of the Fund's financial health. This letter provides an update on the Fund's status and describes two federally-mandated notices that are included in this package. The timing and content of these notices can be a little confusing, so we wanted to take the opportunity to give you some background on both of them.

Trustees of plans in the "green zone" are not required to take any action. Trustees of plans in the "yellow" or "red" zones, however, are required to take corrective action to restore the financial health of their plans.

***The Pension Protection Act of 2006  
and the Annual Funding Notice***

The **Pension Protection Act of 2006** (PPA) was enacted to improve the financial condition of and provide transparency on the financial state of pension funds. PPA requires multiemployer pension funds like ours to have their financial status certified each year. Depending on the status, the plans are assigned a zone category:

- ❖ **"Green Zone"** pension plans are in good financial health
- ❖ **"Yellow Zone"** pension plans are in endangered status
- ❖ **"Red Zone"** pension plans are in critical status

The PPA also requires trustees of pension plans to comply with certain annual reporting requirements, including certifying their plan's financial condition. Since 2006, plan participants were provided with two documents – an Annual Funding Notice and a Summary Annual Report – which were sent late in the following year after the close of a plan year. You should have received these notices for the 2007 Plan Year earlier this year. Starting with the 2008 Plan Year, these documents are being replaced by a single **Annual Funding Notice**, which must be distributed within four months after the end of a Plan Year to provide more timely information about a plan's financial status.

The attached Annual Funding Notice for the 2008 Plan Year for our Plan includes most of the information provided in the prior documents, plus additional information regarding Plan assets and liabilities. This notice indicates

EMPLOYER PARTICIPANTS –  
Builders' Association, Employing Plasterers' Association, Underground Contractors' Association, Mason Contractors' Association, Concrete Contractors' Association, Wrecking Contractors, Concrete Products Employers, Lake County Illinois Employers, Illinois Road Builders Association, Bridge and Highway Structural Builders; i.e. all those who employ Laborers Engaged in the Building and Construction Industry.

that our Plan was in the “Green Zone” for the 2008 Plan Year, based on its financial condition as of June 1, 2008. Keep in mind that the financial condition and funded status contained in this notice is a snapshot from over 15 months ago and does not reflect the financial market declines in 2008.

***The Worker, Retiree, and Employer Recovery Act of 2008 and the Notice of Funding Status of Pension Plan (“Zone Freeze Notice”)***

The declines in the financial markets in 2008 have negatively affected most pension plans, including our own. Our Plan’s total investment return for the 2008 – 2009 Plan Year was a loss of about 23.4% of assets. Many pension funds had similar performance during that period.

As a result of these investment losses, and the resulting financial condition as of June 1, 2009, our Plan has been certified as being in the “Yellow Zone” for the 2009 – 2010 Plan Year. In accordance with the requirements of the PPA, this means that the Trustees would have to adopt a Funding Improvement Plan to improve the financial status of the plan over a ten-year period. This Funding Improvement Plan could involve increases in the rate of employer contributions to the plan, benefit changes, or both.

In recognition of the significant losses experienced by pension funds in the 2008 – 2009 Plan Year, the **Worker, Retiree, and Employer Recovery Act of 2008 (WRERA)** was enacted last December to provide temporary emergency funding relief for pension plans in the “Yellow” and “Red” Zones. Specifically, WRERA provides pension plan trustees with the option to retain their plan’s zone status from the previous plan year for the current plan year.

This year, although our Plan has been certified as a “Yellow Zone” pension plan, we have elected to take advantage of the reprieve offered by WRERA and retain last year’s Green Zone status. While we recently made changes to the Plan to bring its funding back into balance, taking the reprieve offered by WRERA allows the Plan to take an additional year to assess the alternatives and, hopefully, improve its funding status.

To improve plan funding, the contribution rate was increased by \$2.20 per hour to \$8.37 effective June 1, 2009.

The attached **Notice of Funding Status of Pension Plan** describes the Plan’s decision to retain last year’s funding status for the current Plan year.

***In Closing***

We will continue to work closely with our plan professionals to monitor the financial markets and manage the Plan in a manner that will preserve its future health. Please take some time to review the enclosed notices. If you have any questions, please contact the Fund Office.

Sincerely,

Board of Trustees