

## LABORERS NATIONAL PENSION FUND

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### ANNUAL FUNDING NOTICE FOR 2010 PLAN YEAR

#### Introduction

Federal law requires all multiemployer pension plans to provide a standard annual funding notice to all participants, beneficiaries, contributing employers, sponsoring unions and the Pension Benefit Guaranty Corporation (PBGC) within 120 days following the end of the plan year. In accordance with that requirement, the Laborers National Pension Fund (the "Plan") is providing this notice for the plan year beginning January 1, 2010 and ending December 31, 2010 ("Plan Year").

This notice includes important funding information about the Plan. And, as required by law for all plans, it contains a summary of federal rules governing multiemployer plans in reorganization and insolvent plans and benefit payments guaranteed by the PBGC, a federal agency.

#### Funded Percentage

The funded percentage of a plan is a measure of how well that plan is funded at a particular point in time. 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. The Plan's funded percentage for the Plan Year and 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.

	2010 Plan Year	2009 Plan Year	2008 Plan Year
Valuation Date	January 1, 2010	January 1, 2009	January 1, 2008
Funded Percentage	87.7%	84.1%	96.7%
Value of Assets	\$1,595,020,788	\$1,521,533,017	\$1,740,920,034
Value of Liabilities	\$1,818,635,933	\$1,809,074,231	\$1,800,843,080

### **Fair Market Value of Assets**

Asset values in the chart above are actuarial values, not market values. Market values are useful in determining a plan's funded status as of a given point in time. However, because pension plan funding is a long-term proposition and 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 for funding purposes. While actuarial values fluctuate less than market values, they are estimates.

As of December 31, 2010, the estimated fair market value of the Plan's assets was \$1,375,667,619. As of December 31, 2009, the fair market value of the Plan's assets was \$1,329,183,990. As of December 31, 2008, the fair market value of the Plan's assets was \$1,267,944,181.

### **Participant Information**

The total number of participants in the plan as of the Plan's valuation date was 46,380. Of this number, 14,848 were active participants, 19,526 were retired or separated from service and receiving benefits, and 12,006 were retired or separated from service and entitled to future benefits.

### **Funding & Investment Policies**

The law requires that every pension plan have a procedure for establishing a funding policy to carry out the plan objectives. A funding policy relates to the level of contributions needed to pay for benefits promised under the plan currently and over the years. The Plan maintains a multiple contribution rate / benefit level schedule that provides a certain benefit level for credits earned by participants at each acceptable employer contribution rate. The schedule's benefit levels are actuarially set so that the contribution rates are projected to cover the Plan's Scheduled Cost (Normal Cost including administrative expenses and adjustment for monthly payments) based on reasonable actuarial assumptions and amortization.

Once money is contributed to the Plan, the money is invested by Plan officials called fiduciaries. The Plan employs a major investment consulting firm to assist the Board of Trustees in designing and monitoring the Plan's investment program including asset allocation and selection of investment managers and opportunities. The Plan also employs several professional investment management companies to manage diversified investment accounts.

Specific investments are made in accordance with the Plan’s investment policy. Generally speaking, an investment policy is a written statement that provides the fiduciaries who are responsible for plan investments with guidelines or general instructions concerning various types or categories of investment management decisions. The Plan’s investment policies and guidelines provide for, in general: (a) a diversified allocation of investments among various asset classes including domestic equities (large, mid and small cap), international equities, domestic fixed income, real estate, alternative investments (including fund of funds and private equity) and cash, with percentage range limits; (b) engagement of one or more qualified professional investment managers to make specific investment decisions within each asset class; (c) guidelines and restrictions regarding each asset class; (d) measurement of investment performance, including benchmarks; (e) communications and reporting requirements; (f) brokerage policies; and (g) proxy voting policies.

**Asset Allocations**

In accordance with 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:

<u>Asset Type</u>	<u>Percentage of Total Assets</u>
Interest-bearing cash	0.00
U.S. Government securities	9.30
Corporate debt instruments (Non-preferred):	9.00
Corporate stocks (Common):	47.90
Real Estate	8.60
Other	25.20

**“Zone” Status: Neither Endangered Nor Critical**

The Plan was not in “endangered” or “critical” funding status for the 2010 plan year. It was in the “green zone”.

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.

### **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 (i.e., Form 5500) containing 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. Or you may obtain a copy of the Plan's annual report by making a written request to the plan administrator in care of Fund Administrator Lu Beth Greene, Laborers National Pension Fund, P.O. Box 803415, Dallas, Texas 75380-3415.

### **Summary of Rules Governing Plans in Reorganization and Insolvent Plans**

The Plan is neither insolvent nor in reorganization. However, the law requires that this notice include the following description of the PBGC's rules for insolvent or reorganized plans.

Federal law has a number of special rules that apply to financially troubled multiemployer plans. 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 law requires the plan to furnish this notification to each contributing employer and the labor organization.

Despite the special plan reorganization rules, a plan in reorganization nevertheless 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 financial 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 notification of the insolvency 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 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 Fund Administrator Lu Beth Greene, Laborers National Pension Fund, P.O. Box 803415, Dallas, Texas 75380-3415. The Fund Office's phone number is (972) 233-4458. The Fund Office's business hours are 7:30 A.M. to 4:30 P.M. (Central), Monday through Friday. For identification purposes, the Plan Number is 001 and the Plan Sponsor's EIN is 75-1280827.

For more information about the PBGC and benefit guarantees, go to PBGC's website, [www.pbgc.gov](http://www.pbgc.gov), or call PBGC toll-free at 1-800-400-7242 (TTY/TDD users may call the Federal relay service toll free at 1-800-877-8339 and ask to be connected to 1-800-400-7242).