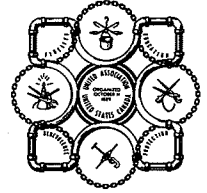




PLUMBERS AND PIPEFITTERS LOCAL 501 NORTHERN ILLINOIS BENEFIT FUNDS



1295 Butterfield Rd., Aurora, IL 60502-8879 • Ph (630) 978-4600 • Fax (630) 978-4616 • email: benefitfunds@ualocal501.org

March 28, 2013

Dear Pension Plan Participants and Contributing Employers:

Recently, we notified you that the Northern Illinois Pension Fund is now considered to be in seriously endangered status as defined by the Pension Protection Act of 2006 (PPA). The PPA requires the Trustees of the Plan to adopt a Funding Improvement Plan (FIP) that will fulfill the criteria to remove the Plan from its seriously endangered status within a ten year funding improvement period which will begin on July 1, 2014.

Enclosed is a copy of the FIP that the Trustees adopted. The Trustees have spent many hours reviewing which changes would have the most beneficial impact on the Plan's funded status, while trying to balance sacrifices from all parties. This FIP will periodically be reviewed, and if future economic conditions require the Trustees to adopt changes to it, then all Plan members and contributing employers will be notified.

If you have any questions about the FIP, or how it might impact you, please call the Fund Office.

Sincerely,

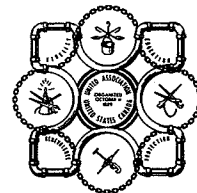
Robert E. Niksa
Administrative Manager

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FUNDING IMPROVEMENT PLAN OF THE NORTHERN ILLINOIS PENSION FUND

Background

The Pension Protection Act (PPA), which first applied to plan years beginning in 2008, implemented new funding requirements for multiemployer pension plans like the Northern Illinois Pension Fund (the Plan). PPA now requires a plan's actuary to certify the "funded status" of the plan as healthy, endangered, seriously endangered, or critical based on various measures described in the law. When a plan's status is certified as other than healthy, the Trustees are required to adopt a plan of action that will improve the funded status within the time frame established by the law. The plan of action must include benefit reductions and/or contribution increases that are reasonably expected to bring the plan back into a healthy status.

Our Plan's actuary issued a certification on September 28, 2011 indicating the Plan was healthy as of July 1, 2011. The actuary issued a second certification on September 28, 2012 indicating the Plan was seriously endangered as of July 1, 2012. The actuary's calculation shows that the ratio of Plan assets to Plan liabilities on July 1, 2012 was less than 80%, and the Plan was projected to have a funding deficiency within the next six plan years (i.e., contributions during the next six years are expected to be less than IRS minimum requirements).

As a result of the seriously endangered status certification, the Plan's Trustees are required to adopt a Funding Improvement Plan (FIP) by May 26, 2013 (i.e., the 330th day of the plan year for which the Plan is first certified as being endangered). A FIP is a plan consisting of the actions, including options or a range of options, to be proposed to the bargaining parties which, based on reasonably anticipated experience and under reasonable actuarial assumptions, will result in the Plan meeting the following general benchmarks:

- (a) The Plan's unfunded percentage must be reduced by at least 33% by the end of the funding improvement period (i.e., the ten year period beginning on July 1, 2014), and
- (b) Contributions to the Plan must be at least equal to IRS minimum requirements during the funding improvement period.

In order to satisfy these requirements, the Trustees adopted a FIP on March 28, 2013 designed so that the Plan can emerge from endangered status no later than the end of the funding improvement period.

The benefits payable to any retiree, beneficiary, or disabled participant whose benefits commenced on or before September 28, 2012, or to any participant who filed an application for benefits on or before that date will not be affected by the Funding Improvement Plan. All other participants will be subject to the terms of the funding Improvement Plan.

Effective Dates

These are the deadlines by which certain actions must be taken:

1. Adopt a FIP – not later than May 26, 2013 (the 330th day of the first plan year for which the Plan is certified as endangered). This FIP was adopted by the Board of Trustees of the Northern Illinois Pension Fund on March 28, 2013.
2. Provide the bargaining parties with the schedule or schedules showing revised benefit and/or contribution structures which, if adopted, might reasonably be expected to allow the Plan to achieve the applicable benchmarks – not later than April 27, 2013.
3. Bargaining parties agree to schedule or schedules proposed in FIP – within 180 days of expiration of agreement in place when Plan was first certified as endangered. The agreement in place expires on May 31, 2014, so the bargaining parties must agree to a FIP no later than November 27, 2014.

Funding Improvement Plan Schedules

The FIP adopted by the Trustees consist of two schedules; a preferred schedule and a default schedule which will be imposed, as required by PPA, if the bargaining parties cannot agree on the implementation of the preferred schedule within the required time frame.

The ***preferred schedule*** includes increased contribution rates and reduced future benefit accrual rates pursuant to the following schedule:

1. The total hourly contribution rate will increase to:
 - (a) \$12.09 by no later than 3/1/13,
 - (b) \$12.84 by no later than 6/1/13,
 - (c) \$13.34 by no later than 12/1/13.
2. The benefit accrual rate will decrease from 4.25% to 2.25% of total nonforfeitable contributions made to the Plan on the Participant's behalf (construed to be not in excess of \$3.45 per hour) by the Contributing Employers on and after March 1, 2013.

The ***default schedule*** includes the following:

The benefit accrual rate will decrease from 4.25% to 2.25% of total nonforfeitable contributions made to the Plan on the Participant's behalf (construed to be not in excess of \$3.45 per hour) by the Contributing Employers between March 1, 2013

and the default plan's implementation date, and to 1.25% of those contributions made on and after the default plan's implementation date.

A FIP must also include **annual benchmarks** that must be met to indicate satisfactory progress is being made toward a return to healthy status. When the Plan was first certified as being seriously endangered, its funded ratio was 73.8%, which means it was underfunded by 26.2%. One third of this underfunding, or 8.8%, must be eliminated by the end of the Funding Improvement Period on June 30, 2024. This requirement will be met if the Plan's funded ratio is at least 82.6% at that time.

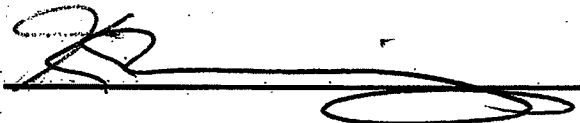
Modifications

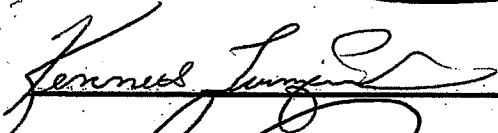
The Board of Trustees of the Northern Illinois Pension Fund reserves the right to make modifications to this Funding Improvement Plan that may be required under PPA.

This Funding Improvement Plan was adopted by the Trustees of the Northern Illinois Pension Fund at its regular meeting on March 28, 2013.

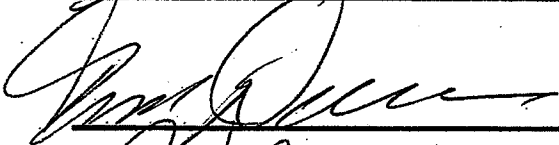
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