

DuPage County Cement Masons' Pension Plan (502(B))

NOTICE OF PLAN STATUS

August 21, 2012

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. The Act implemented several safeguards as well as notification requirements to share more information about a plan's "financial health" with participants and others directly related to the plan.

Many of the Act'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 funding problems to ensure that plans are able to pay benefits to participants and beneficiaries when due.

Starting with the 2008 plan year, the Act requires that a pension plan be tested annually to determine how well it is funded. Benchmarks for measuring a plan's funding level, with formal labels, were established by the Act. 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.

Fund's Status – Red Zone

On August 3, 2012, the DuPage County Cement Masons' Pension Plan (502(B)) (the "Plan") was certified by its actuary that the Fund is in critical status (also known as the "Red Zone") for the plan year beginning July 1, 2012. This is based on the actuary's determination that the Fund is projected to have a funding deficiency within four years. This means that contributions, coupled with likely investment earnings (losses), are not expected to be high enough to meet government standards for funding both current and future benefits. Despite this, the Fund does not have any immediate problem paying benefits to current pensioners and beneficiaries under the Plan. As of July 1, 2012, the Plan has estimated assets that were more than 9 times the projected benefits for the coming year.

Rehabilitation Plan

Federal law requires that a plan in critical status adopt a "Rehabilitation Plan" aimed at restoring the financial health of the plan. To comply with the law, the Fund's Trustees must adopt a Rehabilitation Plan. Employers and unions will be notified of the items that will need to be covered in new or renewed collective bargaining agreements after the Rehabilitation Plan is adopted. Until the Rehabilitation Plan is implemented, benefits and contributions will be governed by the existing collective bargaining agreements and the current terms and conditions of the Plan. Accordingly, major changes in benefits will not occur until the Rehabilitation Plan is adopted and implemented unless such benefits are designated by law as "adjustable benefits" discussed below. Potential surcharges may also apply to employers in order to correct funding deficiencies, as discussed on the following page.

The law permits pension plans in critical status to eliminate or change benefits called "adjustable benefits" as part of a Rehabilitation Plan. These include:

- Plan benefits, rights, and provisions, including pre and post-retirement death benefits (other than qualified joint and survivor annuities), disability benefits not yet in pay status, and similar benefits;
- Early retirement benefits or retirement-type subsidies;
- Special retirement lump sums; and
- Forms of payment subsidies.

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Benefits for pensioners and beneficiaries in pay status as of August 21, 2012 (the date of this notice) will not be affected. The Pension Protection Act prohibits the Fund from paying partial lump sum benefits while it is in the Red Zone. Therefore, the partial lump sum option will not be available to participants who retire and file their completed retirement application after August 21, 2012. (Note: The Supplemental Lump Sum Retirement Benefit will continue to be paid as a lump sum.) However, no benefit change will reduce a participant's accrued benefit payable under the Plan at normal retirement age. You will receive a separate notice identifying and explaining the effects of changes to the Plan's adjustable benefits.

In addition, the Individual Account (Annuity) Benefit Plan will be spun-on into a stand-alone defined contribution plan. It is anticipated the spin-off will be completed within the next five to six months. Until the Annuity Benefit Plan is spun-off and while the Fund is in the Red Zone, the Individual Account (Annuity) Benefit may not be payable in a lump sum, but will be converted to an actuarial equivalent life annuity or, for married participants, an actuarial equivalent 50% joint and survivor annuity. Once the spin-off is complete, the individual accounts may be payable as a lump sum at the participant's election.

Employer Surcharge

The law requires that all contributing employers pay a surcharge to a plan in critical status unless the contribution rate in the collective bargaining agreement matches with the amount required by the Rehabilitation Plan adopted by the Trustees. If a surcharge is assessed, it will be equal to a percentage of the amount an employer is required to contribute to the plan under the applicable collective bargaining agreement. With some exceptions, a 5% surcharge is applicable in the initial critical year and a 10% surcharge is applicable for each succeeding plan year thereafter in which the plan remains in critical status, until the employer agrees to a collective bargaining agreement that implements the Rehabilitation Plan. The 5% surcharge is payable on work performed on and after September 8, 2012 (30 days after the date of this notice), until June 30, 2013, and the 10% surcharge is payable with respect to periods after that. The surcharges are no longer payable after the bargaining parties negotiate a collective bargaining agreement consistent with the Rehabilitation Plan.

What's Next

We understand that legally required notices like this one can create concern about the Fund's future. While the "critical" status or "Red Zone" classification is required to be used by law, the fact is that we are working with our actuaries and consultants to continue to review the Fund's condition and address its issues. We will take the actions necessary to improve the Fund's financial condition. However, since the Fund is influenced by economic and financial variables beyond our control (such as market volatility and changes in participation and/or the number of contributing employers), unexpected developments can affect the Fund's status and any future corrective actions needed.

The Rehabilitation Plan and any benefit, contribution, or other plan provision changes (other than the statutorily required suspension of the partial lump sum option) will be communicated to all affected individuals and parties before any changes are made.

For more information about this notice or the Fund in general, please contact the Fund's Administrator, William H. Beeman at 739 South 25th Avenue, Bellwood, Illinois 60104.

Sincerely,
Board of Trustees

As required by law, this notice is being provided to the Pension Benefit Guaranty Corporation (PBGC) and the Department of Labor.