Local 734 Welfare Fund / Pension Fund

6643 NORTH NORTHWEST HIGHWAY • CHICAGO, ILLINOIS 60631-1360 • Tel.: 773-594-2810
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228

Date: August 2015

To: Local 734 Pension Plan Participants

From: Board of Trustees

Subject: Pension Plan Information

Enclosed with this memorandum are two notices that are required by Federal law:

1. The "Annual Funding Notice"
2. The "Notice of Critical and Declining Status"

The Local 734 Pension Plan was first in critical status in 2010 as a result of the market crash of 2008. As a result, the Trustees were required to develop a Rehabilitation Plan in order to improve the Plan's financial health. In October 2010, you were notified of the changes to the Pension Plan that were part of the Rehabilitation Plan. Another part of the Rehabilitation Plan required that each employer increase its required contributions to the Plan. These increases were to be shared by all of the employers that were contributing to the Plan at that time.

But in 2011, the largest contributing employer to the Plan, Hostess Brands, Inc. declared bankruptcy and did not pay its share of the benefits that have been earned by its former employees. This has and will continue to have an adverse impact on the Plan's health in future years.

These notices are similar to notices sent to you at this time of the year and are required by an act of Congress called the Pension Protection Act (PPA). The PPA requires pension plans to annually assess their health. The law requires plans that are not completely healthy to be labeled as "endangered" or "critical". Plans in these categories must take steps to improve their funding over time. An update to PPA was adopted in 2014 called the Multiemployer Pension Reform Act (MPRA). MPRA added a new category for plans that are expected to become insolvent within the next 15 (or in some cases, 20) years. Such plans are now considered to be in "critical and declining" status. The Local 734 Pension Plan is in critical and declining status for the 2015 Plan Year because it is expected to become insolvent within the next 20 years.

Under MPRA, a plan that is in critical and declining status is eligible to adopt certain reductions to accrued benefits (including benefits for certain participants already in payment status), subject to various requirements and limitations, in order to prevent insolvency. Before a plan can adopt a benefit suspension, it must be approved by the Department of Labor and the Pension Benefit Guaranty Corporation. It also must be ratified by a vote of plan participants and beneficiaries. If any benefit suspensions are proposed, you will receive a notice with additional information outlining how it will affect your benefit, if approved.

The Trustees, the Plan Administrator, and the Plan's professional service providers continue to work together to examine alternatives to put the Plan on a more stable long-term funding course. We will continue to keep participants informed of developments that affect the health of the Plan.

The Board of Trustees of the Local 734 Pension Plan

Brian Meidel
Chairman

Bob Cruice
Secretary

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228

NOTICE OF CRITICAL AND DECLINING STATUS
For the
LOCAL 734 PENSION PLAN

This is to inform you that on July 29, 2015 the plan actuary certified to the U.S. Department of the Treasury, and also to the plan sponsor, that the plan is in critical and declining status for the plan year beginning May 1, 2015. Federal law requires that you receive this notice.

Critical and Declining Status

The plan is considered to be in critical and declining status because it has funding or liquidity problems, or both. The plan was considered to be in critical status for the prior five plan years and the plan's actuary determined that the plan has not met the necessary tests to emerge from critical status. In particular, the Plan is projected to have an accumulated funding deficiency for the 2017 plan year, taking into consideration only those contributions that are included in current collective bargaining agreements. In addition, the Plan is projected to become insolvent within the next 20 years.

Rehabilitation Plan and Possibility of Reduction in Benefits

Federal law requires pension plans in critical status to adopt a rehabilitation plan aimed at restoring the financial health of the plan. On September 20, 2010, the Trustees adopted a rehabilitation plan. The law permits pension plans to reduce, or even eliminate, benefits called "adjustable benefits" as part of a rehabilitation plan. On August 27, 2010 you were notified that the Plan could reduce or eliminate adjustable benefits. In October 2010 you were notified of changes in plan benefits that were effective January 2, 2011. The rehabilitation plan was updated effective March 26, 2014. If the trustees of the plan determine that further benefit reductions are necessary, you will receive a separate notice in the future identifying and explaining the effect of those reductions. Any reduction of adjustable benefits (other than a repeal of a recent benefit increase, as described below) will not reduce the level of a participant's basic benefit payable at normal retirement. In addition, the reductions may only apply to participants and beneficiaries whose benefit commencement date is on or after August 27, 2010. Also effective as of August 27, 2010, the plan is not permitted to pay lump sum benefits (or any other payment in excess of the monthly amount paid under a single life annuity) while it is in critical or critical and declining status.

Adjustable Benefits

The plan offers the following adjustable benefits which may be reduced or eliminated as part of any rehabilitation plan the pension plan may adopt:

- ☐ Post-retirement death benefits;
- ☑ Thirty six month payment guarantees;
- ☑ Disability benefits (if not yet in pay status);
- ☑ Early retirement benefit or retirement-type subsidy;
- ☐ Benefit payment options other than a qualified joint-and survivor annuity (QJSA);
- ☐ Recent benefit increases (i.e., occurring in past 5 years);

Employer Surcharge

The law requires that all contributing employers pay to the plan a surcharge to help correct the plan's financial situation. The amount of the surcharge is equal to a percentage of the amount an employer is otherwise 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 is in critical status. Contributing employers can avoid the surcharge by adopting a collective bargaining agreement with contribution rates that comply with the rehabilitation plan.

Where to Get More Information

For more information about this Notice, you may contact the Board of Trustees, c/o Mr. Thomas Boehm, Plan Administrator, Local 734 Pension Plan, 6643 North Northwest Highway, Chicago, Illinois 60631, (773)-594-2810. You have a right to receive a copy of the rehabilitation plan from the plan.

August 2015

Local 734 Welfare Fund / Pension Fund

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ANNUAL FUNDING NOTICE

For

LOCAL 734 PENSION PLAN

Introduction

This notice includes important information about the funding status of your multiemployer pension plan ("the Plan"). It also includes general information about the benefit payments guaranteed by the Pension Benefit Guaranty Corporation ("PBGC"), a federal insurance agency. All traditional pension plans (called "defined benefit pension plans") must provide this notice every year regardless of their funding status. This notice does not mean that the Plan is terminating. It is provided for informational purposes and you are not required to respond in any way. This notice is required by federal law. This notice is for the plan year beginning May 1, 2014 and ending April 30, 2015 ("Plan Year").

How Well Funded Is Your Plan

The law requires the administrator of the Plan to tell you how well the Plan is funded, using a measure called the "funded percentage." The Plan divides its assets by its liabilities on the Valuation Date for the plan year to get this percentage. In general, the higher the percentage, the better funded the plan. The Plan's funded percentage for the Plan Year and each of the two preceding plan years is shown in the chart below. The chart also states the value of the Plan's assets and liabilities for the same period.

Funded Percentage			
	2014	2013	2012
Valuation Date	May 1, 2014	May 1, 2013	May 1, 2012
Funded Percentage*	69% 1/	83%	82%
Value of Assets*	$173,399,111	$178,738,757	$180,531,716
Value of Liabilities	$248,729,954	$214,948,734	$219,384,727

* Values reflect election of funding relief under the Preservation of Access to Care of Medicare Beneficiaries and Pension Relief Act of 2010.

1/ For the May 1, 2014 valuation, the Plan's actuary reduced the valuation interest rate from 7.75% per year to 7.00% per year. This had no impact on the value of assets, but it increased the value of liabilities, thereby reducing the Plan's funded percentage.

Year-End Fair Market Value of Assets

The asset values in the chart above are measured as of the Valuation Date for the plan year. They also are "actuarial values." Actuarial values differ from market values in that they do not fluctuate daily based on changes in the stock or other markets. Actuarial values smooth out those fluctuations and can allow for more predictable levels of future contributions. Despite the fluctuations, market values tend to show a clearer picture of a plan's funded status at a given point in time. The asset values in the chart below are market values and are measured on the last day of the Plan Year. The chart also includes the year-end market value of the Plan's assets for each of the two preceding plan years.

	4/30/2015	*4/30/2014*	*4/30/2013*	*4/30/2012*
Fair Market Value of Assets	$150,022,056	$155,405,448	$150,624,843	$150,443,097

Endangered, Critical, or Critical and Declining Status

Under federal pension law, a plan generally is in "endangered" status if the funded percentage is less than 80 percent. A plan is in "critical" status if the funded percentage is less than 65 percent (other factors may also apply). A plan is in "critical and declining" status if it is in critical status and is projected to become insolvent (run out of money to pay benefits) within 15 years (or within 20 years if a special rule applies). 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 or critical and declining status, the trustees of the plan are required to adopt a rehabilitation plan. Funding improvement and rehabilitation plans establish steps and benchmarks for pension plans to improve their funding status over a specified period of time. The plan sponsor of a plan in critical and declining status may apply for approval to amend the plan to reduce current and future payment obligations to participants and beneficiaries.

The Plan is in critical status in the Plan Year ending April 30, 2015 because:

a. The Plan was in critical status in the Plan Year ending April 30, 2014; and,
b. The Plan has not met the test to emerge from critical status (i.e., the Plan is expected to have a funding deficiency for the 2013 Plan Year or for any of the nine succeeding Plan Years).

In an effort to improve the Plan's funding situation, a rehabilitation plan was adopted by the Trustees in September 2010. In October 2010 you were notified of the changes in plan benefits that were effective January 2, 2011. The rehabilitation plan was updated effective March 26, 2014. If the trustees of the Plan determine that further benefit reductions are necessary, you will receive a separate notice in the future identifying and explaining the effect of those reductions. Any reduction of adjustable benefits will not reduce the level of a participant's basic benefit payable at normal retirement. You also may obtain a copy of the Plan's rehabilitation plan and the actuarial and financial data that demonstrate any action taken by the plan toward fiscal improvement by contacting the plan administrator.

For the Plan Year beginning May 1, 2015, the Plan is in critical and declining status. A separate notice of critical and declining status is included in this mailing.

Participant Information

The total number of participants and beneficiaries covered by the Plan on the valuation date was 3,567. Of this number, 865 were active participants, 1,604 were retired or separated from service and receiving benefits, and 1,098 were retired or separated from service and have a right to future benefits.

Funding & Investment Policies

Every pension plan must have a procedure for establishing a funding policy to carry out plan objectives. A funding policy relates to how much money is needed to pay promised benefits. The funding policy of the Plan is to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974 and comply with the provisions of the rehabilitation plan.

Pension plans also have investment policies. These generally are written guidelines or general instructions for making investment management decisions. The investment policy of the Plan is to invest in a diversified portfolio of assets that is designed to meet or exceed over the long term the assumed actuarial investment rate assumption while maintaining sufficient liquidity to pay Plan benefits and administrative expenses.

Under 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 preliminary, unaudited percentages of total assets:

Asset Allocations	Percentage
1. Cash (Interest bearing and non-interest-bearing)	6.96%
2. U.S. Government securities	3.35%
3. Corporate debt instruments (other than employer securities):	
Preferred	
All other	4.28%
4. Corporate stocks (other than employer securities):	
Preferred	
Common	39.41%
5. Partnership/joint venture interests	4.44%
6. Real estate (other than employer real property)	9.58%
7. Loans (other than to participants)	
8. Participant loans	
9. Value of interest in common/collective trusts	5.79%
10. Value of interest in pooled separate accounts	3.54%
11. Value of interest in master trust investment accounts	
12. Value of interest in 103-12 investment entities	
13. Value of interest in registered investment companies (e.g., mutual funds)	22.06%
14. Value of funds held in insurance co. general account (unallocated contracts)	
15. Employer-related investments:	
Employer Securities	
Employer real property	
16. Buildings and other property used in plan operation	
17. Other	0.59%

Events with Material Effect on Assets or Liabilities

By law, this Notice must contain a written explanation of new events that have a material effect on plan liabilities or assets. This is because such events can significantly impact the funding condition of a plan. An event is material if it, for example, is expected to increase or decrease Total Plan Assets or Plan Liabilities by five percent or more. For the plan year beginning May 1, 2015, there are no events that are expected to have a material effect on assets or liabilities.

Right to Request a Copy of the Annual Report

Pension plans must file annual reports with the US Department of Labor. The report is called the "Form 5500." These reports contain financial and other information about the plan. You may obtain an electronic copy of your Plan's annual report by going to www.efast.dol.gov and using the search tool. Annual reports also 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. Annual reports do not contain personal information, such as the amount of your accrued benefit. You may contact your plan administrator if you want information about your accrued benefits. Your plan administrator is identified below under "Where To Get More Information."

Summary of Rules Governing Insolvent Plans

Federal law has a number of special rules that apply to financially troubled multiemployer plans that become insolvent, either as ongoing plans or plans terminated by mass withdrawal. The plan administrator is required by law to include a summary of these rules in the annual funding notice. A plan is insolvent for a plan year if its available financial resources are not sufficient to pay benefits when due for that plan year. An insolvent plan must reduce benefit payments to the highest level that can be paid from the plan's available resources. If such resources are not enough to pay benefits at the level specified by law (see Benefit Payments Guaranteed by the PBGC, below), the plan must apply to the PBGC for financial assistance. The PBGC 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 notice of its status 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, including loss of a lump sum option.

Benefit Payments Guaranteed by the PBGC

The maximum benefit that the PBGC guarantees is set by law. Only benefits that you have earned a right to receive and that can not be forfeited (called vested benefits) are guaranteed. There are separate insurance programs with different benefit guarantees and other provisions for single-employer plans and multiemployer plans. Your Plan is covered by PBGC's multiemployer program. 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 $600, 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 ($600/10), which equals $60. The guaranteed amount for a $60 monthly accrual rate is equal to the sum of $11 plus $24.75 (.75 x $33), or $35.75. Thus, the participant's guaranteed monthly benefit is $357.50 ($35.75 x 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 x $9), or $17.75. Thus, the participant's guaranteed monthly benefit would be $177.50 ($17.75 x 10).

The PBGC guarantees pension benefits payable at normal retirement age and some early retirement benefits. In addition, the PBGC guarantees qualified preretirement survivor benefits (which are preretirement death benefits payable to the surviving spouse of a participant who dies before starting to receive benefit payments). 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 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.

For additional information about the PBGC and the pension insurance program guarantees, go to the Multiemployer Page on PBGC's website at www.pbgc.gov/multiemployer. Please contact your employer or plan administrator for specific information about your pension plan or pension benefit. PBGC does not have that information. See "Where to Get More Information" about your plan, below.

Where to Get More Information

For more information about this notice, you may contact:

Board of Trustees
c/o Mr. Thomas Boehm, Administrator
Local 734 Pension Plan
6643 North Northwest Highway
Chicago, Illinois 60631
(773)-594-2810

For identification purposes, the official plan number is 001 and the plan sponsor's employer identification number or "EIN" is 51-6040136.

For more information about the PBGC, go to PBGC's website, www.pbgc.gov.