



**PENSION TRUST FUND • WELFARE FUND • RETIREE WELFARE PLAN  
VACATION SAVINGS PLAN • RETIREMENT ENHANCEMENT FUND**

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**JAMES M. SWEENEY, CHAIRMAN / DAVID M. SNELTEN, SECRETARY-TREASURER**

July 2017

**Participants, Beneficiaries, Contributing Employers of the Midwest Operating Engineers Pension Trust Fund, and Participating Unions:**

To comply with the requirements of the Pension Protection Act (PPA), we are required to mail two notices on behalf of the Pension Plan:

1. The *Annual Funding Notice*. This detailed notice “looks back” and reports on the assets and liabilities of the Fund as of April 1, 2016. It also explains the legislation that has been put in place to protect funds like ours.
2. The 2017 *Notice of Plan Status* “looks forward” at the Plan’s status on April 1, 2017 and describes in general what a Funding Improvement Plan is and lets you know that the Trustees adopted one on January 8, 2013.

As you will read in these notices, The Board of Trustees of the Midwest Operating Engineers Pension Trust Fund remains committed to protecting the long-term financial stability of the Plan. Historically, our strategy has been to fund the Plan and invest its assets in a way that could weather most storms in the investment market without having to take corrective action, and to improve the Plan when we were in a position to do so. However, the 2008/2009 recession – the most severe economic downturn in recent memory – affected all pension plans, including ours.

You may notice on the Annual Funding Notice that the funded percentage of the Plan has dropped slightly during the 2015/16 Plan year. This level funded percentage is the result of the gradual recognition of the investment losses incurred in the Plan Years ended March 31, 2009, 2012 and 2016.

Even though we are certified in the Yellow Zone, we are confident that we can emerge from this financial position. Yellow Zone plans are required to take action to protect the Plan’s assets, and the Trustees have adopted a Funding Improvement Plan for the bargaining parties to negotiate.

The Plan is still strong, and we have every confidence that we will be able to continue to provide our participants with a robust benefit for years to come. We will continue to monitor the financial markets closely and manage the Plan in a manner that will help preserve its future health. Please take some time to review the enclosed notices. If you have any questions, contact the Administrative Manager at Midwest Operating Engineers Fringe Benefit Funds, 6150 Joliet Road, Countryside, Illinois 60525-3994.

Sincerely,

*The Board of Trustees*

Midwest Operating Engineers Pension Fund

## ANNUAL FUNDING NOTICE

For

### MIDWEST OPERATING ENGINEERS PENSION TRUST FUND

#### 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 April 1, 2016 and ending March 31, 2017 (“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.

<b>Funded Percentage</b>			
	2016/17 Plan Year	2015/16 Plan Year	2014/15 Plan Year
Valuation Date	<i>April 1, 2016</i>	<i>April 1, 2015</i>	<i>April 1, 2014</i>
Funded Percentage	74.6%	75.6%	76.6%
Value of Assets	\$3,739,387,225	\$3,710,224,485	\$3,636,880,996
Value of Liabilities	\$5,015,172,200	\$4,906,633,690	\$4,747,368,175

#### Year-End Fair Market Value of Assets

The asset values in the chart above are measured as of the Valuation Date. 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.

	<i>March 31, 2017</i>	<i>March 31, 2016</i>	<i>March 31, 2015</i>
Fair Market Value of Assets	\$3,694,053,945	\$3,404,797,011	\$3,464,076,540

Endangered, Critical, or Critical and Declining Status

Under federal pension law, a plan generally is in “endangered” status if its 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.

As of April 1, 2016, the Plan was in endangered status (that is, in the Yellow Zone) under the Pension Protection Act of 2006. The Trustees have taken a proactive approach to addressing the funding losses of 2008 and the decline in contribution hours through benefit changes and contribution rate increases.

The Funding Improvement Plan (FIP) was adopted on January 8, 2013. The Funding Improvement Period for the Plan is the 10-year period beginning April 1, 2014. The preferred schedule of the FIP includes a schedule of contribution increases on the effective renewal dates of the collective bargaining agreements in 2013 through 2020 and the corresponding increases in the supplemental contribution on October 1 of the same year. The default schedule freezes future accruals while the employers are not required to increase their contribution rate.

You may obtain a copy of the Plan’s FIP and the actuarial and financial data that demonstrate any action taken by the plan toward fiscal improvement by contacting the Administrative Manager.

Participant Information

The total number of participants and beneficiaries covered by the Plan on the valuation date was 28,603. Of this number, 12,378 were current employees, 10,501 were retired and receiving benefits, and 5,724 were retired or no longer working for the employer and have a right to future benefits.

Funding & Investment Policies

Every pension plan must have a procedure to establish a funding policy for plan objectives. A funding policy relates to how much money is needed to pay promised benefits. The funding policy of the Plan is the Plan is funded by contributions made by contributing employers pursuant to the terms of collective bargaining agreements, and other agreements, to which the contributing employers and unions representing Plan participants are signatory. Participant contributions are not permitted under the Plan and therefore are not a source of funding Plan benefits. The investment earnings on the contributions made to the Plan are also a source of funding.

Pension plans also have investment policies. These generally are written guidelines or general instructions given to the plan's fiduciaries for making investment management decisions. The investment policy of the Plan is to manage the investments of the Plan with the primary focus being preservation of capital. Emphasis will be placed on participation with the fixed income and equity broad market averages during times of rising markets and preservation of capital during periods of market contraction. Additionally, given the decision to seek out and retain investment managers, it is the Plan's desire to earn total returns (income plus capital gains) in excess of major indices of each asset class over a typical market cycle.

The portfolio will be rebalanced on a regular basis to bring the asset allocation of the Fund in line with the minimum and maximum ranges.

The performance objective of the Plan is to meet or exceed the Plan's actuarial interest rate assumption of 7.5% on a fiscal year basis over a rolling five-year period.

Secondarily, the performance objective of the Plan is to outperform the risk-adjusted return net of fees of a composite mix outlined below. This objective should be met over a market cycle, typically defined as a period not less than three years or more than five years.

- 25% Barclays Capital U.S. Aggregate (Fixed Income, Infrastructure)
- 33% Wilshire 5000 Index (US Equity)
- 20% MSCI ACWI ex US (International Equity)
- 12% NCREIF (Real Estate)
- 10% HFR Hedge Fund of Funds (Hedge Funds, Risk Parity, Defensive Equity)

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 percentages of total assets:

<b>Asset Allocations</b>	<b>Percentage</b>
1. Cash (Interest bearing and non-interest bearing)	0.7%
2. U.S. Government securities	6.8%
3. Corporate debt instruments (other than employer securities):	
Preferred	0.0%
All other	7.7%
4. Corporate stocks (other than employer securities):	
Preferred	0.0%
Common	10.7%
5. Partnership/ joint venture interests	20.1%
6. Real estate (other than employer real property)	0.0%
7. Loans (other than to participants)	0.0%
8. Participant loans	0.0%
9. Value of interest in common/ collective trusts	49.4%
10. Value of interest in pooled separate accounts	0.0%
11. Value of interest in 103-12 investment entities	0.0%
12. Value of interest in registered investment companies (e.g., mutual funds)	0.0%
13. Value of funds held in insurance co. general account (unallocated contracts)	4.6%
14. Employer-related investments:	
Employer Securities	0.0%
Employer real property	0.0%
15. Buildings and other property used in plan operation	0.0%
16. Other	0.0%

For information about the Plan's investment in any of the common/collective trusts, contact Mr. Thomas Bernstein, Administrative Manager at Midwest Operating Engineers Fringe Benefit Funds, 6150 Joliet Road, Countryside, Illinois 60525-3994 or call (708) 482-7300.

#### 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. You may obtain an electronic copy of your Plan's annual report by going to [www.efast.dol.gov](http://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 cannot 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  $\$24.75$  ( $.75 \times \$33$ ), 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 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 a 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](http://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" below.

#### Where to Get More Information

For more information about this notice, you may contact the individual below.

Mr. Thomas Bernstein  
Administrative Manager  
Midwest Operating Engineers Fringe Benefit Funds  
6150 Joliet Road  
Countryside, Illinois 60525-3994  
(708) 482-7300

For identification purposes, the official Plan number is 001 and the Plan sponsor's employer name and employer identification number or "EIN" is Trustees of the Midwest Operating Engineers Pension Trust Fund and 36-6140097.

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# **Midwest Operating Engineers Pension Trust Fund**

## **Notice of Plan Status**

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July 2017

### **Participants, Beneficiaries, Contributing Employers of the Midwest Operating Engineers Pension Trust Fund, and Participating Unions:**

The US Congress enacted the Pension Protection Act of 2006 (the “PPA” or the “Act”) and also the Multiemployer Pension Reform Act of 2014 (“MPRA”), in part, to improve the financial condition of pension plans by ensuring that pension plans have the assets necessary to fund pension benefits when participants retire. The PPA implemented several safeguards aimed at improving plan funding levels as well as notification requirements to share more information about a plan’s “financial health” with participants and others related to the plan.

Many of the Act’s safeguard provisions relate to funding, which, in simplest terms, is how much a pension plan has coming in, going out, and what is in reserve (or “in the bank”) to pay pension benefits in the future. These safeguards are intended to create more discipline in determining the funding strategy for pension benefits to prevent avoidable funding problems.

Starting with the 2008 Plan Year, the Act requires that pension plans be tested annually to determine how well they are funded. The Act established formal benchmarks for measuring a plan’s funding. Plans that are in the Yellow (“endangered” or “seriously endangered”) or Red (“critical” or “critical and declining”) Zones must notify all plan participants, unions, and contributing employers of the plan’s status, as well as take corrective action to restore the plan’s financial health.

PPA’s zone status rules were modified by MPRA, enacted on December 16, 2014. MPRA, among other changes, added a new zone status called “critical and declining”. Additional measures to improve funding shortfalls are available to “critical and declining” plans.

### **Plan’s Status – Yellow Zone**

For the Plan Year beginning April 1, 2017, the Pension Plan’s funded percentage is 74.1%, which is less than 80% funded. As a result, the Pension Plan was categorized as being in the Yellow (“endangered” status) Zone on June 29, 2017. The Pension Plan’s actuary provided this certification based on the Act’s funding measures.

### **Funding Improvement Plan**

Yellow Zone status is like an early warning to focus on correcting problems to head off more serious trouble. To comply with the Act, the Plan Sponsor adopted a Funding Improvement Plan on January 8, 2013, designed to improve the Pension Plan’s funded position. Employers and unions were notified of the items to be covered in new or renewed collective bargaining agreements after the Funding Improvement Plan was adopted.

### **What’s Next**

Since the Funding Improvement Plan was adopted, all necessary changes have been communicated to all affected individuals and/or parties. However please note that since the Pension Plan’s financial condition generally changes with changes in the economy, the Act requires that the Pension Plan’s funding status be reviewed and certified annually, which means that you will receive a notice like this each year until the Pension Plan is in the Green Zone.

We understand that legally required notices like this one can create concern about the Pension Plan’s future. While the “endangered” label is required to be used by law, the fact is that we have been working with our actuaries and consultants for some time now to address these issues. Please be aware that improving the Pension Plan’s funded status is a top priority and we are committed to taking any actions necessary to ensure your benefits will be there when you retire.

For more information about this Notice or the Pension Plan in general, contact the Administrative Manager at Midwest Operating Engineers Fringe Benefits Fund, 6150 Joliet Road, Countryside, Illinois 60525-3994.

Sincerely,

Board of Trustees

Midwest Operating Engineers Pension Trust Fund

*This Notice is being provided as required under the Pension Protection Act of 2006 and extended by the Multiemployer Pension Reform Act of 2014, which requires that certain information regarding the Plan’s funding status be disclosed to individuals and parties interested in the Plan. As required by law, this Notice is being provided to the Pension Benefit Guaranty Corporation (PBGC) and the Secretary of the Department of Labor.*

**MIDWEST OPERATING ENGINEERS  
FRINGE BENEFIT FUNDS**

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