

# Annual Funding Notice

## For the IAM National Pension Fund, National Pension Plan

### April 2011

### Introduction

This notice includes important funding information about your pension plan (“the Plan”). This notice also provides a summary of federal rules governing multiemployer plans in reorganization and insolvent plans and benefit payments guaranteed by the Pension Benefit Guaranty Corporation (PBGC), a federal agency. This notice is for the plan year beginning January 1, 2010 and ending December 31, 2010 (referred to hereafter as “plan year”).

### Funded Percentage

The funded percentage of a plan is a measure of how well that plan is funded. 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 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	2009	2008
<b>Valuation Date</b>	January 1	January 1	January 1
<b>Funded Percentage</b>	99.7%	90.9%	114.4%
<b>Value of Assets</b>	\$8,626,253,853	\$7,324,683,461	\$8,528,445,344
<b>Value of Liabilities</b>	\$8,652,983,487	\$8,060,640,607	\$7,457,795,317

### Fair Market Value of Assets

Asset values in the chart at left are actuarial values, not market values. Market values tend to show a clearer picture of a plan’s funded status as of a given point in time. However, because 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 fair market value of the Plan’s assets was \$8,337,014,255.
- As of December 31, 2009, the fair market value of the Plan’s assets was \$7,417,509,786.
- As of December 31, 2008, the fair market value of the Plan’s assets was \$6,105,133,764.

### Participant Information

The total number of participants in the Plan as of the Plan’s valuation date was 277,601. Of this number, 110,506 were active participants, 81,090 were retired or separated from service and receiving benefits, and 86,005 were retired or separated from service and entitled to future benefits.

### Funding and Investment Policies

The law requires that every pension plan have a procedure for establishing a funding policy to carry out the plan’s 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 funding policy of the Plan is that the Plan is funded by employer contributions made at levels and on terms negotiated by the unions and employers and set forth in collective bargaining agreements relating to the Plan. The Trustees provide information to the bargaining parties concerning the amounts needed to meet the legal funding requirements, based on information provided by the Plan’s actuary.

Once money is contributed to the Plan, the money is invested by plan officials called fiduciaries. 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 that are responsible for plan investments with guidelines or general instructions concerning various types or categories of investment management decisions.

The investment policy of the Plan is to increase assets through capital gains and income, while maintaining sufficient liquidity to meet benefit payments. The investment strategy is designed to ensure the prudent investment of assets in a manner that will provide real growth over time,

while protecting overall asset value from undue volatility or risk of loss. A moderate level of market risk is accepted and controlled through diversification of asset classes and of individual issues within asset classes, with the goal of producing a rate of return that exceeds specified benchmarks over periods of time. *Asset classes include public domestic equities, public foreign equities, public emerging market equities, private equity, real estate, natural resources, infrastructure, high yield, private/opportunistic debt, and investment grade bonds (nominal and TIPS).*

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:

Asset Allocations	Percentage
1. Interest-bearing cash	2.9%
2. U.S. government securities	2.56%
3. Corporate debt instruments (other than employer securities): • Preferred • All other	— 8.01%
4. Corporate stocks (other than employer securities): • Preferred • Common	— 33.39%
5. Partnership/joint venture interests	26.94%
6. Real estate (other than employer real property)	—
7. Loans (other than to participants)	—
8. Participant loans	—
9. Value of interest in common/collective trusts	21.46%
10. Value of interest in pooled separate accounts	—
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)	2.65%
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	0.01%
17. Other	2.08%

## Critical or Endangered Status

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 of time.

The Plan was not in endangered or critical status in the plan year.

## Right to Request a Copy of the Annual Report

A pension plan is required to file with the U.S. 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 U.S. 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.

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

The Pension Protection Act of 2006 requires the Plan to advise you of special rules that apply to financially troubled multiemployer plans, even if the Plan does not fit that description.

The IAM National Pension Fund, National Pension Plan is not financially troubled. However, for your information, the following rules will apply should the Plan become financially troubled.

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, page 4), 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 the 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 ( $\$500 \div 10$ ), which equals \$50. The guaranteed amount for a \$50 monthly accrual rate is equal to the sum of \$11 plus \$24.75 ( $0.75 \times \$33$ ), 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  $\$200 \div 10$ ). The guaranteed amount for a \$20 monthly accrual rate is equal to the sum of \$11 plus \$6.75 ( $0.75 \times \$9$ ), 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.

## For More Information

For more information about this notice, you may contact Mr. Alan Skolnick, Fund Director at 202-785-2658. The mailing address is IAM National Pension Fund, National Pension Plan, 1300 Connecticut Ave., NW, Suite 300, Washington, DC 20036-1703. The e-mail address is [Askolnick@iamnmpf.org](mailto:Askolnick@iamnmpf.org). For identification purposes, the official plan number is 002 and the plan sponsor's employer identification number, or "EIN," is 51-6031295. For more information about the PBGC and benefit guarantees, go to the PBGC's website, [www.pbgc.gov](http://www.pbgc.gov), or call the PBGC toll-free at 800-400-7242 (TTY/TDD users may call the Federal relay service toll free at 800-877-8339 and ask to be connected to 800-400-7242).



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