

## NOTICE OF ELECTION OF RELIEF UNDER THE PENSION RELIEF ACT OF 2010

This notice, which federal law requires, includes important information about the funding level of the Michigan Electrical Employees' Pension Fund ("Fund"), Plan Number 001, Employer Identification Number 38-6233977.

In 2006 the Pension Protection Act ("PPA") was enacted. Beginning with the 2008 Plan Year, that law requires the annual certification of the Plan's funding status as critical, endangered, seriously endangered or neither, generally referred to as red, yellow, orange or green, respectively. The Fund was certified green for the 2008 Plan Year, orange for the 2009 Plan Year and yellow for the 2010 Plan Year. The Fund has been certified green for the 2011 Plan Year as a result of adopting relief available under the *Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010* ("PRA").

On June 25, 2010, the PRA was signed into law. In part, Congress passed PRA to help pension plans like ours cope with the unprecedented stock market downturn in late 2008 and early 2009. Because the downturn affected our Fund, just as it did so many other funds, the Board of Trustees, upon the advice of its actuary, decided that the Fund would benefit from relief Congress made available under PRA. Therefore, at its meeting on February 14, 2011, the Board of Trustees elected to adopt relief available under the PRA.

### Relief Elected

The Board of Trustees elected the following relief available under PRA:

- Smooth the investment losses for the 2008 Plan Year over 10 years instead of 5 years – This provides further deferral, slowing the recognition of the 2008 Plan Year investment losses.

This reduces the level of response that the Board might be required to take otherwise, and helps the Fund to sustain another stock market downturn if it comes. The relief will decrease the amount of the required minimum contributions that may be taken into consideration in determining the appropriate contribution rates under collective bargaining agreements and is projected to help improve the zone status of current and future PPA certifications. **To summarize, the PRA relief adopted by the Board simply gives the Fund more time to recover from the 2008 stock market losses.**

### Eligibility for Relief

As a requirement of PRA to obtain relief, the Fund's actuary must certify that the Fund will not run out of money for the entire period impacted by the relief. The Fund's actuary has certified that the Fund is eligible to take this relief.

### Benefit Improvement Restriction

The PRA prevents any plan which elects relief from making any benefit improvements during plan year(s) in which the relief is applied and the two subsequent plan years, unless the improvements are paid out of additional contributions, and the funding level is reasonably expected to be at least as strong as it would have been if the benefit increase had not been adopted. However, the Fund's actuary advises that this restriction will expire for this Fund on December 31, 2011, and there was no likelihood that the Fund would have been able to make benefits improvements during the 2011 Plan Year without adopting the PRA relief. Therefore, the Board concluded that this restriction has no practical impact and should not prevent the Fund from taking advantage of the available relief.

### **Additional Information**

While the PRA relief elected does not reduce the loss experienced during the 2008 Plan Year, it will allow the Fund to account for it in a more affordable manner. There is no quick fix for the funding problems caused by the combination of the downturn of work in Michigan and the turbulence in the financial markets, but the relief taken together with the recent contribution increases have made it possible for the Fund to complete the requirements of the recently adopted Funding Improvement Plan and emerge from endangered status in the 2011 Plan Year, which is well ahead of the original expected date of December 31, 2024.

Projected future funding levels are based on a number of assumptions about future experience and may have to be adjusted if those assumptions are not met, but it may be possible for the Fund to maintain green status for a number of years into the future. Additional credited contribution rate increases of 7.5% in 2011, 2012 and 2013 are still expected to be required and may be greater if those assumptions are not met.

### **Questions**

Please direct any questions you may have to TIC International Corporation at 6525 Centurion Drive, Lansing, MI 48917-9275 or by telephone at (517) 321-7502.