

MICHIGAN ELECTRICAL EMPLOYEES' PENSION FUNDS

July 2007

To: ALL PLAN PARTICIPANTS AND ALTERNATE PAYEES OF THE
MICHIGAN ELECTRICAL EMPLOYEES' PENSION FUND

The following Important Notices and Annual Reports are for your review. These Notices and Reports are required to be mailed to each Plan Participant annually as provided by the Employee Retirement Income Security Act of 1974 (ERISA). If you have any questions, please contact your Local Union office or the Pension Department at the Fund Office.

CONTENTS

• Summary of Material Modifications	Page 1
• 2006 Summary Annual Report	Pages 2 - 3
• Annual Funding Notice	Pages 4 - 5
• Notice to Plan Participants approaching Normal Retirement Age	Page 6
• Notice to Retired Participants about the Suspension of Benefits	Page 7
• Social Security Number Privacy Policy	Page 8
• Notice of Your Responsibility to Keep Records	Page 8

SUMMARY OF MATERIAL MODIFICATIONS

This Notice, known as a Summary of Material Modifications ("SMM"), describes changes to the Plan adopted by the Trustees since the Summary Plan Description ("SPD") was issued in January 2005. It amends the SPD you previously received. You should keep this SMM with the SPD for future reference. The changes to the SPD are as follows:

- Effective January 1, 2006, the Future Service Crediting Formula will be 0.8% of Employer contributions for Hours of Work performed during Plan Years beginning on or after January 1, 2006. The Future Service Crediting Formula was 2.0% of Employer contributions for Hours of Work performed during Plan Years beginning on January 1, 2003, 2004 and 2005.
- As of this date, the members of the Board of Trustees for the Michigan Electrical Employees' Pension Fund are as follows:

Union Trustees:

Charles Marshall
Secretary
IBEW Local 948
1251 W. Hill Road
Flint, MI 48507-4735

Walter D. Christopherson
IBEW Local 275
140 N. 64th Avenue
Coopersville, MI 49404-1378

Robert C. Orr
IBEW Local 557
7303 Gratiot
Saginaw, MI 48609-6910

Thomas L. Ryder
IBEW Local 692
1300 W. Thomas Street
Bay City, MI 48706-3238

Management Trustees:

Paul Kelley
Chairman
Michigan Chapter, NECA
1025 North Washington Avenue
Lansing, MI 48906-4839

Robert K. Armstrong
R K Armstrong Electric
PO Box 587
Grand Blanc, MI 48480-0587

Chris Jones
Delta Electrical Contractors
of Lansing, Inc.
7808 Lanac Road
Lansing, MI 48917-9574

James Ranck
J. Ranck Electric, Inc.
1993 Gover Parkway
Mt. Pleasant, MI 48858

TO: PLAN PARTICIPANTS OF THE
MICHIGAN ELECTRICAL EMPLOYEES' PENSION FUND

RE: **2006 SUMMARY ANNUAL REPORT**

Dear Participant:

This is a summary of the Annual Report of the Michigan Electrical Employees' Pension Fund, Employer Identification Number 38-6233977, Plan No. 001, for the period of January 1, 2006 through December 31, 2006. The Annual Report has been filed with the Employee Benefits Security Administration, U.S. Department of Labor, as required under the Employee Retirement Income Security Act of 1974 (ERISA).

BASIC FINANCIAL STATEMENT

Benefits under the Plan are provided through a trust. Plan Expenses were \$22,408,883. These Expenses included \$1,896,282 in Administrative Expenses (*see Schedule A*) and \$20,512,601 in benefits paid to Participants and Beneficiaries. A total of 4,508 persons were Participants in or Beneficiaries of the Plan at the end of the Plan Year, although not all of these persons had yet earned the right to receive benefits.

The value of Plan Assets, after subtracting Liabilities of the Plan, was \$322,772,320 as of December 31, 2006, compared to \$300,878,203 as of January 1, 2006. During the Plan Year, the Plan experienced an increase in its Net Assets of \$21,894,117. This increase includes unrealized appreciation (depreciation) in the value of the Plan Assets; that is, the difference between the value of the Plan Assets at the end of the year and the value of the Assets at the beginning of the year or the cost of Assets acquired during the year. During the current Plan Year, the Plan had total income of \$44,303,000, including Employer Contributions of \$11,054,493, realized gains of \$1,615,996 from the sale of Assets, earnings from Investments of \$31,585,550 and other Income of \$46,961.

MINIMUM FUNDING STANDARDS

The Fund's Actuarial Valuation showed that enough money was contributed to the Plan to keep it funded in accordance with the minimum funding standards of ERISA.

YOUR RIGHTS TO ADDITIONAL INFORMATION

You have a right to receive a copy of the full Annual Report or any part thereof, on request. The items listed below are included in that Report:

1. An Accountant's report;
2. Financial information and information on payments to service providers;
3. Assets held for investment;
4. Transactions in excess of five percent of Plan Assets;
5. Information regarding any common or collective trusts, pooled separate accounts, master trusts or 103-12 investment entities in which the Plan participates; and
6. Actuarial information regarding the funding of the Plan.

To obtain a copy of the full Annual Report, or any part thereof, write the office of the Board of Trustees, Michigan Electrical Employees' Pension Fund, 6525 Centurion Drive, Lansing, Michigan 48917-9275, or call (517) 321-7502. The charge to cover copying costs will be \$12.00 for the full Annual Report or 25 cents per page for any part thereof.

You also have the right to receive from the Plan's Administrative Manager, on request and at no charge, a statement of the Assets and Liabilities of the Plan and accompanying notes, or a statement of Income and Expenses of the Plan and accompanying notes, or both. If you request a copy of the full annual report from the Plan's Administrative Manager, these two statements and accompanying notes will be included as part of that Report. There is no charge for these two portions of the Annual Report.

You also have the legally protected right to examine the Annual Report at the main office of the Plan (Board of Trustees, Michigan Electrical Employees' Pension Fund, 6525 Centurion Drive, Lansing, MI 48917-9275), at any other location where the report is available for examination, and at the U.S. Department of Labor in Washington, D.C., or to obtain a copy from the U.S. Department of Labor upon payment of copying costs. Requests to the Department should be addressed to: Public Disclosure Room, N-1513, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington, DC 20210.

Sincerely,

Board of Trustees
Michigan Electrical Employees' Pension Fund

*Schedule A: **Administrative Expenses***

Investment advisory and management fees	\$1,346,254	Trustee and fiduciary liability	
Administrative manager's fees*	210,969	insurance and bonding	27,787
Legal fees	41,164	Participant notices	18,045
Printing and miscellaneous	39,289	Conference and meetings	16,700
Payroll audit fees	36,574	Annual Audit fee	15,300
Legal – collection fees	35,459	Bank Service charges	13,200
Actuarial fees	33,994	Postage	13,192
Premiums paid to Pension Benefit Guaranty Corporation	32,163	Summary annual report costs	8,520
		Member communications	3,997
		Education and affiliation dues	<u>3,675</u>
		TOTAL EXPENSES	\$1,896,282

* Includes rent, equipment, staffing, postage, computer services

ANNUAL FUNDING NOTICE FOR MICHIGAN ELECTRICAL EMPLOYEES' PENSION FUND

INTRODUCTION

This notice, which federal law requires all multiemployer plans to send annually, includes important information about the funding level of the Michigan Electrical Employees' Pension Fund, Plan Number 001, Employer Identification Number 38-6233977 (Plan). This notice also includes information about rules governing insolvent plans and benefit payments beginning January 1, 2006 and ending December 31, 2006 (Plan Year).

PLAN'S FUNDING LEVEL

The Plan's "funded current liability percentage" for the Plan Year was 70.20%. In general, the higher the percentage, the better funded the plan. The funded current liability percentage, however, is not indicative of how well a plan will be funded in the future or if it terminates. When this percentage will increase or decrease over time depends on a number of factors, including how the plan's investments perform, what assumptions the plan makes about rates of return, when employer contributions to the fund increase or decline, and whether benefit payments from the fund increase or decline.

PLAN'S FINANCIAL INFORMATION

The market value of the Plan's assets as of January 1, 2006 was \$300,878,203. The total amount of benefits payments for the Plan Year was \$20,512,601. The ratio of assets to benefit payments is 14.67. This ratio suggests that the Plan's assets could provide for approximately 14.67 years of benefit payments in annual amounts equal to what was paid out in the Plan Year. However, the ratio does not take into account future changes in total benefit payments or Plan assets.

RULES GOVERNING INSOLVENT PLANS

Federal law has a number of special rules that apply to financially troubled multiemployer plan. 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 The Benefit Payments Guaranteed by the PBGC, below), 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 benefit 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 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 ($\$500/10$), which equals \$50. The guaranteed amount for a \$50 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 ($\35.75×10).

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 ($.75 \times \$9$), or \$17.75. Thus, the participant's guaranteed monthly benefit would be \$177.50 ($\17.75×10).

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. 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.

WHERE TO GET MORE INFORMATION

For more information about this notice, you may contact the Board of Trustees of the Michigan Electrical Employees' Pension Fund at (517) 321-7502 or 6525 Centurion Drive, Lansing, MI 48917-9275. For more information about the PBGC and multiemployer benefit guarantees, go to PBGC's website, www.pbgc.gov or call PBGC toll-free at 1-800-400-7242 (TTY/TDD users may call the Federal relay service toll free at 1-800-877-8339 and ask to be connected to 1-800-400-7242).

ADDITIONAL EXPLANATION

Frequently Asked Questions:

Q1 Why did I receive this notice? Does it mean our Pension Fund is in trouble?

A1 New government rules require the Pension Fund to issue you this notice; our Pension Fund is not in trouble. The content and wording of this notice have been mandated by the government. All multiemployer pension funds are now required to issue similar notices annually.

Q2 This notice says the "funded current liability percentage" for the Plan Year was 70.20%. What does this mean?

A2 The calculation required by this notice compares the cost of providing promised benefits versus the current value of the assets held by the Pension Fund. This figure, called "funded current liability percentage," assumes the Fund's investments will have a rate of return similar to that of bonds. As of January 1, 2006, that rate was 5.77%.

Because the Fund holds a mix of stocks and bonds, it has historically generated investment returns in excess of 5.77%. For its own long-term planning purposes, the Fund assumes annual investment returns of 7.50%. Using an investment return assumption of 7.50%, the funded percentage is 86.31%.

Q3 The notice says, "This ratio suggests that the Plan's assets could provide for approximately 14.67 years of benefit payments..." Does this mean the Fund will run out of money in 14.67 years?

A3 No. The calculation required for the notice does not recognize future contributions or investment income. The Trustees intend that the Fund continue indefinitely.

TO: PLAN PARTICIPANTS APPROACHING THE NORMAL RETIREMENT AGE

RE: MICHIGAN ELECTRICAL EMPLOYEES' PENSION FUND

Dear Plan Participant:

This notice applies only to a Plan Participant who does **NOT** elect to retire at his normal retirement age (65 or later if his participation commenced less than 5 years before age 65) and who may choose to continue working.

If you continue to work after reaching your normal retirement age, the Plan's Suspension of Benefits Provision will be applied even though you have not actually retired.

Under the Suspension of Benefits Provision, no benefits are payable for any month in which you work 40 hours or more in the same industry, same trade or craft, and within the State of Michigan, or within the jurisdiction of any Local Union of the I.B.E.W. having any jurisdiction within the State of Michigan, including I.B.E.W. Locals 8 (Toledo), 153 (South Bend), 158 (Green Bay), and 219 (Iron Mountain). The Suspension of Benefits Provision is applicable until the April 1st following the calendar year in which you reach age 70 ½. Thereafter, you may both work and receive your monthly pension.

If you continue to work after reaching your normal retirement age, but work less than 40 hours per month **or** if you do not work at all after your normal retirement age but before you apply for and begin receiving benefits, no pension benefits will be paid to you. However, when you do retire, you may be entitled to additional benefits based on those months between your normal retirement age and your actual date of retirement if you did not work at least 40 hours in the same industry, same trade or craft, and within the State of Michigan, or within the jurisdiction of any Local Union of the I.B.E.W. having any jurisdiction with the State of Michigan, including I.B.E.W. Locals 8 (Toledo), 153 (South Bend), 158 (Green Bay), and 219 (Iron Mountain).

Be assured that application of the Suspension of Benefits Provision while you are working after reaching your normal retirement age will in no way affect your current vesting or benefit accrual status under the Plan. When a participant who continued to work after his normal retirement age decides to actually retire, his normal retirement benefit will be determined in accordance with the regular Plan Provisions.

If you disagree with how the Suspension of Benefits Provision is being applied to your particular case, you have the right to appeal to the Board of Trustees. The Appeal Procedure is set forth in the Summary Plan Description.

If you have any questions about how the Suspension of Benefits Provision will be applied to your employment situation, be sure to contact the Pension Department at the Fund Office before continuing to work beyond your normal retirement age.

Sincerely,

Board of Trustees
Michigan Electrical Employees' Pension Fund

TO: RETIRED PARTICIPANTS OF THE
MICHIGAN ELECTRICAL EMPLOYEES' PENSION FUND

RE: **NOTICE REGARDING THE PENSION PLAN'S SUSPENSION
OF PENSION BENEFITS (RETURN TO WORK) PROVISION**

Dear Retired Participant:

This is to remind you of the Plan's provision on Suspension of Pension Benefits, which applies to Retirees who return to work at the Trade. Under these provisions, Pension Benefits being paid to you may be suspended if **ALL** of the following conditions are met:

1. You work **40** or more hours during any given month (or during the payroll periods falling within that month); and
2. The work is in the same industry as the type of business activity engaged in by Employers who contribute to the Plan even though your employer may not be a contributing Employer (e.g., a non-union employer); and
3. The work is at the same trade or craft in which you were working when you earned benefits under the Plan (self-employed work, as well as supervisory and managerial work, can be considered a return to work at the trade or craft if you are using the same skill or skills you acquired while you were accruing credit under the Plan); and
4. The work is performed within the State of Michigan, or within the jurisdiction of any Local Union of the I.B.E.W. having jurisdiction within the State of Michigan, including I.B.E.W. Local 8 (Toledo), 153 (South Bend), 158 (Green Bay), and 219 (Iron Mountain).

This suspension is applicable until the April 1st following the calendar year in which you reach age 70 ½. Thereafter, then you may both work and receive your monthly pension.

Under this provision of the Plan, **you are required** to notify the Pension Department at the Fund Office immediately if you return to work in any capacity, regardless of whether you return to work for a non-contributing employer (e.g., non-union) or in a self-employed capacity. Failure to notify the Pension Department in a timely manner of a return to work may subject you to possible suspension of your current and/or future Pension Benefits.

Sincerely,

Board of Trustees
Michigan Electrical Employees' Pension Fund

SOCIAL SECURITY NUMBER PRIVACY POLICY

(Effective January 1, 2006)

The Michigan Electrical Employees' Pension Fund is required by Michigan law to make sure that your Social Security number and the Social Security numbers of your family members are kept private as set forth in that law.

The law permits the Fund to use Social Security numbers to verify your identity and the identities of your family members and to perform other functions related to providing retirement benefits under the Fund's Plan. Therefore, the Fund will continue to require Social Security numbers on application and other forms. When your employer pays contributions on your behalf, the law permits your employer to provide the Fund with your Social Security number so that the Fund may determine your eligibility status. The law also permits the Fund to use Social Security numbers when authorized or required to do so by state or federal statute, by court order, or pursuant to legal discovery or process. The Fund will ensure to the extent practicable the confidentiality of those Social Security numbers.

In order to protect your privacy and in compliance with the law, the Fund's third-party administrator, TIC International Corporation ("TIC"), will use alternate identification numbers wherever feasible, including on monthly notices of contributions. TIC does not print Social Security numbers on the exterior of any envelope or package sent through the mail or in a manner that can be seen from the exterior of such envelope or package. The Fund's website is secure and permits participants to access information through use of a password other than their Social Security number.

Only TIC's employees and agents and employees and agents other Fund service providers may access the Social Security numbers of Fund participants and family members and only as necessary to provide services to the Fund. TIC uses practical means to limit access to written and electronic records in its possession that contain Social Security numbers to those employees and agents whose job duties require such access, such as securing areas where Social Security number information is located when not in use and requiring the use of passwords for access to electronic files containing Social Security numbers. TIC disposes of documents that contain Social Security numbers that the Fund is not actively using or is not otherwise obligated to retain by shredding and other processes that protect the confidentiality of the Social Security numbers. TIC's employees and agents must not disclose Social Security numbers by publicly displaying more than four sequential digits of a Social Security number or in any other manner prohibited by law.

The Fund notifies all service providers that they must ensure, to the extent practicable, the confidentiality of all Social Security numbers related to Fund participants and their families as required by law. The Fund may take action regarding service providers who fail to protect adequately the confidentiality of those Social Security numbers, including the termination of contracts.

NOTICE OF YOUR RESPONSIBILITY TO KEEP RECORDS

The Fund has set up an Employer audit and collection program to make sure that your Employers pay the pension contributions owed to the Fund for your Hours of Work. But, it is your responsibility to keep records of your employment, including the names of your Employers, your pay stubs, and other information that proves you worked and for how many hours, so that if one of your Employers fails to pay the required contributions or keep records of your work, the Fund will have the information necessary to grant you the Years of Service and benefits to which you are entitled.