

## NOTICE OF CRITICAL STATUS

This is to inform you that on March 20, 2017, the Fund's Actuary certified that if no further action was taken the Plan would be in Critical Status for the Plan Year beginning January 1, 2022. Because the Plan is projected to be in Critical Status within the succeeding five Plan Years, the Michigan Electrical Employees' Pension Fund's Board of Trustees elected, under the Multiemployer Pension Reform Act ("MPRA"), to be in Critical Status for the Plan Year beginning January 1, 2017. Federal law requires that you receive this notice.

### Critical Status

The Plan is considered to be in Critical Status because it has funding or liquidity problems, or both. More specifically, the Fund's Actuary determined that, if no further action was taken the Plan would be in Critical Status for the Plan Year beginning January 1, 2022 because an accumulated funding deficiency (not recognizing any amortization extensions) would occur for the Plan Year ending December 31, 2025. Accordingly, in order to avoid the need for greater benefit reductions and contribution increases at that time, the Board of Trustees elected to be in critical status beginning January 1, 2017 and take more measured steps today to improve the funding of the Plan.

### 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. The law permits pension plans to reduce, or even eliminate, benefits called "adjustable benefits" as part of a Rehabilitation Plan. If the Trustees of the Plan determine that benefit reductions are necessary, you will receive a separate notice 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 age.* In addition, the reductions may only apply to participants and beneficiaries whose benefit commencement date is on or after April 1, 2017. But you should know that whether or not the Plan reduces adjustable benefits in the future, effective as of April 1, 2017, 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 status.

### Adjustable Benefits

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

- Certain Pre and Post-Retirement Death Benefits;
- Disability Benefits (if not yet in pay status);
- Early Retirement Benefits or retirement-type subsidy and supplement;
- Benefit payment options other than a qualified joint and survivor annuity (QJSA).

### Employer Surcharge

The law requires that all contributing employers pay a surcharge to the Plan to help correct the Plan's financial situation if the Rehabilitation Plan is not timely adopted. The amount of the surcharge is equal to a percentage of the amount the 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 Plan Year in which the Plan is in critical status. *The Board of Trustees and the Bargaining Parties have taken action to timely adopt a Rehabilitation Plan and avoid the imposition of surcharges.*

### 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, Michigan, 48917-9275. You have a right to receive a copy of the Rehabilitation Plan.