Northern California Electrical Workers Pension Plan

Pension Plan Overview

April 8, 2010

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Topics

- Summary of January 16, 2009 Meeting
  - Including changes since meeting
- Plan Demographics
- Overview of Current Plan Status
- Legislative Update

Summary of January 16, 2009 Meeting

At The Last Meeting…

- The Pension Protection Act ("PPA") required multiemployer plans to classify a Status each year, beginning in 2008.
- The Plan was in "Safe" Status for 2008.
- Stock Market returns in 2008 were the lowest in over 70 years.
- The fund lost approximately 29% in 2008.
- The Plan was in projected to be in "Critical" Status for 2009.

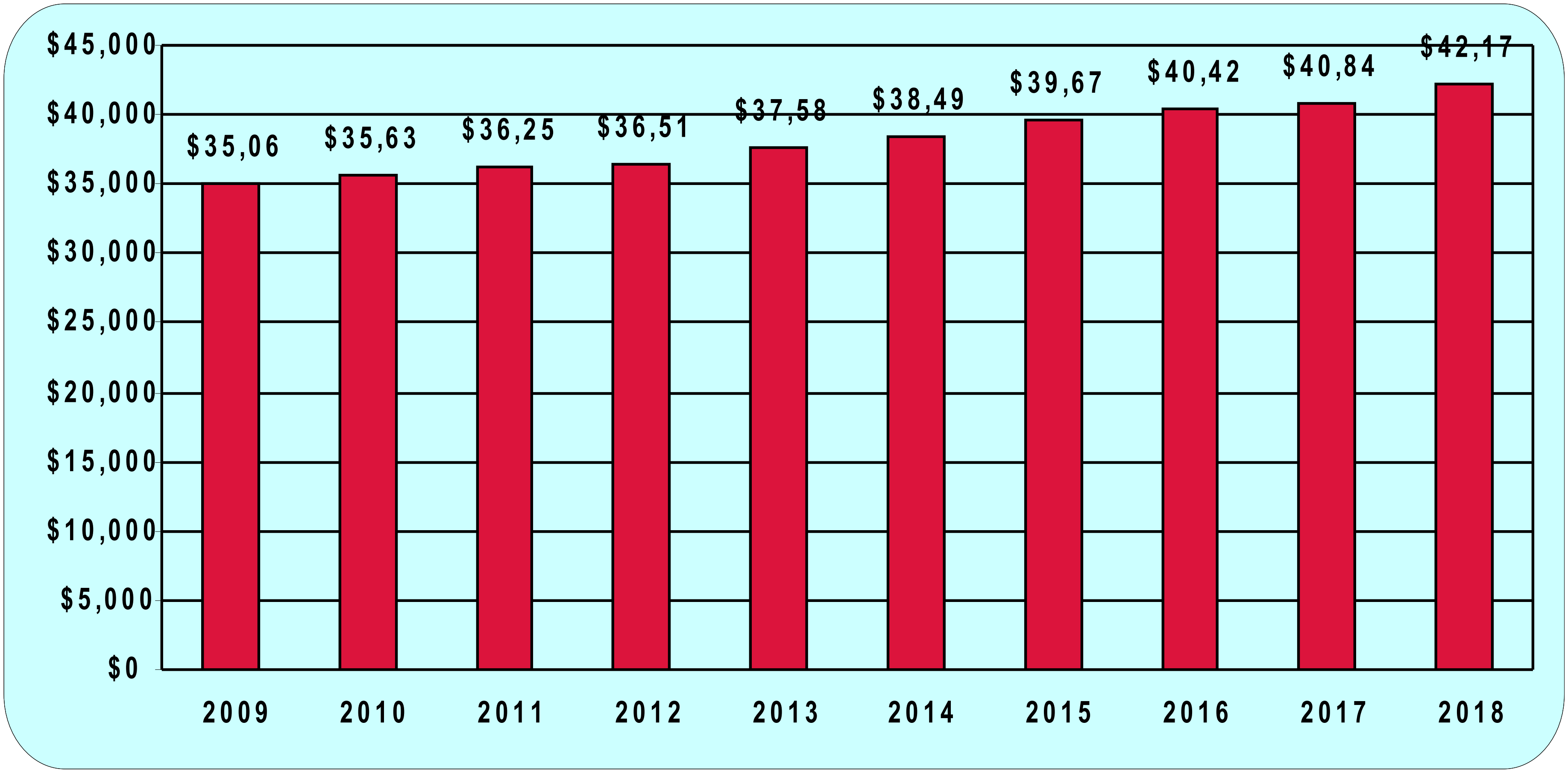
Changes

- Trustees agreed to assumption and method changes in actuarial valuation designed to reduce required costs and improve credit balance projection.
  - Credit balance is equal to actual contributions received by plan to minimum contribution under ERISA as calculated by plan actuary.
  - A negative credit balance is called a “funding deficiency”.
- With these changes, the Plan was in projected to be in “Endangered” Status for 2009.
- The Worker, Retiree, and Employer Recovery Act (WRERA), enacted at the end of 2008, permitted the Plan to elect to retain its 2008 Status (“Safe”) for 2009.

Plan Demographics

NCEW Projected Benefit Payments

(in thousands)



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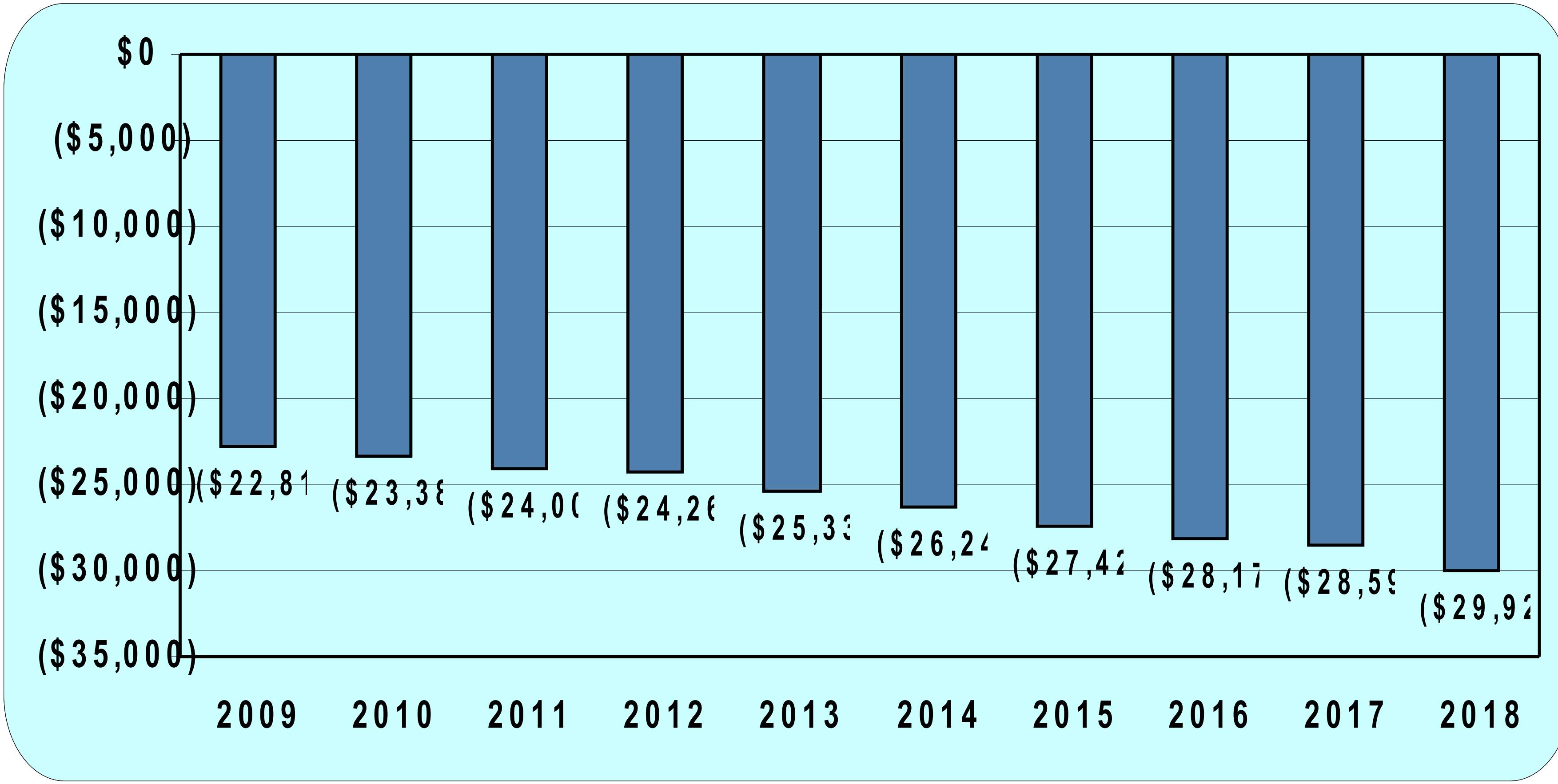
NCEW Projected Cash Flow

(in thousands)



Cash Flow = Net Contributions – Benefit Payments – Administrative Expenses

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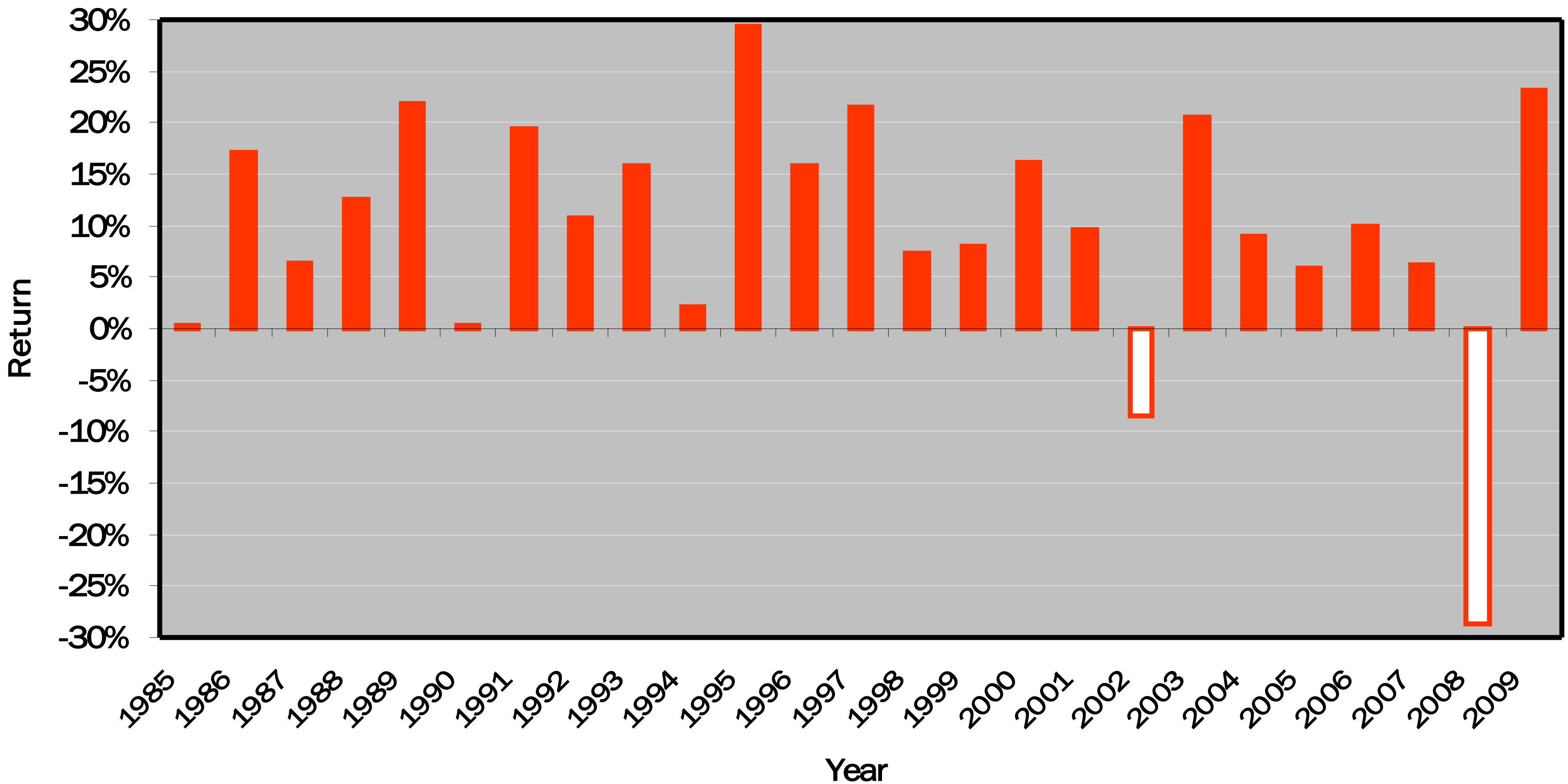
NCEW Investment Return 1985-2009



2009 return is estimated pending completion of annual audit.

Average Annual Return 1985-2009 = 10.1%

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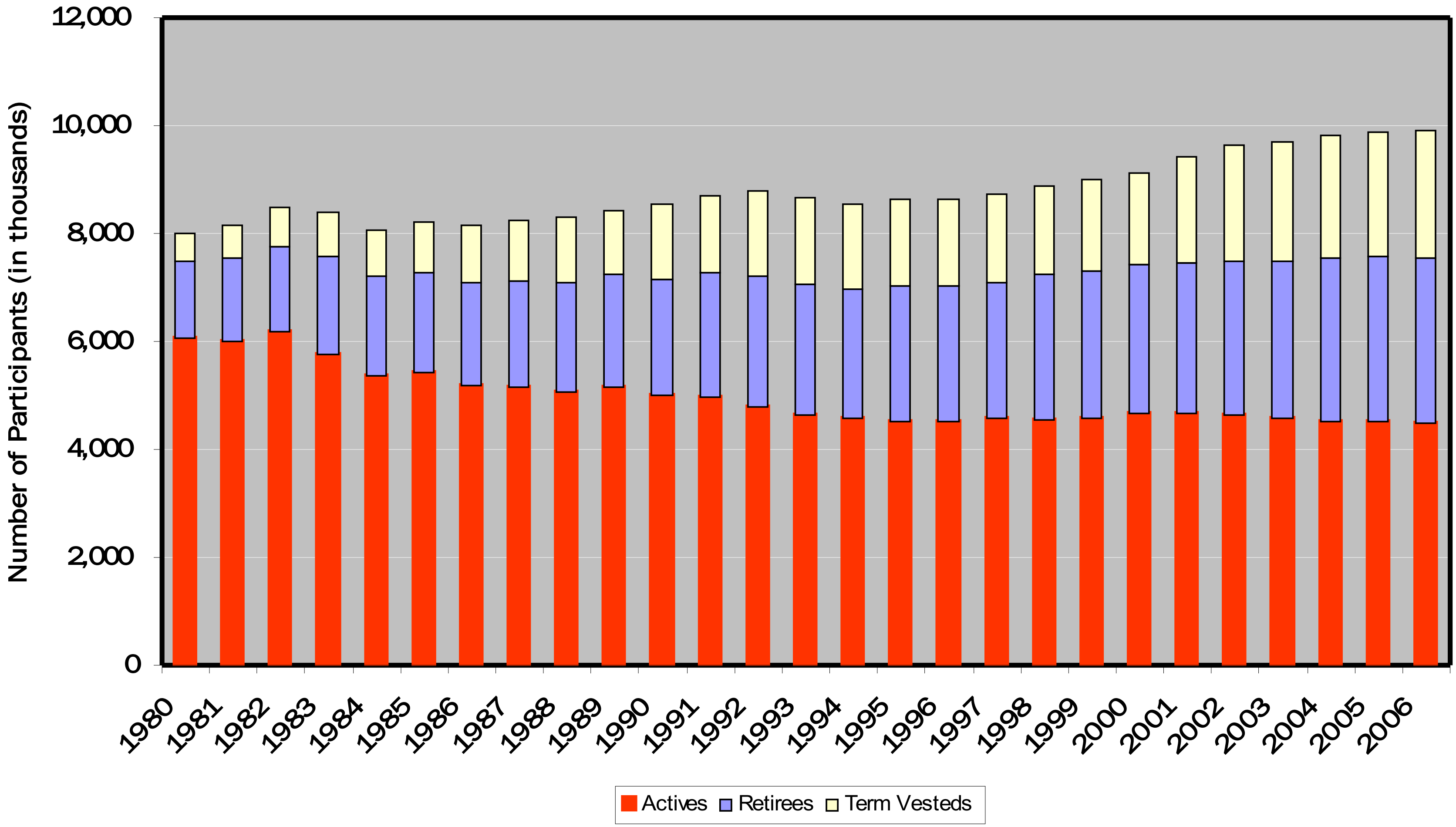
Demographic Changes

Actives vs. Inactives in PBGC Multiemployer Plans



Approximate Ratio of Actives to Inactives = 83%

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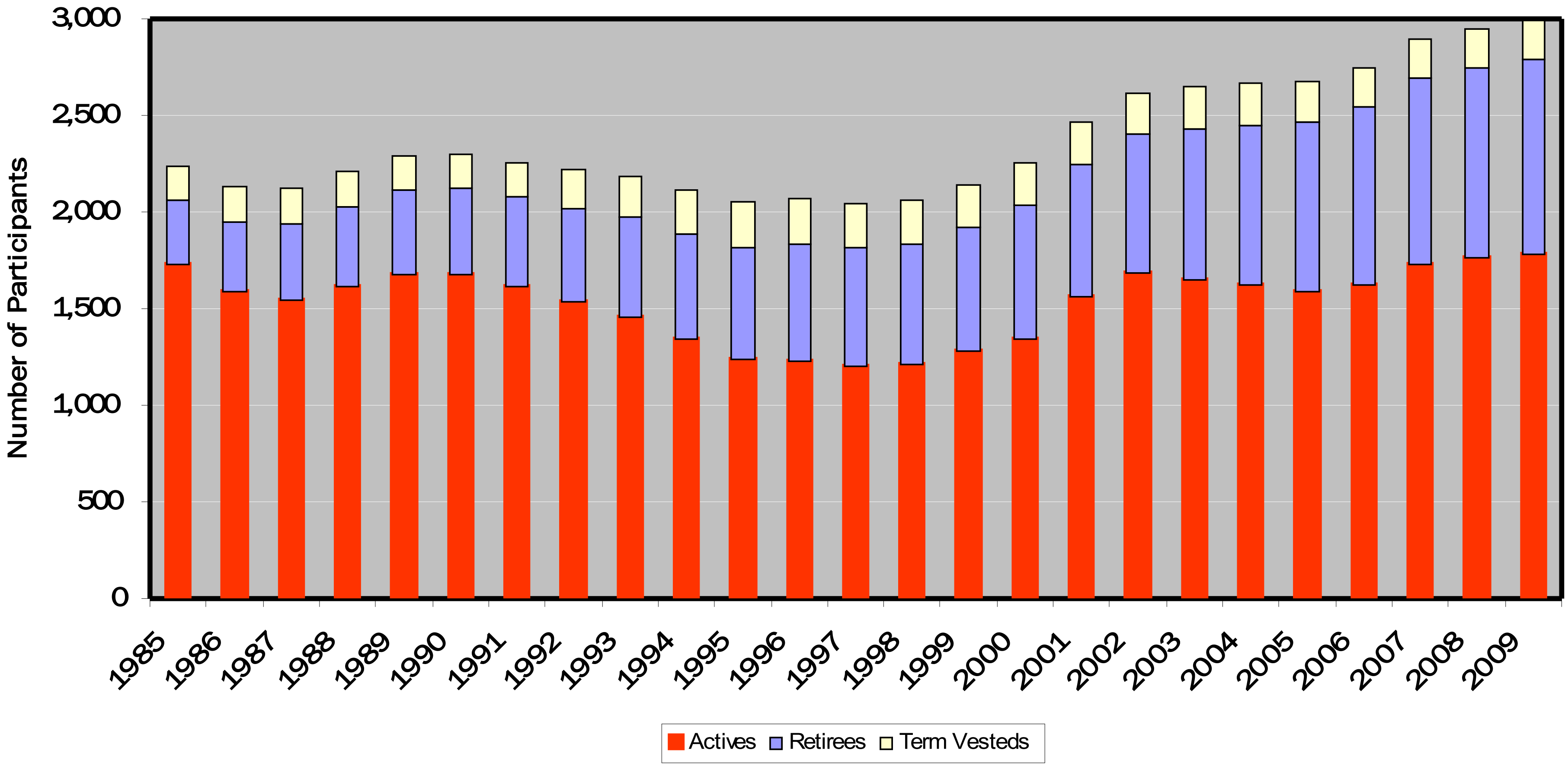
NCEW Pension Plan Demographics



Approximate Ratio of Actives to Inactives = 148%

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Overview of Plan Status (PPA)

Criteria for PPA Critical Classification

- Funding ratio less than 65% and projected minimum funding deficiency within 5 years, or
- Funding ratio less than 65% and plan assets expected to run out in 7 years, or
- Projected minimum funding deficiency within 4 years, or
- Plan assets expected to run out in 5 years, or
- Liability for inactives > actives, contributions less than normal cost plus interest on unfunded liability, and projected minimum funding deficiency within 5 years.

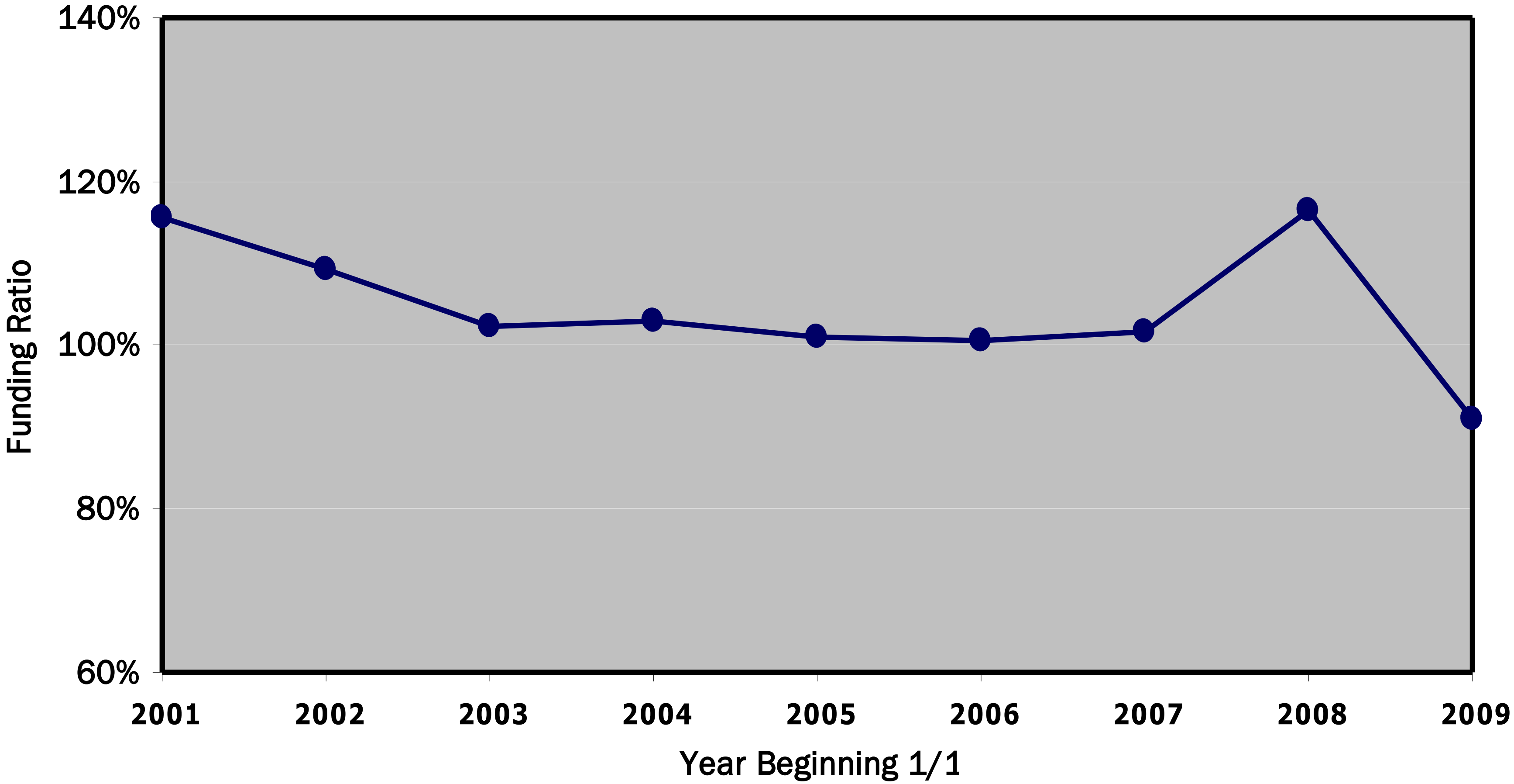
Criteria for PPA Endangered Classification

- Funding ratio less than 80%, or
- Projected minimum funding deficiency within 7 years.
- If both criteria are met, the plan is Seriously Endangered.

Criteria for PPA “Safe” Classification

- Any plan that is neither Critical nor Endangered.
- The NCEW Plan was certified as “Safe” for 2008 and 2009.

NCEW Pension Plan Funding Ratio



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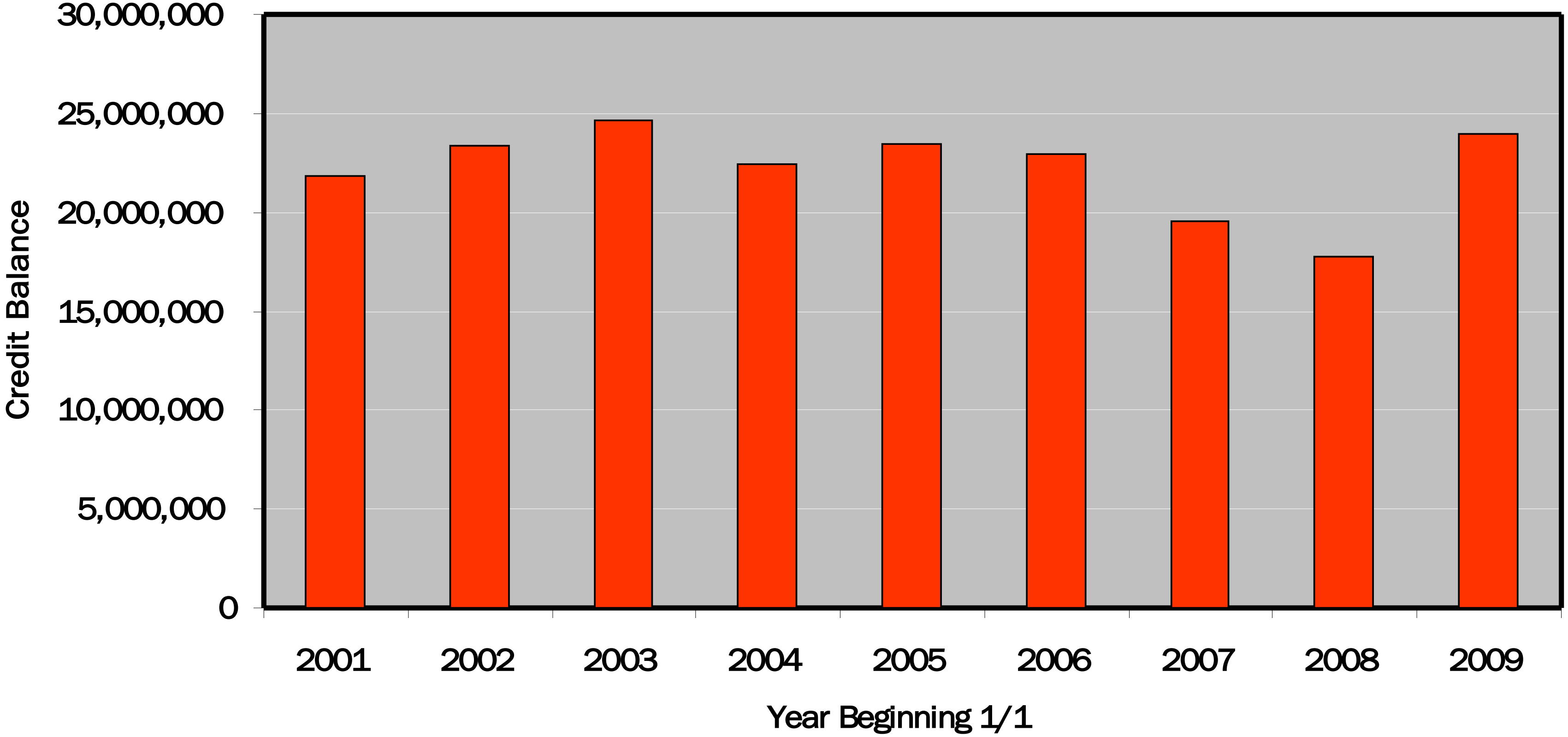
NCEW Pension Plan Credit Balance



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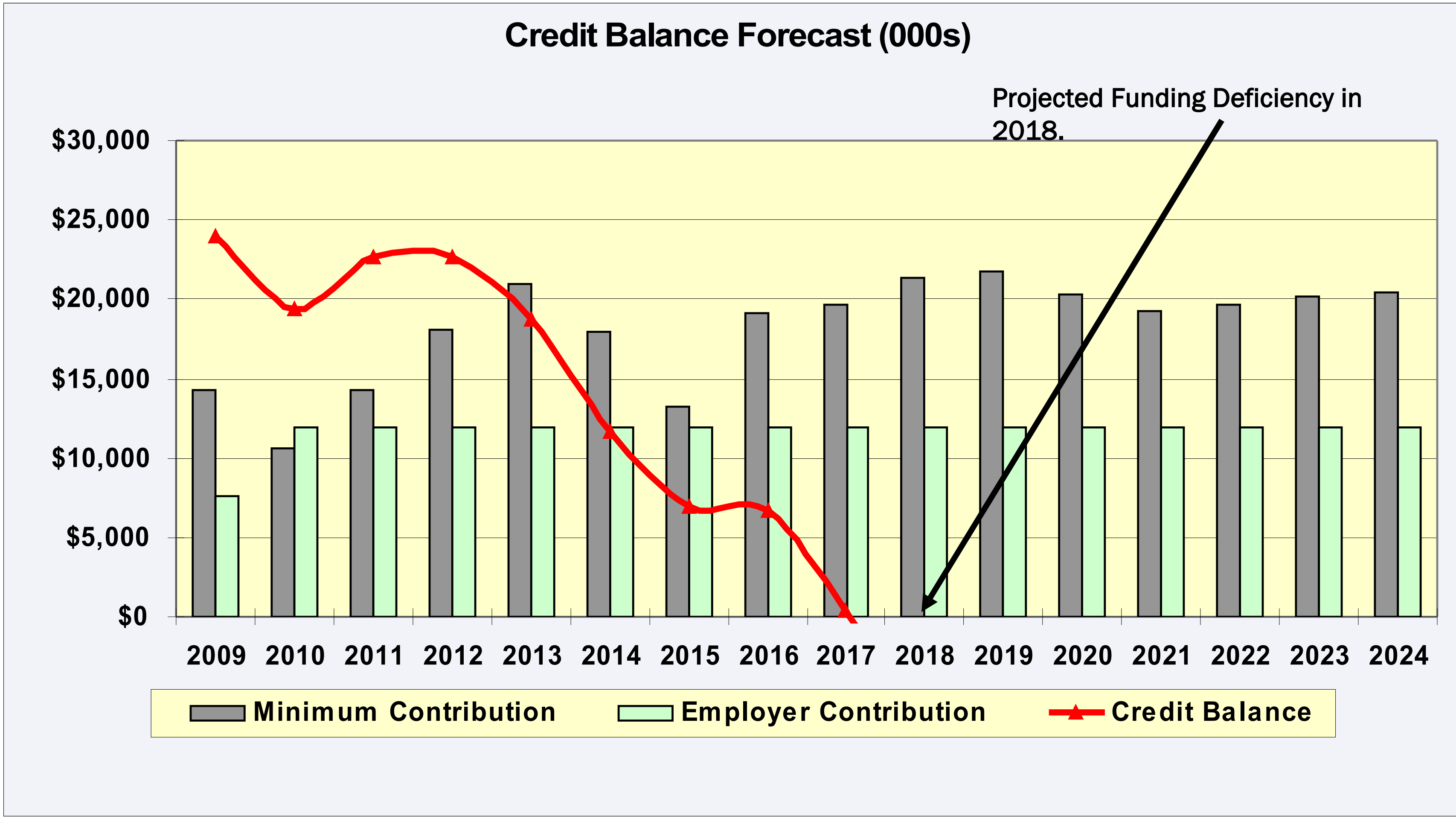
Credit Balance Forecast



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Improvements to Plan Status

- Estimated 23.2% return on Plan assets in 2009.
- $3.04 increase in hourly contribution rate that was diverted from the Retirement Savings Plan effective 1/1/2010.
  - From $5.38 to $8.42.
- Automatic amortization extension effective 1/1/2009.
  - Spreads cost of unfunded liability over an additional five years.
  - Lowers required minimum contribution and improves credit balance projection.
- With these changes, the Plan is in “Safe” Status for 2010.
- Credit Balance is projected to be negative by the end of 2018; Plan may be “Endangered” in 2012.

Consequences If Plan Is Not “Safe”

- Trustees must adopt a Funding Improvement Plan (if Endangered) or a Rehabilitation Plan (if Critical).
- Designed to improve status over a period of time.
- No benefit improvements can be implemented unless they are immediately funded.
- PPA provides specific timelines for notification, implementation, and effective date of Funding Improvement and Rehabilitation plans.

Review

- Trustees have used available remedies to improve Plan Status.
  - Increase hourly contribution.
  - Approve changes in actuarial assumptions and methods.
  - Extend amortization period.
- Very good investment performance further improved the Plan.
  - Still have a long way to go to recover 2008 losses.
- Favorable demographics, i.e. higher than average ratio of actives to inactive employees, further strengthened plan’s funded position.
- NCEW plan is in “Safe” Status for 2010.

Potential Legislative Changes

Potential Legislative Changes

- March 10 – Senate approves pension funding relief as part of jobs bill (H.R. 4213)
  - For first two plan years ending after 8/31/2008
    - Net investment losses may be amortized over 30 years
    - Actuarial Asset Value (used for funding requirements and PPA Funding Ratio) determined by spreading losses over 10 years, with upper limit increased to 130% of market value (from 120%)
- March 17 – House Ways & Means removed relief provisions from jobs bill markup (H.R. 4849)
- Pension funding relief unlikely to be revisited by Ways and Means Committee until April

Conclusion

- The plan is "Safe" for 2010.
- Based on current projections, the plan is "Safe" for 2011.
  - What could impact this projection?
    - Investment returns (7% or less).
    - Declining hours (= less contributions)
- A projected Funding Deficiency in 2018 would create an Endangered Status classification in 2012.
- All projections do not include the impact of potential legislative changes that may give the Trustees more time to make adjustments.