

MEMORANDUM

TO: ALL PARTICIPANTS OF THE SAN DIEGO ELECTRICAL
PENSION PLAN

FROM: BOARD OF TRUSTEES

DATE: January 27, 2016

RE: REQUIRED PENSION PLAN NOTICES AND PLAN AMENDMENT

Enclosed is a legally required series of government notifications, notices as to the Plan's funding status and a very lengthy Plan Amendment. All of these documents and the actions of the Board of Trustees are the result of the reduced value of the Plan's assets on September 30, 2015, the end of the Plan Year, caused by unfavorable returns in the investment markets during 2015. This notice will give you advance notice that adjustable and other benefits under the Plan will be reduced or eliminated as part of the Rehabilitation Plan that is required to meet government minimum funding standards.

Two things are important to recognize before reading these documents:

1. **The enclosed notices and Plan changes will be effective October 1, 2016 and DO NOT affect any Retiree or Beneficiary receiving a pension benefit as of September 30, 2016 or any Participant's benefit amount payable at normal retirement age (65) accrued as of September 30, 2016.**

2. The Government measures a Plan's actuarial status in two ways-Total Assets to Total Liabilities and a Minimum Funding Requirement.

- a. As of October 1, 2015 the Plan's Total Assets equaled 87% of its Total Liabilities.
- b. Due to poor investment returns during 2015 many defined benefit plans such as ours are projected to be unable to meet the Minimum Funding Requirements in the near future and, as a result, must take various corrective actions to conform within a legally mandated period of time.

In general, the following represents the actual Plan Changes included in the Rehabilitation Plan:

1. Effective with all hours worked on or after October 1, 2016, 100% of employer contributions received will accrue benefits. There will no longer be any decoupling of contributions for hours worked on and after October 1, 2016. The benefit accrual rate for hours worked on or after October 1, 2016 will be 1.9%. This represents a small, but positive, increase in the net benefit accrual rate. For example: Currently \$3.00/hr accrues benefit @ 2.7% or \$.081/hr. As of October 1, 2016 the full \$4.35/hr will accrue benefit @ 1.9% or \$.083/hr. At \$4.85/hr benefit will accrue @ 1.9% or \$.092/hr.

2. a. For Active Vested Participants who first commence Early Retirement benefits on or after October 1, 2016, the benefits will be paid in a reduced amount based on the participant's age at retirement in accordance with the "Active Participants" column in the following chart:

Age at Retirement	Current Plan	Rehabilitation Plan	
	All Participants	Active Participants	Inactive Participants
64	100%	100%	91%
63	100%	100%	83%
62	100%	100%	76%
61	97%	97%	70%
60	94%	94%	64%
59	91%	59%	59%
58	88%	54%	54%
57	85%	50%	50%
56	82%	46%	46%
55	79%	42.5%	42.5%

There will be no change in benefits if an Active Vested Participant retires at ages 60 or above, but will change for retirements first commencing on and after October 1, 2016 at ages earlier than age 60. For example, if an Active Vested Participant

retires at age 59 before October 1, 2016 with a normal retirement benefit of \$1,000, his early retirement benefit will be \$910 ($\$1,000 \times 91\% = \910). If an Active Vested Participant retires at age 59 on or after October 1, 2016 with a normal retirement benefit of \$1,000, his early retirement benefit will be \$590 ($\$1,000 \times 59\% = \590).

b. For Inactive Vested Participants who first commence Early Retirement benefits on or after October 1, 2016, the benefits will be paid in a reduced amount based on the participant's age at retirement in accordance with the "Inactive Participants" column in the chart above.

For this purpose, an Inactive Vested Participant is a Vested Participant who did not work at least 125 hours in Covered Employment per Plan Year in the two consecutive Plan Years prior to October 1, 2016 and is not disabled.

For example, if an Inactive Vested Participant retires at age 60 before October 1, 2016 with a normal retirement benefit of \$1,000, his early retirement benefit will be \$940 ($\$1,000 \times 94\% = \940). If an Inactive Vested Participant retires at age 60 on or after October 1, 2016 with a normal retirement benefit of \$1,000, his early retirement benefit will be \$640 ($\$1,000 \times 64\% = \640).

However, a vested participant who (1) terminated participation under the Pension Plan prior to October 1, 2016, (2) was eligible for early retirement at the time of termination, (3) does not subsequently engage in work in any capacity within the construction industry, and (4) retires October 1, 2016 or later, will be eligible to receive early retirement benefits in accordance with the Active Vested Participants schedule.

3. Employer contributions for Journeymen Wiremen working under the IBEW Local 569-NECA Inside Agreement are to increase \$0.50 per hour effective October 1, 2016 and an additional \$0.50 per hour effective October 1, 2018. Contributions for Apprentices under the Inside Agreement will be prorated in accordance with this increased contribution schedule. 100% of these additional contributions are to accrue additional retirement benefits at the 1.9% rate

Please note the Board has agreed that as soon as economic and financial conditions sufficiently improve to the extent the Plan's actuary may certify that the Plan fully satisfies the Minimum Funding Requirement in accordance with existing laws and regulations, every effort will be made to restore portions of these legally required

changes to the schedule of benefits so long as the actuary further certifies that by doing so the Plan will be expected to continue to be certified as meeting the Minimum Funding Requirement under the law.

If you have any questions relative to this series of notifications, please contact only the Trust Office at 858-569-6322 or 800-632-2569, (x-310).

Puede pedirle a la oficina fiduciaria una copia del paquete completo en español. Por favor llame al 858-569-6322 o 800-632-2569, x310. Podría tardar varias semanas para que la notificación en español esté disponible para enviarse.

Thank you.