Northern California Electrical Workers Pension Plan

Pension Plan Overview

April 7, 2011

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Topics

- Summary of April 8, 2010 Meeting
- Plan Demographics
- Overview of Current Plan Status

Summary of April 8, 2010 Meeting

At The Last Meeting…

- Plan assets earned 19.8% in 2009.
- $3.04 increase in hourly contribution rate 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.
- Plan was in “Safe” Status for 2010.
- Credit Balance is negative by the end of 2018; Plan may be “Endangered” in 2012.

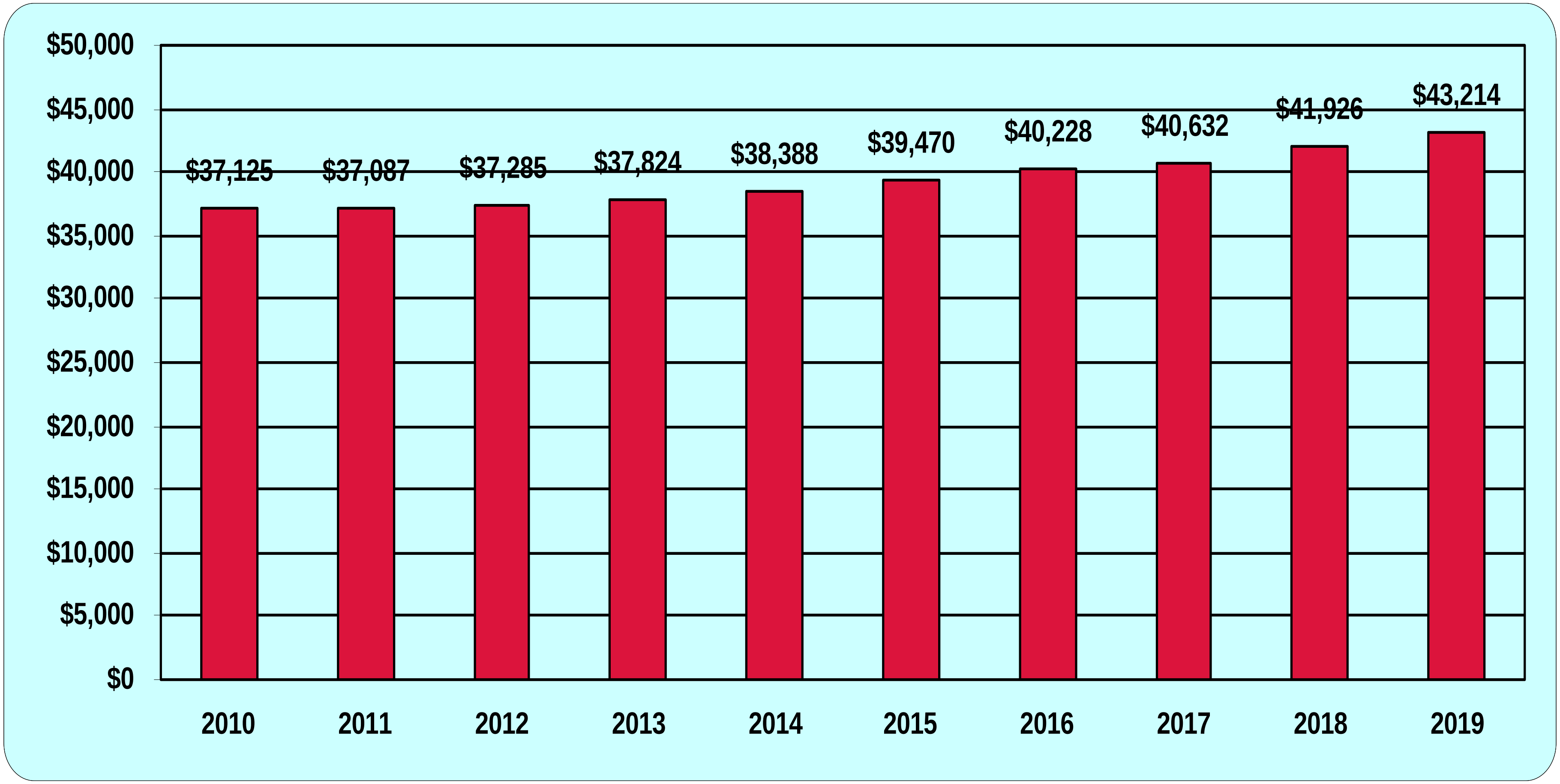
Changes Since Then

- The following elections were made under the Pension Relief Act of 2010.
  - The 2008 asset loss was recognized over 10 years in the actuarial value of assets, rather than the usual 5 years.
  - The upper boundary for the actuarial value of assets (AAV) for 2009 and 2010 was increased to 130% of the market value of assets, rather than the usual 120%.
- The Plan's actuarial cost method was changed from the Attained Age Normal cost method with supplemental cost to the Attained Age Normal cost method.
- Certain non-vested terminated participants were removed from the valuation data.
- All changes improved the Plan’s funded status.

Plan Demographics

NCEW Projected Benefit Payments

(in thousands)



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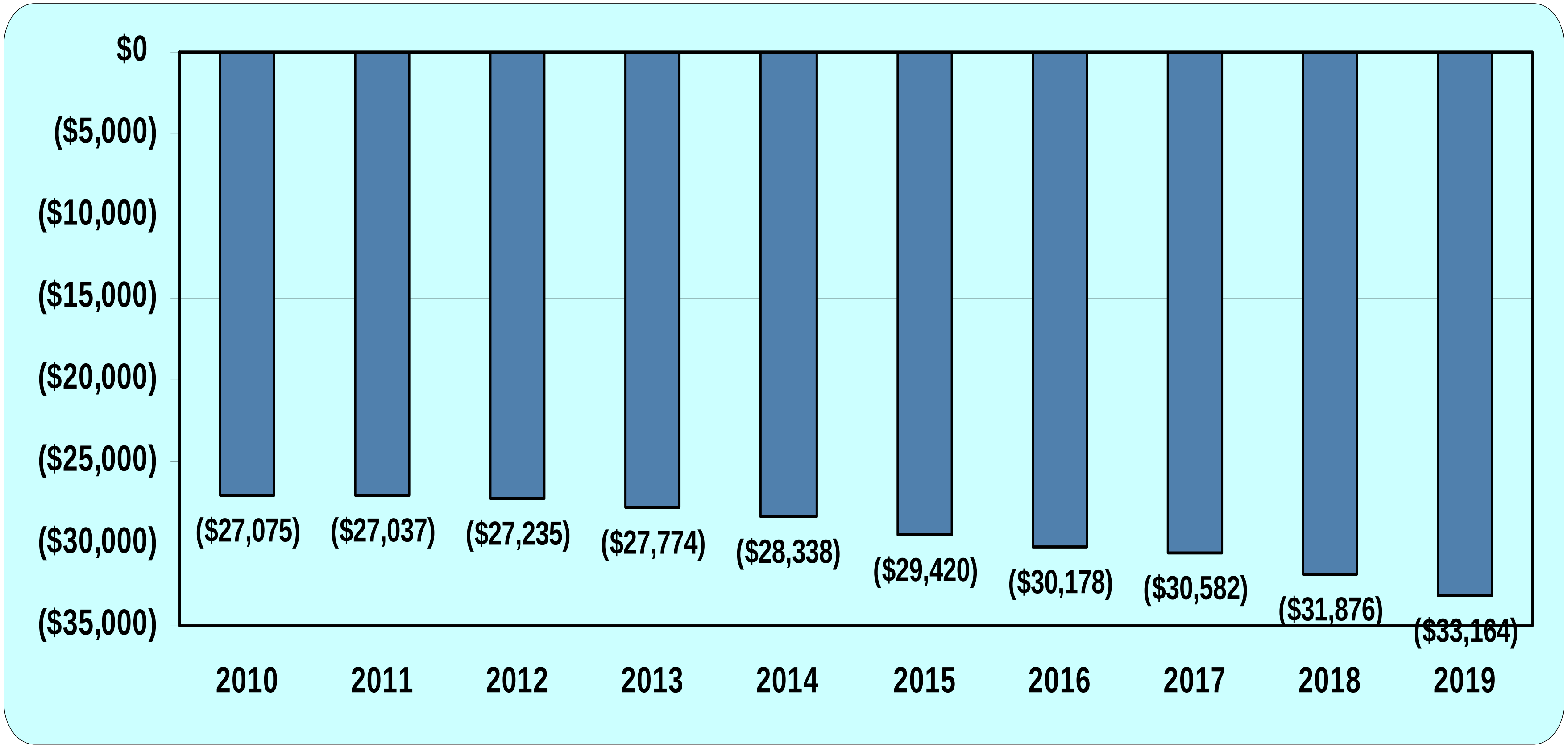
NCEW Projected Cash Flow

(in thousands)



Cash Flow = Net Contributions – Benefit Payments – Administrative Expenses

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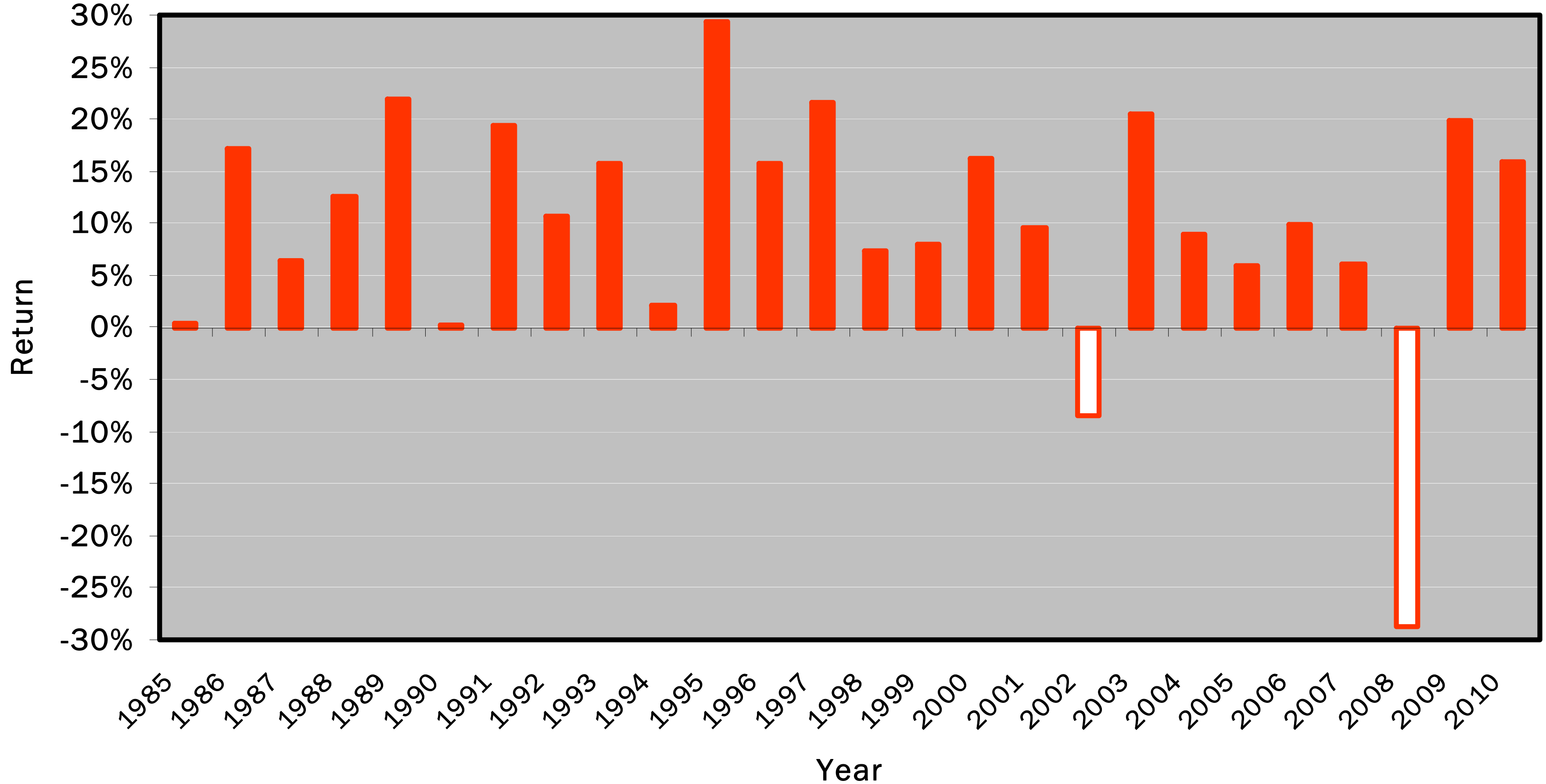
NCEW Investment Return 1985-2010



2010 return is estimated pending completion of annual audit.

Average Annual Return 1985-2010 = 10.2%

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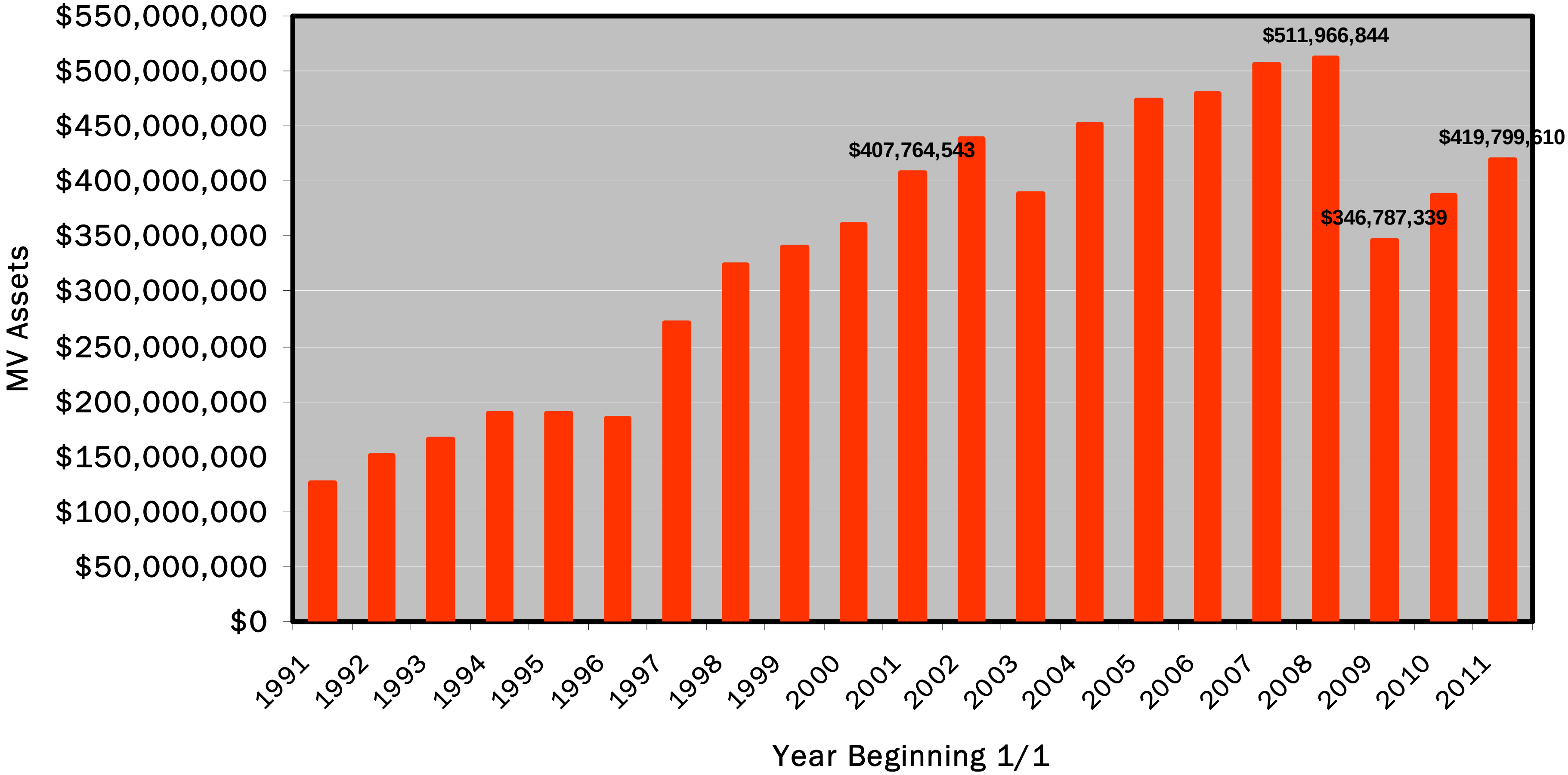
NCEW Market Value of Assets



Asset value as of 1/1/2011 estimated pending completion of annual audit.

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.

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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 "Safe" in 2008, 2009, and 2010.
  – 2008 status preserved in 2009 under WRERA.
- The NCEW Plan was certified as "Safe" for 2011.
  – Estimated 2011 Funding Ratio was over 80%.
  – No funding deficiency in 7 years.

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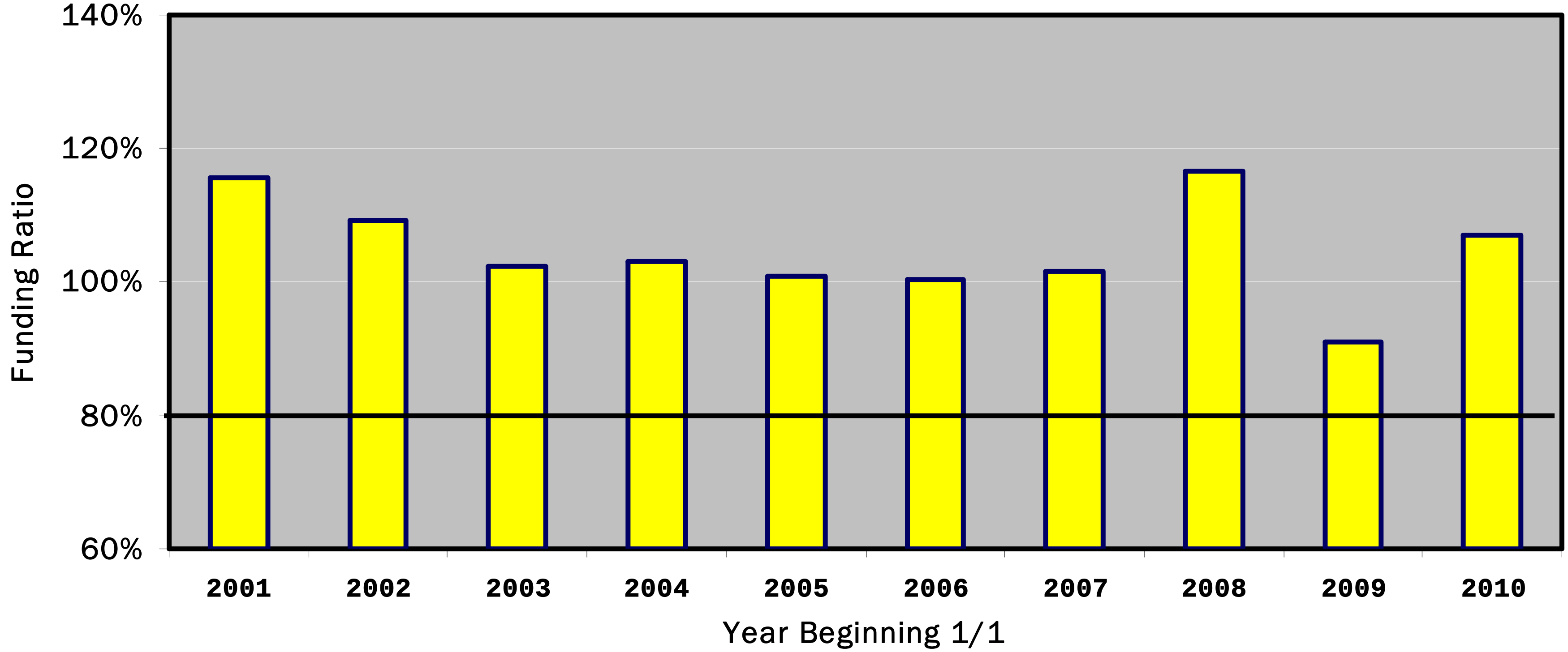
NCEW Pension Plan Funding Ratio



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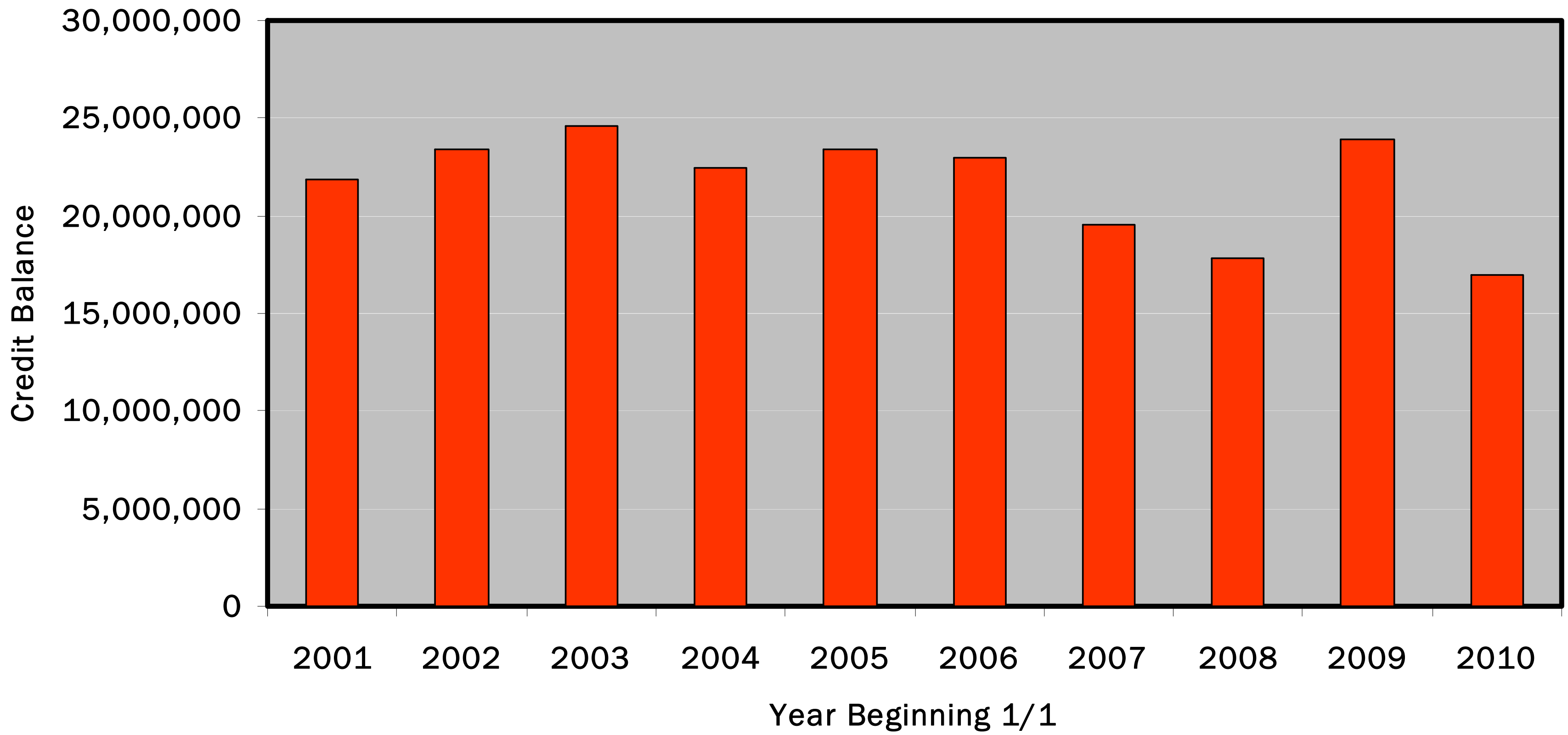
NCEW Pension Plan Credit Balance



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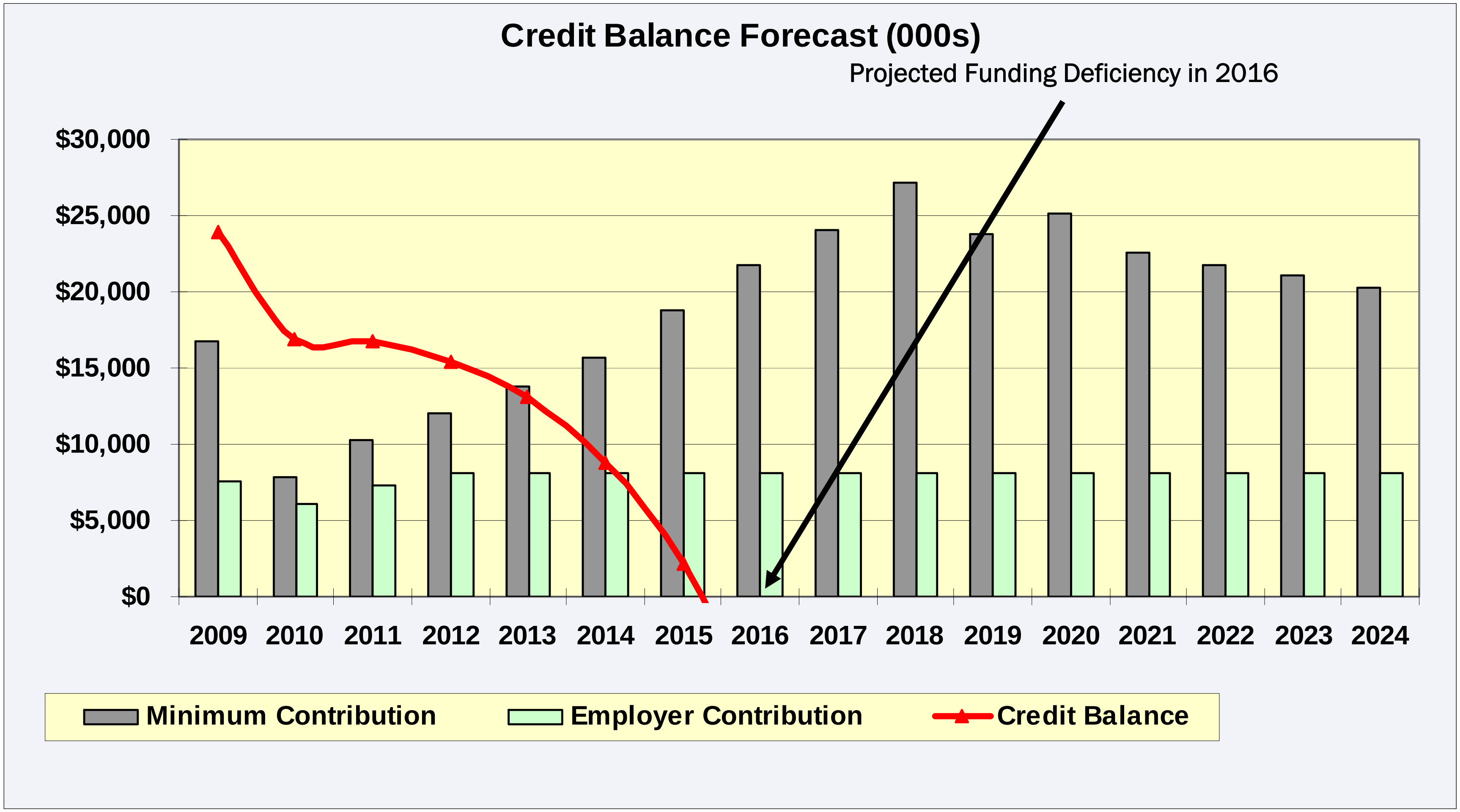
NCEW 2011 Credit Balance Projection

Excluding $3.04 Contribution Increase January 2010



Plan would have been **Endangered** in 2010.

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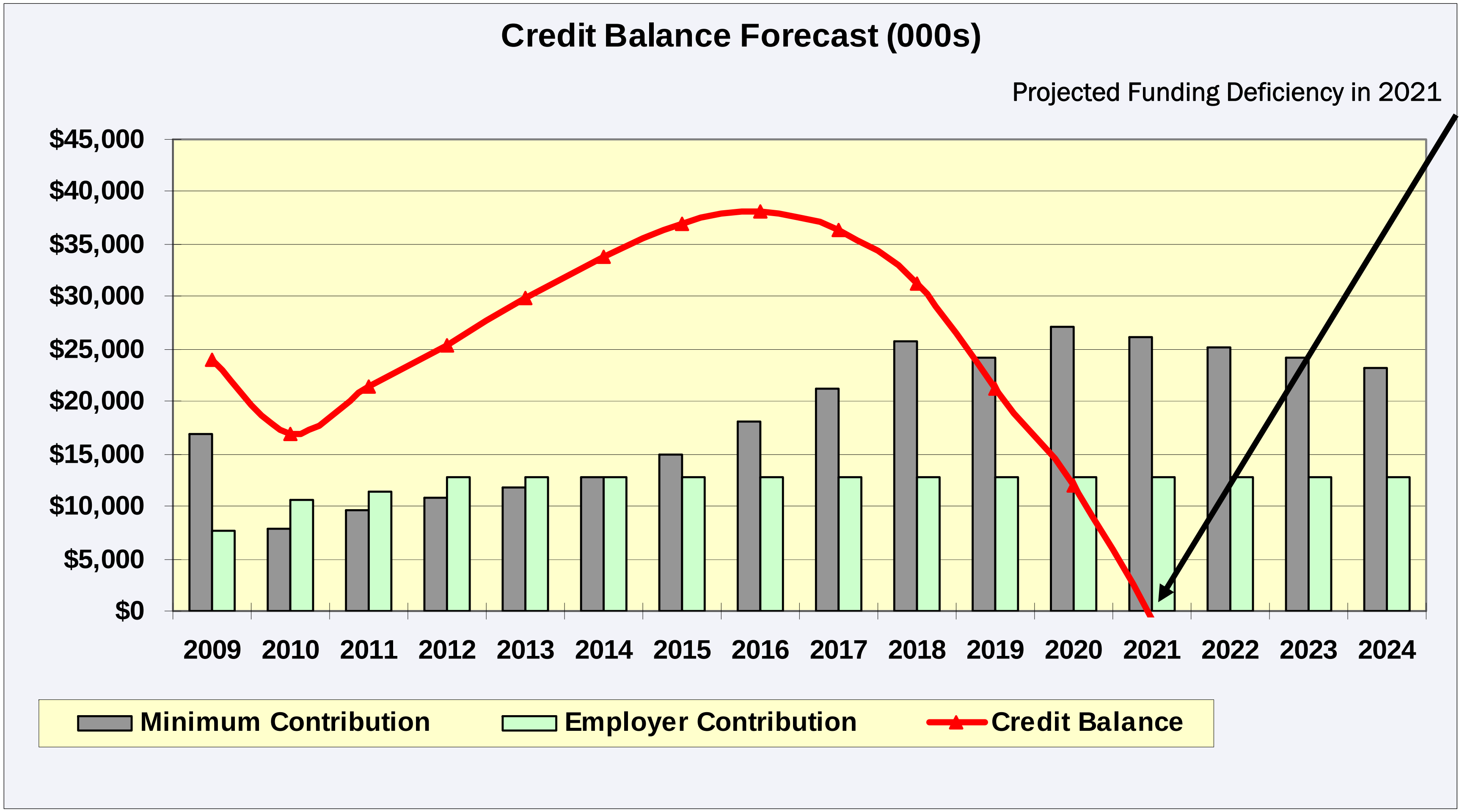
Consequences If Plan Is Endangered

- Trustees must adopt a Funding Improvement Plan.
  - Increase contributions.
  - Decrease future benefit accruals.
- Designed to improve status over a period of time (usually 10 years).
- No benefit improvements can be implemented unless they are immediately funded.
- PPA provides specific timelines for notification, implementation, and effective date of Funding Improvement plans.

NCEW 2011 Credit Balance Projection

Including $3.04 Contribution Increase January 2010



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Improvements to Plan Status

- Contribution increase on January 1, 2010.
- Estimated 15.9% return on Plan assets in 2010.
- Pension Relief Act elections and changes to valuation process as described earlier.
- With these changes, the Plan is in “Safe” Status for 2011.
- Credit Balance is negative by the end of 2021; Plan may be “Endangered” in 2015.

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Conclusion

- The plan is "Safe" for 2011.
- Based on current projections, the plan is "Safe" for 2012.
  - What could impact this projection?
    - Investment returns.
    - Declining hours (= less contributions).
- A projected Funding Deficiency in 2021 would create an Endangered Status classification in 2015.