

# MICHIGAN BAC FRINGE BENEFIT FUNDS

Michigan BAC Health Care Fund  
Michigan BAC Pension Fund  
Michigan BAC Apprenticeship & Training Fund  
July 2009

Managed for the Trustees by:  
TIC INTERNATIONAL CORPORATION

## ANNUAL FUNDING NOTICE

For

### Michigan BAC Pension Fund

Plan Year Beginning May 1, 2008

#### Introduction

This notice includes important funding information about the Michigan BAC Pension Fund (“the Fund”). This notice also provides a summary of federal rules governing multiemployer plans in reorganization and insolvent plans and benefit payments guaranteed by the Pension Benefit Guaranty Corporation (PBGC), a federal agency. This notice is for the plan year beginning May 1, 2008 and ending April 30, 2009 (referred to hereafter as “Plan Year”).

#### Funded Percentage

The funded percentage of a plan is a measure of how well that plan is funded. This percentage is obtained by dividing the Fund’s assets by its liabilities on the valuation date for the plan year. In general, the higher the percentage, the better funded the Fund. The Fund’s funded percentage for the Plan Year and 2 preceding plan years is set forth in the chart below, along with a statement of the value of the Plan’s assets and liabilities for the same period.

	2008	2007	2006
Valuation Date	May 1	May 1	May 1
Funded Percentage	81%	80%	86%
Value of Assets	\$ 114,030,161	\$ 107,046,333	\$ 98,513,962
Value of Liabilities	\$ 140,042,453	\$ 133,197,090	\$ 114,672,629

#### Fair Market Value of Assets

Asset values in the chart above are actuarial values, not market values. Market values tend to show a clearer picture of a plan’s funded status as of a given point in time. However, because market values can fluctuate daily based on factors in the marketplace, such as changes in the stock market, pension law allows plans to use actuarial values for funding purposes. While actuarial values fluctuate less than market values, they are estimates. As of April 30, 2009, the fair market value of the Fund’s assets was \$80,741,417. As of April 30, 2008, the fair market value of the Fund’s assets was \$108,396,082. As of April 30, 2007, the fair market value of the Fund’s assets was \$111,495,299.

#### Participant Information

The total number of participants in the plan as of the Fund’s valuation date was 3,642. Of this number, 1,882 were active participants, 669 were retired or separated from service and receiving benefits, 949 were retired or separated from service and entitled to future benefits, and 142 were beneficiaries of deceased participants receiving or entitled to receive benefits.

### **Funding & Investment Policies**

The law requires that every pension plan have a procedure for establishing a funding policy to carry out the plan objectives. A funding policy relates to the level of contributions needed to pay for benefits promised under the plan currently and over the years. The Fund is funded entirely by employer contributions as specified in the collective bargaining agreement. Contributions for the plan year ending April 30, 2009 exceeded the minimum funding requirements of ERISA.

The money contributed to the Fund, is invested by the Fund's Trustees, who are called fiduciaries. Specific investments are made in accordance with the Fund's investment policy. Generally speaking, an investment policy is a written statement that provides the fiduciaries that are responsible for Fund investments with guidelines or general instructions concerning various types or categories of investment management decisions. The investment policy of the Fund can be summarized as follows:

The Fund's Trustees are responsible for investing the assets of the Fund. To assist them in carrying out this responsibility, the Trustees have delegated authority to manage the assets, as permitted by federal law, to Investment Managers with the skills and specialized research capabilities needed to assure expertise in financial market investments. The Trustees have also engaged the services of an Investment Consultant to assist in evaluating the performance of the Investment Managers. The Trustees, Investment Managers and Investment Consultant must adhere to the safeguards and diversification standards for the sole interest of Fund participants and their Beneficiaries. The long-term goal of the Fund is to:

1. Generate a net of fee return in excess of the Fund's actuarial assumed rate of return within acceptable levels of volatility,
2. Maintain sufficient liquidity to fund benefit payments, and 3. Preserve the principal value of the Fund.

In accordance with the Fund's investment policy, the Fund's assets were allocated among the following categories of investments, as of the end of the Plan Year. These allocations are percentages of total assets:

<b>Asset Allocations</b>	<b>Percentage</b>
1. Interest-bearing cash	1.1%
2. U.S. Government securities	9.7%
3. Corporate debt instruments (other than employer securities):	
Preferred	8.4%
All other	0.0%
4. Corporate stocks (other than employer securities):	
Preferred	0.0%
Common	32.8%
5. Partnership/joint venture interests	0.0%
6. Real estate (other than employer real property)	6.1%
7. Loans (other than to participants)	0.0%
8. Participant loans	0.0%
9. Value of interest in common/collective trusts	7.5%
10. Value of interest in pooled separate accounts	0.0%
11. Value of interest in master trust investment accounts	0.0%
12. Value of interest in 103-12 investment entities	26.7%
13. Value of interest in registered investment companies (e.g., mutual funds)	0.0%
14. Value of funds held in insurance co. general account (unallocated contracts)	0.0%
15. Employer-related investments:	
Employer Securities	0.0%
Employer real property	0.0%
16. Buildings and other property used in plan operation	0.0%
17. Other investments	7.7%

### **Critical or Endangered Status**

Under federal pension law a plan generally will be considered to be in “endangered” status if, at the beginning of the plan year, the funded percentage of the plan is less than 80 percent or in “critical” status if the percentage is less than 65 percent (other factors may also apply). If a pension plan enters endangered status, the trustees of the plan are required to adopt a funding improvement plan. Similarly, if a pension plan enters critical status, the trustees of the plan are required to adopt a rehabilitation plan. Rehabilitation and funding improvement plans establish steps and benchmarks for pension plans to improve their funding status over a specified period of time.

The Fund was not in endangered or critical status in the Plan Year.

### **Right to Request a Copy of the Annual Report**

A pension plan is required to file with the U.S. Department of Labor an annual report (i.e., Form 5500) containing financial and other information about the plan. Copies of the annual report are available from the U.S. Department of Labor, Employee Benefits Security Administration’s Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1513, Washington, D.C. 20210, or by calling 202.693.8673. Or you may obtain a copy of the Plan’s annual report by making a written request to the Board of Trustees at the address below.

### **Summary of Rules Governing Plans in Reorganization and Insolvent Plans**

Federal law has a number of special rules that apply to financially troubled multiemployer plans. 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 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 benefits 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 ( $\$35.75 \times 10$ ).

*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 ( $\$17.75 \times 10$ ).

The PBGC guarantees pension benefits payable at normal retirement age and some early retirement benefits. 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 (or benefits that were in effect for less than 60 months at the time of 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 BAC Pension Fund at (800) 531-2244 or 6525 Centurion Drive, Lansing, MI 48917-9275. For identification purposes, the official plan number is 001 and the Fund sponsor's employer identification number or "EIN" is 38-6233978. For more information about the PBGC and benefit guarantees, go to PBGC's website, [www.pbgc.gov](http://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).