

MICHIGAN BAC FRINGE BENEFIT FUNDS

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

Managed for the Trustees by:
TIC INTERNATIONAL CORPORATION

Notice of Critical Status For Michigan BAC Pension Fund

On July 29, 2009, the Fund's actuary certified to the U.S. Department of the Treasury and to the Fund's Board of Trustees that the Fund is in "critical status" for the plan year beginning May 1, 2009 under guidelines created by the *Pension Protection Act of 2006 (PPA)*, a recently effective Federal law. The PPA requires that you be provided this notice. The PPA also requires that you be provided with an annual update of the Fund's PPA status and on the progress the Fund is making towards improving its funding and in meeting PPA imposed funding goals.

Critical Status

The Fund is considered to be in PPA critical status because the Fund's actuary determined that, if no action is taken by the Fund's Trustees or bargaining parties, the Fund meets the following criteria:

Projected accumulated funding deficiency within the current or next 3 plan years

The Fund's actuary projects that, if no benefit modifications are adopted by the Trustees and no additional contributions are agreed to through collective bargaining, the Fund will have an accumulated funding deficiency (not recognizing any amortization extensions) for the plan year ending April 30, 2013. An "accumulated funding deficiency" exists when employer contributions and other sources of money that are taken into account by the Fund for the current year are not sufficient to satisfy strict minimum **advanced** funding requirements imposed by Federal law. (These funding requirements are designed to assure that the Fund assets are accumulated over time to make certain that all benefits payable over the life of the Fund can be paid when due.) **An "accumulated funding deficiency" does not mean that the Fund would become "bankrupt" that plan year or run out of money in that plan year or in future plan years.**

As required by law, the Fund actuary's certification can only take into account contribution rate increases that have been actually agreed upon in collective bargaining agreements or other similar contracts. And, it assumes that Fund assets will earn no more each year than the 7.5% rate of return that the Fund's actuary projects.

Rehabilitation Plan and Possibility of Reduction in Benefits

The PPA also requires that all pension plans in critical status adopt "rehabilitation plans" aimed at restoring the financial health of the plans. A PPA rehabilitation plan can require reductions to future benefit accruals, increases to employer contribution rates, or both. The PPA also permits pension plans in critical status to reduce, or even eliminate, benefits called "adjustable benefits" as part of a collective bargaining party approved PPA rehabilitation plan. The Fund currently

provides the following adjustable benefits, which can be reduced or eliminated (for Participants not yet in pay status) as part of a collective bargaining party approved rehabilitation plan that the Fund may adopt:

- Disability benefits;
- Early retirement benefits or subsidies;
- Benefits in effect less than 60 months;

You will receive a separate notice of the Fund's Trustees' actions to reduce or eliminate some of the Fund's benefits, including adjustable benefits, under a PPA rehabilitation plan. But, reductions in adjustable benefits will apply to Participants and beneficiaries whose benefits commencement date is on or after the date of this notice. This separate notice, will identify any benefits, including adjustable benefits, that will be eliminated or reduced and will explain in detail the effect of all Fund benefit changes. But, effective July 29, 2009, the PPA prohibits the Fund from paying any 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. This restriction applies whether or not the Fund's PPA rehabilitation plan eliminates or reduces adjustable benefits.

Future Experience and Possible Adjustments

The Fund's PPA rehabilitation plan must be based on a number of assumptions about the Fund's future contribution levels, investment experience and benefit payment experience. If the Fund's actual experience is different than these assumptions, the PPA rehabilitation plan may need to be adjusted in the future. For example, additional contribution rate increases and/or further reductions in the rate at which future benefits are earned may be needed if Fund investment experience is worse than the assumed 7.5% in one or more future years or Fund contributions from hours worked drop below the assumed levels. If further benefit changes are made to comply with the PPA, you will receive a separate notice identifying and explaining the effect of those changes.

Employer Surcharge

The PPA requires that, unless a proper PPA rehabilitation plan has been approved, Fund contributing employers must pay a "surcharge" beginning on September 27, 2009 to help correct the Fund's financial situation. The amount of the surcharge is a percentage of the amount the employer is otherwise required to contribute to the Fund under collective bargaining agreements applicable to it. With some exceptions, a 5% surcharge is imposed during the initial plan year in which the Fund is in PPA critical status and a 10% surcharge is imposed during each subsequent plan year in which the Fund is in PPA critical status.

The PPA requires that surcharges continue until bargaining parties formally approve a proper PPA rehabilitation plan. **If the Fund's bargaining parties approve a PPA rehabilitation plan option proposed by the Board of Trustees before September 27, 2009, PPA required surcharges may not apply.**

Where to Get More Information

You have a right to receive a copy of the Fund's PPA rehabilitation plan once it has been finally approved by the bargaining parties and formally documented. To receive a copy, you may contact TIC International Corporation at 6525 Centurion Drive, Lansing, MI, 48917-9275 or by telephone at 517.321.7502.