

MICHIGAN BAC PENSION PLAN
REHABILITATION PLAN ADOPTED AUGUST 1, 2009
Rehabilitation Period: May 1, 2010 – April 30, 2023

This rehabilitation plan document, which federal law requires, includes important information about the funding level of the Michigan BAC Pension Plan (“Fund” or “Plan”), Plan Number 001, Employer Identification Number 38-2895943 (Plan and Plan Sponsor).

Background

In 2006 the Pension Protection Act (“PPA”) was enacted. Beginning with the 2008 Plan Year, that law requires the annual certification of the Plan’s funding status as critical, endangered or neither.

On July 29, 2009, the Fund’s actuary certified the Plan’s funding status as critical for the 2009 plan year. The Plan is considered to be in critical status because the funded percentage is 65.8% and there are projected funding deficiencies starting at the end of the 2012-2013 plan year. The funded percentage is the percentage of earned benefits that could be funded with existing Plan assets. A projected funding deficiency is a sign that the anticipated liabilities of the Fund are outpacing its assets.

The decline in funding is largely a result of the recent crisis in the financial markets. Federal law requires pension plans in critical status to adopt a rehabilitation plan aimed at restoring the financial health of the Plan.

Goal and Requirements of the Rehabilitation Plan

The goals of a rehabilitation plan are to emerge from critical status by the end of the rehabilitation period and to have no projected funding deficiencies for at least a 10-year period following the rehabilitation period. The Plan has 13 years in which to accomplish this goal. Meeting this goal will allow for other funding measures to also return to acceptable levels. For example, the funded percentage will be projected to return to 100% (benefits are fully funded) within a few years following the end of the rehabilitation period.

The goal of projecting no funding deficiencies is achieved through one of two schedules. The “Preferred Schedule” represents the benefit changes and contribution rate increases targeted by the Trustees and represents the one which will presumably be approved by the bargaining parties. The “Default Schedule” is required by law to be included in the formal rehabilitation plan document. It includes all permissible benefit reductions before considering any contribution rate increases. The Default Schedule will only be followed if the bargaining parties cannot agree to follow the Preferred Schedule.

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Default Schedule

Benefit changes effective September 1, 2009	<p>For benefits accrued on or after September 1, 2009:</p> <ul style="list-style-type: none"> • Eliminate the unreduced early at age 58 with 25 years of service • Increase age of early retirement factor reduction from age 63 to 65 on both active and inactive vested participants • Increase the early retirement factor from 6% per year to actuarial equivalence. • Lower the benefit multiplier to 1% of contributions <p>For all benefits:</p> <ul style="list-style-type: none"> • Eliminate temporary disability benefit for all active and inactive vested participants: • Eliminate all disability benefits currently in pay status • The cost of the pre-retirement death benefit is transferred from the plan to the participants
Funding changes	Non-credited annual contribution rate increases of 44¢ for 7 years beginning August 1, 2009.

Preferred Schedule

Benefit changes effective September 1, 2009	<ul style="list-style-type: none"> • Freeze accruals beginning September 1, 2009 and ending August 31, 2011. • Beginning September 1, 2011, future benefits will be calculated using a 1% multiplier. • Increase the early retirement factor to start reductions from age 65 instead of age 63 for inactive vested participants only.
Funding changes	Non-credited annual contribution rate increases of 49¢ for 7 years beginning August 1, 2009.

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Critical Status Limitations

Some limits apply regardless of whether the Preferred or Default Schedule is followed.

Contribution Reductions – After the certification of critical status and throughout the rehabilitation plan period lasting through April 30, 2023, the Plan may not accept a contribution agreement that provided a reduction in the level of contributions for any participants, a suspension of contributions with respect to any period of service, or any new direct or indirect exclusion of younger or newly hired employees from Plan participation. Rejection of the contract may cause a withdrawal and assessment of withdrawal liability.

Benefit Increase – Prior to May 1, 2010, no plan amendment can increase the liabilities of the Plan by reason of any increase in benefits, any change in the accrual of benefits, or any change in the rate at which benefits become vested. On or after May 1, 2010, the Plan may only increase benefits, including future benefit accruals, if the Plan actuary certifies that the increase is paid for out of additional contributions not contemplated by the rehabilitation plan to accomplish the previously noted funding goal. Such restrictions continue until the end of the rehabilitation plan period or potentially earlier if the Plan emerges from critical status at an earlier point.

Lump-Sum Payments – The Plan is generally not permitted to pay lump sum benefits while it is in critical status. Exceptions to this restriction are that lump sum payments are still permitted for:

- small benefits (benefits with an actuarial present value less than \$1,000) which may be immediately distributed without the consent of the participant, or
- makeup payments in the case of a retroactive annuity starting date or any similar payment of benefits owed with respect to a prior period.

Other Details Regarding the Rehabilitation Plan

Details Applicable to Both the Default Schedule and the Preferred Schedule

Assumed Return on Assets	-24.53% for the 2008-09 plan year; 7.50% in each plan year thereafter
2009 PPA Status	Critical
Length of Rehabilitation Plan Period	13 years (Section 205 of WRERA elected)
Projected PPA status at end of Rehabilitation Period	Neither critical nor endangered

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Default Schedule – Projected Credit Balances

Plan Year Beginning	Credit Balance		Plan Year Beginning	Credit Balance
2010	\$ 10,341,000		2017	\$ 4,478,000
2011	10,665,000		2018	2,565,000
2012	10,428,000		2019	1,296,000
2013	9,873,000		2020	632,000
2014	10,367,000		2021	588,000
2015	12,393,000		2022	677,000
2016	8,119,000		2023	811,000

Preferred Schedule – Projected Credit Balances:

Plan Year Beginning	Credit Balance		Plan Year Beginning	Credit Balance
2010	\$ 12,459,000		2017	\$ 5,674,000
2011	12,928,000		2018	3,625,000
2012	12,422,000		2019	2,210,000
2013	11,638,000		2020	1,390,000
2014	11,945,000		2021	1,178,000
2015	13,832,000		2022	1,085,000
2016	9,441,000		2023	1,025,000

IN WITNESS WHEREOF, we have approved and adopted this Rehabilitation Plan this 1st day of August, 2009.

APPROVED:

MANAGEMENT TRUSTEES:

UNION TRUSTEES:

