

MICHIGAN ELECTRICAL EMPLOYEES' PENSION FUND

April 2022

IMPORTANT NOTICE TO ALL PARTICIPANTS, RETIREES AND ALTERNATE PAYEES

The Board of Trustees of the Michigan Electrical Employees' Pension Fund has, with the advice of the Fund's actuary and attorneys, amended the Plan to improve benefits as follows:

1. Increase the rate of Future Service Credit accrual to 1.0% (previously 0.8%) of Employer Contributions for hours worked on and after January 1, 2022;
2. For purposes of computing Future Service Credit, treat all Employer Contributions for work performed from June 1, 2009 through May 31, 2017 as Credited Employer Contributions for Participants who were Active Participants as of January 1, 2022.
3. For purposes of computing Future Service Credit, treat all Employer Contributions for work performed from June 1, 2009 through May 31, 2017 as Credited Employer Contributions for certain Retirees, Surviving Spouses, and Disabled Participants.
4. Increase Early Retirement Benefits for Active Participants, by changing the early retirement reduction factor to one-quarter (1/4) of one percent for each complete calendar month by which the Active Participant is under age 61 at the time his benefit commences (3% reduction per year until age 61). Before this change, the reduction factor was one-half (1/2) of one percent for each complete calendar month by which the Active Participant was under age 62 at the time benefits commenced (6% reduction per year until age 62).

The Trustees decided to improve benefits after meeting with the Fund's professional advisors and reviewing the many factors, particularly the earnings on Fund investments, which affect the level of benefits which can be promised and paid. The professionals retained by the Fund have advised the Trustees that improving benefits as described in this notice can be done without harming the financial health of the Plan. The Board is committed to making sure that the Fund can pay all the benefits it has promised to you and your family.

If, after reading the descriptions and examples of the above benefit improvements on the following pages of this notice you have questions regarding these changes, please call the Fund Office.

The Board of Trustees
Michigan Electrical Employees' Pension Fund

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BENEFIT IMPROVEMENT DESCRIPTIONS AND EXAMPLES

INCREASING THE CURRENT BENEFIT ACCRUAL FROM 0.8% TO 1.0%

The rate of Future Service Credit accrual is increasing from 0.8% to 1.0% of credited employer contributions for hours worked on and after January 1, 2022. As a reminder, all employer contributions to the Fund as of June 1, 2017 have been credited contributions. The example below describes the impact of this change.

EXAMPLE 1: Assume you are an Active Participant and work 1,800 hours during the 2022 Plan Year and that your employer is required to contribute in your behalf to the Fund \$9.20 per hour of work. The resulting increase in your monthly Straight Life Benefit amount payable at Normal Retirement Age would be \$165.60/month (1,800 hours x \$9.20/hour x 1.0%). Before this change took effect, the increase in your monthly Straight Life Benefit amount payable at Normal Retirement Age would have been \$132.48/month (1,800 hours x \$9.20/hour x 0.8%).

Remember, this change only applies to future work on and after January 1, 2022.

CREDITING PREVIOUSLY NONCREDITED EMPLOYER CONTRIBUTIONS

In order to restore the health of the Fund, the bargaining parties and the Board of Trustees previously agreed a portion of the Employer Contribution would not be counted toward benefit accrual. Accordingly, for the period from June 1, 2009 through May 31, 2017, the Employer Contributions were divided into the credited and non-credited portion. The Board has now decided to include the previously non-credited portion in the calculation of the benefits of certain participants.

CREDITING PREVIOUSLY NONCREDITED EMPLOYER CONTRIBUTIONS FOR CERTAIN ACTIVE PARTICIPANTS

For those who were *Active Participants* on *January 1, 2022*, all of the non-credited Employer Contributions received during the entire period from June 1, 2009 through May 31, 2017 will be included in the calculation of your benefit as though they were Credited Employer Contributions.

EXAMPLE 2: This example assumes you are an Active Participant in the Fund as of January 1, 2022 and a total of \$70,000 in Employer Contributions were made on your behalf for the period of June 1, 2009 through May 31, 2017. Of those contributions, \$51,250 were Credited Employer Contributions. The resulting increase in your monthly Straight Life Benefit amount payable at Normal Retirement Age was \$410.00 (\$51,250 x 0.8%). As result of the benefit improvement described above, your accrued benefit will be recalculated to include all Employer Contributions made to the Fund on your behalf during this period, not just the Credited Employer Contributions. Therefore, the increase in your monthly Straight Life Benefit amount payable at Normal Retirement Age would now be \$560.00 (\$70,000 x 0.8%).

Remember that if you are not an Active Participant on January 1, 2022, your benefit accrual will not be impacted by this change.

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CREDITING PREVIOUSLY NONCREDITED EMPLOYER CONTRIBUTIONS FOR CERTAIN RETIREES, SURVIVING SPOUSES, AND DISABLED PARTICIPANTS

For those who were *Active Participants* on **June 1, 2017** and first began receiving benefits after that date, but prior to January 1, 2022, under the Normal, Early, or Disability provisions of the Plan (or the Surviving Spouse or other payee entitled to receive monthly Benefits from the Plan under an Optional Form of payment after the death of such Participant) all of the non-credited Employer Contributions received during the entire period from June 1, 2009 through May 31, 2017 will be included in the calculation of your benefit payments on and after January 1, 2022 as though they were Credited Employer Contributions.

The Fund Office is working to implement this change now and the increase will be included in a future payment to you. The first monthly benefit after implementation of the increase will include prior months from January 1, 2022 through to the date of the benefit payment.

This improvement will not increase any benefit payments made prior to January 1, 2022.

EXAMPLE 3: This example assumes you were and Active Participant on June 1, 2017, you retired December 1, 2017 and are receiving benefits as of January 1, 2022. It also assumes that the Fund received contributions on your behalf as follows:

- \$62,500 in Employer Contributions for work performed through December 31, 2001
- \$8,000 in Employer Contributions for work performed from January 1, 2002 through December 31, 2002
- \$24,000 in Employer Contributions for work performed from January 1, 2003 through December 31, 2005
- \$28,000 in Employer Contributions for work performed January 1, 2006 through May 31, 2009
- \$70,000 in Employer Contributions for work performed June 1, 2009 through May 31, 2017, of which \$51,250 were Credited Employer Contributions
- \$4,375 in Employer Contributions for work performed from June 1, 2017 through November 30, 2017

When you retired on December 1, 2017, your benefit was calculated based on the following schedule:

For Work Performed	Accrual Rate
Before January 1, 2002	3.6% of the total Employer Contributions
January 1, 2002 – December 31, 2002	3.0% of the total Employer Contributions
January 1, 2003 – December 31, 2005	2.0% of the total Employer Contributions
January 1, 2006 – May 31, 2009	0.8% of the total Employer Contributions
June 1, 2009 – May 31, 2017	0.8% of the total Credited Employer Contributions
On and after June 1, 2017	0.8% of the total Credited Employer Contributions*

*During this period, all Employer Contributions were Credited Employer Contributions.

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As such your monthly benefit of \$3,639.00 was calculated as follows:

- $\$62,500 \times 3.6\% = \$2,250/\text{month}$ based on work performed through December 31, 2001, plus
- $\$8,000 \times 3.0\% = \$240/\text{month}$ based on work performed from January 1, 2002 through December 31, 2002, plus
- $\$24,000 \times 2.0\% = \$480/\text{month}$ based on work performed from January 1, 2003 through December 31, 2005, plus
- $\$28,000 \times 0.8\% = \$224/\text{month}$ based on work performed January 1, 2006 through May 31, 2009
- $\$51,250$ of Credited Employer Contribution $\times 0.8\% = \$410.00/\text{month}$ based on work performed June 1, 2009 through May 31, 2017, plus
- $\$4,375 \times 0.8\% = \$35.00/\text{month}$ based on work performed from June 1, 2017 through November 30, 2017

Because of the benefit improvement, as of January 1, 2022, your monthly benefit will increase by \$150.00 to account for the non-credited Employer Contributions that were excluded for the period of June 1, 2009 through May 31, 2017 ($(\$70,000 - \$51,250) \times 0.8\%$). As such, your total monthly benefit payable as of January 1, 2022 would be \$3,789.00.

EXAMPLE 4: Same facts as Example 3 above, however, you passed away after your retirement. Based on the form of benefits you elected, your surviving spouse commenced receiving a monthly benefit of \$1,615.37 (50% of \$3,230.74 which is your \$3,639.00 monthly benefit adjusted for the 50% Joint & Survivor form of payment that you and your spouse elected) and continued to receive such benefits as of January 1, 2022. Because of the benefit improvement, her benefit will increase to \$1,681.96 (50% of \$3,363.91 which is your \$3,789.00 recalculated monthly benefit adjusted for the 50% Joint & Survivor form of payment that you and your spouse elected) effective January 1, 2022.

CHANGE IN EARLY RETIREMENT REDUCTION FACTOR FOR ACTIVE PARTICIPANTS

For Active Participants who retire on and after January 1, 2022, Early Retirement Benefits will be improved by reducing the early retirement reduction factor. An Active Participant who has accrued at least 10 Years of Service and elects to commence receiving his Early Retirement Benefit on or after age 57 will receive a monthly benefit that is reduced by one-quarter (1/4) of one percent for each complete calendar month by which the Active Participant is under age 61 at the time his benefit commences. Before this change, the reduction factor was one-half (1/2) of one percent for each complete calendar month by which the Active Participant was under age 62 at the time benefits commenced.

EXAMPLE 5: Assume you are an Active Participant with an Accrued Benefit of \$2,400.00. You have accrued 20 Years of Service and decide to retire effective July 1, 2022, the first of the month after you reach age 57. Your benefit would be reduced by 0.25% for each complete calendar month by which you are under age 61. Your reduction will be 12% ($0.25\% \times 48$ months) and your benefit commencing July 1, 2022 in the Straight Life form would be \$2,112.00 ($\$2,400.00 \times 88\%$). Before this change took effect, your reduction factor would have been 30% ($0.5\% \times 60$ months) and your Accrued

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Benefit commencing July 1, 2022 in the Straight Life form would have been \$1,680.00 (\$2,400.00 x 70%).