

TO: Participants in the Southern California IBEW-NECA Pension Plan

FROM: Board of Trustees

DATE: May 2007

RE: **Important Information About Your Pension Plan**

The underfunding of pension plans in the United States has been well-documented on television, radio, newspapers, magazines and various other media. As a result, recent changes in pension disclosure rules now require that all interested parties receive information in a standard format regarding the funding status of the Southern California IBEW-NECA Pension Plan (the "Plan"). This letter is intended to provide important information about your Plan in addition to providing the attached required notice.

Pension plans like yours are designed to accumulate contributions and invest them so that sufficient assets are available to pay participant pensions at retirement. It is critical that the Plan be funded properly to continue providing benefits for participants at intended levels. The Trustees of the Plan have engaged consultants to ensure that the Plan is adequately funded, including actuaries who certify that the Plan is properly funded under Federal law, utilizing a series of commonly used assumptions such as mortality rates and long-term interest rates that predict future investment performance.

The **funding status** of a pension plan is commonly expressed as a percentage, reflecting the relationship between the **assets** (contributions plus investments, less expenses) and **liabilities** (accrued benefits) of the plan. There are numerous ways in which the funded status can be measured. One way, using a 8.00% interest rate assumption (as recommended by the Plan's independent actuary) and based on the actuarial value of assets, produces a funded percentage of 86.0% for your Plan.

In the enclosed Annual Funding Notice, an interest rate of 5.90% (as prescribed by the IRS) and the actuarial value of assets were used in determining the funding status of your Plan, resulting in a lower funding status than our actuary's calculation. The IRS-prescribed interest rate of 5.90% is significantly below the 8.00% long-term interest rate used by the Plan's actuary.

The Southern California IBEW-NECA Pension Plan has been providing benefits for Plan Participants without interruption for well over 40 years. For the Plan year ending June 30, 2006, benefit payments totaling approximately \$83.9 million were paid to over 5,400 retired Participants and beneficiaries. The Trustees are committed to operating the Plan on a financially sound basis and meeting applicable Federal funding requirements.

If you have any questions, please submit your question(s) in writing addressed to the Southern California IBEW-NECA Pension Plan. The Trust Funds Administrative Office may refer technical questions to the Pension Plan Actuary, but will reply to all questions received in writing either with a telephone call or by written correspondence.

Board of Trustees
Southern California IBEW-NECA Pension Plan

Annual Funding Notice For Southern California IBEW-NECA Pension Plan

To: Participants in the Southern California IBEW-NECA Pension Plan, those entitled to receive benefits from the Plan, Contributing Employers, and Pension Benefit Guaranty Corporation:

Introduction

This notice, which federal law requires all multiemployer plans to send annually, includes important information about the funding level of the Southern California IBEW-NECA Pension Plan, Plan Number 001 and EIN 95-6392774 (Plan). This notice also includes information about rules governing insolvent plans and benefit payments guaranteed by the Pension Benefit Guaranty Corporation (PBGC), a federal agency. This notice is for the plan year beginning 7/1/2005 and ending 6/30/2006 (Plan Year).

Plan's Funding Level

The Plan's "funded current liability percentage" for the Plan Year was 63.6%. In general, the higher the percentage, the better funded the plan. The funded current liability percentage, however, is not indicative of how well a plan will be funded in the future or if it terminates. Whether this percentage will increase or decrease over time depends on a number of factors including how the plan's investments perform, what assumptions the plan makes about rates of return, whether employer contributions to the fund increase or decline, and whether benefit payments for the fund increase or decline.

Plan's Financial Information

The market value of the Plan's assets as of 7/1/2005 was \$952,638,094. The total amount of benefit payments for the Plan Year was \$83,932,976. The ratio of assets to benefit payments is 11.3. This ratio suggests that the Plan's assets could provide for approximately 11 years of benefit payments in annual amounts equal to what was paid out in the Plan Year. However, the ratio does not take into account future changes in total benefit payments or plan assets.

Rules Governing 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 ($\35.75×10).

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 ($\17.75×10).

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. Similarly, the PBGC does not guarantee pre-retirement death benefits to a spouse or beneficiary (i.e., 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

If you have any questions about this notice, please submit your question(s) in writing addressed to the Southern California IBEW-NECA Pension Plan, P.O. Box 910918, Los Angeles, CA 90091. The Trust Funds Administrative Office may refer technical questions to the Pension Plan Actuary, but will reply to all questions either with a telephone call or by written correspondence. For more information about the PBGC and multiemployer benefit guarantees, go to PBGC's website, 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).