

CONSTRUCTION BENEFITS ADMINISTRATION, INC.

Kern County Electrical Workers Trust Funds

Date: April 30, 2009
To: All Pension Plan Participants, Beneficiaries, and Alternate Payees
Subject: The Board of Trustees Has Elected to Freeze the Pension Plan's 2008 "Green Zone" Status for 2009

This notice contains important information about the Kern County Electrical Pension Fund (Plan). The Employer Identification Number (EIN) of the Board of Trustees of the Plan is 95-6123049. The official plan number of the Plan is 001.

The purpose of this notice is to inform you that as allowed under Section 204 of the Worker, Retiree and Employer Recovery Act of 2008 (WRERA), the Board of Trustees has elected to "freeze" the Plan's 2009 "zone status" under the Pension Protection Act of 2006 (PPA) at the 2008 level. Since the Plan's 2008 zone status under Section 432 of the Internal Revenue Code was "Neither Endangered nor Critical" (this is commonly called the "Green Zone"), the Plan's status for 2009 is also Neither Endangered nor Critical (the Plan's 2009 status is Green Zone).

Background

Based on criteria set forth in the Internal Revenue Code, multiemployer pension plans are required – beginning with the 2008 plan year – to be certified by their actuaries as being in one of three status zones:

- *Neither Endangered nor Critical* (unofficially called the "Green Zone")
- *Endangered* (unofficially called the "Yellow Zone")
- *Critical* (unofficially called the "Red Zone")

While trustees of Green Zone plans must continue to exercise diligence to protect the funded position of their plans, the law does not require them to take any specific actions or adopt particular programs to maintain or improve plan funding. On the other hand, trustees of plans that are not in the Green Zone must take specific actions spelled out in the law, including the adoption of a "funding improvement plan" for plans in endangered status or a "rehabilitation plan" for plans in critical status, that are designed to restore the plans to Green Zone status over a period of time. For example, a plan in critical status may reduce or eliminate so-called "adjustable benefits," collect an employer surcharge, or require the collective bargaining parties to negotiate for additional employer contributions.

Recognizing that the value of the assets, and therefore the funding, of almost all pension plans has declined due to the impact of the current economic crisis, Congress passed the Worker, Retiree and Employer Recovery Act of 2008 (WRERA). The law allows multiemployer plan trustees to take more time to come up with a plan of action for dealing with these issues by giving them the option to keep their plan in its 2008 plan year's zone status for one more year, regardless of the plan's actual zone status for the 2009 plan year.

2008 Plan Year Certification

The Plan's actuary certified the Plan's zone status for the January 1, 2008 through December 31, 2008 plan year to be neither endangered nor critical (the Plan's status was "Green Zone").

2009 Plan Year Certification

For the January 1, 2009 through December 31, 2009 plan year, the Plan's actuary has certified the Plan to be in critical status ("Red Zone").

Election to Continue in the 2008 Plan Year Zone Status

In accordance with Section 204(a) of WRERA, the Trustees have elected to "freeze" the Plan's 2008 plan year Green Zone status and have it apply to the January 1, 2009 through December 31, 2009 plan year. Therefore, while the Trustees may take action during this year to improve the funding position of the Plan, they will not at this time take the extra actions that apply only to Red Zone plans. This election applies only for the 2009 plan year.

Please be advised that the freezing of the Plan's 2008 plan year Green Zone status by election of the Board of Trustees does not extend the freeze beyond December 31, 2009, under the WRERA. By March 31, 2010, the Plan's actuary will again certify its zone status. If the Plan is certified to be in either endangered or critical status at that point, within 30 days after the date of certification you will be sent a notice similar to this one explaining the Plan's zone status and actions that the Trustees may be required to take under the law to improve the funded status of the Plan. Such actions may include increases in contributions and reductions in future benefit accruals. If the Plan is certified to be in the Red Zone for the 2010 plan year, the steps that will have to be taken to improve the Plan's funded situation will include a potential surcharge on employer contributions and the suspension of the payment of lump sums and similar accelerated distributions for individuals who commence receiving benefits after notice is provided of the Plan's critical status, and may include amendments to reduce or eliminate early retirement benefits or other adjustable benefits for such individuals.

What's Next?

We understand that legally required notices like this one can create concern about the Trust's future. Be assured that the Board of Trustees takes very seriously its obligation to preserve the financial viability of the Trust. With the assistance of the Trust's actuary, legal counsel and other Plan professionals, and working with the contributing employers and participating local unions, the Trustees will continue to work towards strengthening the funded position of the Plan.

Since the Plan is influenced by economic and financial forces beyond our control (such as market volatility and changes in employment and/or the number of contributing employers), unexpected developments can affect the Trust's status and any future corrective actions needed. The Board of Trustees regularly monitors and reviews the Plan's progress with its professional advisors.

Questions?

For more information about the Trustees' election to "freeze" the Pension Plan's 2008 "Green Zone" status for the 2009 plan year, you may contact the administrative office for the Plan, Construction Benefits Administration Inc., by telephone at 661-325-9471, by mail at 3008 Sillect Avenue, Suite 100, Bakersfield, California 93308, or by email (addressed to Administrator Billie Hanner) at billie@atsecure.net.

Sincerely,

Board of Trustees

cc: Business Manager, IBEW Local 428
All Contributing Employers
All Employer Associations
Pension Benefit Guaranty Corporation (PBGC)
U.S. Department of Labor, Employee Benefit Security Administration (EBSA)
Legal Counsel
Consultant