

## NOTICE OF PENSION RELIEF ELECTION

### FOR PARTICIPANTS AND BENEFICIARIES OF THE MONTEREY PENINSULA RESTAURANT AND HOTEL PENSION PLAN EIN: 51-6029899, PN: 001

The purpose of this notice is to advise you that the Board of Trustees of the Monterey Peninsula Restaurant and Hotel Pension Plan (“Plan”) have elected to take advantage of special funding rules available under the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010 (“PRA”). This legislation was passed in an effort to help fundamentally sound plans that have become financially challenged by the current economic climate, particularly the historic investment losses suffered in 2008-2009. **The election does not affect the benefits you have already earned or the rate at which you earn benefits under the Plan in the future.**

For a plan to qualify for the relief offered by the PRA, the Plan’s actuary must certify that the Plan is projected to have enough assets to cover all benefit payments and expenses for the extended relief period – i.e., that the Plan will be “solvent” through that period. The Plan’s actuary has determined that the Plan will be solvent through the extended relief period and has made the necessary certification.

#### **Explanation of Special Funding Rules Elected by the Trustees**

Each year the Plan's actuary prepares a valuation that compares the Plan's liabilities (essentially benefit promises to current and future retirees and beneficiaries) to the actuarial value of the Plan's investments. The market value of investments fluctuates from day to day. For funding purposes, federal pension law allows plans to use actuarial values of plan investments that are designed to help smooth out those market fluctuations.

#### **Elections Made**

*Extended amortization of investment losses.* Federal law generally requires that each year’s investment gains or losses be taken into account for funding purposes over a 15-year period. By electing to extend the amortization period, the Plan’s net investment losses incurred in the Plan Year that began on August 1, 2008, will be taken into account for funding purposes over periods of up to 29 years beginning on August 1, 2009.

*Expanded asset smoothing.* Federal law allows the Plan to “smooth” out fluctuations in the market value of investments by spreading the difference between the expected investment return on Plan assets and the actual return over a five-year period. By electing to use the PRA’s “expanded smoothing” rule, the difference between actual investment returns and expected investment returns for the Plan Year that began on August 1, 2008, will be spread over ten years instead of five, beginning on August 1, 2009.

#### **Effect of the Application of the Special Funding Rules**

In general, applying the special funding rules allows the Plan more time to recover from the investment losses in the 2008–2009 plan year. The special rules will reduce the level of employer contributions needed to meet minimum contribution requirements under the law;

however, they will not allow employers to reduce contributions to the Plan called for in their collective bargaining agreements. The special funding rules may also help maintain or improve the Plan's zone status in future years. You will continue to receive annual funding notices each year that give you information about the Plan's funding status.

### **Future benefit improvements limited by special funding rules**

Under the PRA, the Board of Trustees cannot adopt a Plan amendment that improves benefits during a plan year in which the special funding rules apply and the two following plan years. An exception is provided if the amendment is required as a condition of continued qualification under the Internal Revenue Code, or the Plan's actuary certifies that (i) the increase is paid for by additional contributions and (ii) with those contributions, the benefit increase is not reasonably expected to reduce the Plan's funded percentages and credit balances. As a result of the elections described above, benefit improvements will be restricted at least through July 31, 2012.

In the event you would like additional information about the election, you may contact the Plan Administrator by phone at (831) 375-3468 or by mail at Monterey Culinary Pension Fund, 702 Forest Avenue, Suite B, Pacific Grove, CA 93950.

cc: Pension Benefit Guaranty Corp.