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THE SEGAL COMPANY
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MEMORANDUM

To: Board of Trustees

From: David Shock

Date: September 11, 2012

Re: NMU Great Lakes Pension Fund
Actuarial Valuation Report as of June 30, 2011

Attached is the actuarial valuation report as of June 30, 2011 for the NMU Great Lakes Pension Fund. In addition to the information included in the report, we must highlight the following issues:

- Since the present value of accrued benefits, amounting to $2,974,818 (including the required administrative expense loading charge), exceeds the Fund's market value of assets of $1,329,188, benefits subject to reduction need to be discontinued to the extent to ensure that assets are sufficient to cover non-forfeitable benefits. Fund Counsel should review all interpretations as to benefit reductions.

- A ten year projection of assets, assuming a rate of return equal to the PBGC rate of 3.96%, shows that assets will not be sufficient to pay benefits over that period (i.e., assets are expected to be depleted by June 30, 2016, the 5th year). If favorable experience does not occur over this period, benefits will need to be cut. Please note that the rate of return on the Fund's assets for the year ended June 30, 2011 was 9.73% as shown in Table 7 of this report. Changes in the value of assets after June 30, 2011 are not reflected.

If you have any questions, please let us know.

cc: Mr. Joseph Sears
Sidney Kalban, Esq.
Mr. Mark Lotruglio

Attachment

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NMU GREAT LAKES
PENSION FUND

Actuarial Valuation and Review as of June 30, 2011

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THE SEGAL COMPANY
333 West 34th Street New York, NY 10001-2402
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September 4, 2012

Board of Trustees
NMU Great Lakes Pension Fund
c/o Associated Administrators, LLC
911 Ridgebrook Road
Sparks, MD 21152-9451

Trustees:

We are pleased to submit our Actuarial Valuation and Review of the Pension Fund as of June 30, 2011.

The census information upon which our calculations were based was prepared by Joseph M. Sears and his staff and the financial information by Michael D. Sisk & Company, PC, CPAs. Their assistance is gratefully acknowledged.

We look forward to reviewing this report with you at your next meeting and to answering any questions you may have.

Sincerely,

THE SEGAL COMPANY

By:

David Shock
Senior Vice President

Rosana V. Egan, FCA, MAAA, EA
Senior Vice President and Actuary

cc: Fund Administrator
Fund Counsel
Fund Auditor
Fund Investment Consultant

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I. SUMMARY

The NMU Great Lakes Pension Plan terminated by mass withdrawal of all remaining contributing employers on June 30, 1994 (which is the mass withdrawal valuation date).

In order to pay for the Plan's unfunded vested benefits, initial withdrawal liability was calculated and assessed against each former contributing employer to the Pension Fund having such liability, utilizing the statutory presumptive formula provided in the Multiemployer Pension Plan Amendments Act of 1980 (MPPAA).

The second component of mass withdrawal liability (*i.e.*, redetermination liability) was determined as not applicable, in accordance with ERISA and the final regulations issued by the Pension Benefit Guaranty Corporation (PBGC) implementing the mass withdrawal provisions of MPPAA.

The final component of mass withdrawal liability (*i.e.*, reallocation liability) was computed to be $315,300 in accordance with ERISA and regulations issued by the PBGC.

ERISA Section 4281 requires annual actuarial valuations following a mass withdrawal in a multiemployer fund to determine whether assets, including claims for withdrawal liability owed to the Fund, are enough to meet the value of "nonforfeitable" benefits and to determine whether a plan is solvent (*i.e.*, able to pay benefits when due during the year).

The highlights of our actuarial valuation of the Fund as of June 30, 2011 are presented in the next section. Sections III, IV and V review in more detail the updated participant data provided by the Fund Administrator and the Fund's financial experience during 2011 provided by the Fund Auditor. Sections VI and VII detail the status of the Fund as required by ERISA.

II. HIGHLIGHTS

- As of June 30, 2011, a total of 37 non-retired participants were eligible for immediate or deferred vested benefits and 138 pensioners and survivor beneficiaries were receiving payments. In addition, there were two pensioners whose benefits were in suspended status as of June 30, 2011.

- The Fund paid $267,552 in benefit payments in fiscal 2011, a decrease of 9.4% from 2010.

- The market value of assets continues to decline from $1,507,458 as of June 30, 2010 to $1,329,188 as of June 30, 2011. The annual rate of return on a market value basis for the year amounted to a 9.73% which represents an investment gain for the year.

- As of June 30, 2011, the present value of accrued vested benefits totaled $2,974,818, including the administrative expense loading charge which exceeds the value of the Fund's net assets at market value of $1,329,188. Since the value of benefits exceeds assets, benefits subject to reduction shall be discontinued to the extent necessary to ensure that assets are sufficient to cover non-forfeitable benefits. All interpretations as to benefit reductions must be reviewed by Fund Counsel.

- The Plan continues to be solvent and it is anticipated that the Plan will be able to pay benefits through at least the next four years which is one year later than reported last year due to the gain on investments.

III. NON-RETIRED VESTED PARTICIPANTS

Updated data on non-retired vested participants was furnished by the Fund Administrator as of June 30, 2011.

During the year ended June 30, 2011, one participant retired. As of June 30, 2011, a total of 37 participants were eligible for immediate or deferred vested benefits, compared to 38 at the end of the prior year.

Table 1 summarizes the non-retired participants with vested rights to a pension as of June 30, 2011, by age and average accrued monthly benefits as of June 30, 1994 (date of plan termination), payable at normal retirement age of 65. For 2011, the average age of the non-retired vested participants is 65.0 compared to 64.1 as of June 30, 2010 and the average accrued monthly benefit payable at Normal Retirement Age is $168 compared to $169 in the prior year.

Table 1

All Non-Retired Vested Employees as of June 30, 2011

Age as of June 30, 2011	Number	Average accrued monthly benefits
50 – 54	5	$75
55 - 59	8	112
60 - 64	10	214
65 - 69	7	208
70 and over	7	190
Total	37	$168

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IV. PENSIONERS AND BENEFICIARIES

During the year ended June 30, 2011, one non-disabled pension was awarded. The number of pensioners and beneficiaries who were reported as deceased amounted to 17. In addition, there was one pensioner who was incorrectly reported as deceased last year, who was receiving benefits as of June 30, 2011. The monthly amount for the new pension was $240. His age at effective date was 65.1.

As of June 30, 2011, 138 pensioners and beneficiaries were receiving benefit payments and two were in suspended status, compared to 155 pensioners and beneficiaries receiving benefits and none in suspended status at the end of the prior year.

Benefits to pensioners and beneficiaries receiving payments at June 30, 2011, totaled $21,311 per month. The pensioners and beneficiaries as of June 30, 2010 were then receiving $24,076 per month.

The average age of the pensioners and beneficiaries was age 78.2 at June 30, 2011. The average monthly pension (after reduction for any optional form of payment) was $154.

Tables 3 and 4 present additional information about these benefit payments.

Table 2

Pensions in Payment Status on June 30, 2011
by Type and by Age

Age as of June 30, 2011	Total	Type of Pension	
		Non-disability	Disability
Total	138	128	10
Under 60	1	1	- -
60 - 64	5	5	- -
65	3	3	- -
66	3	3	--
67	2	2	- -
69	3	2	1
70 - 74	33	29	4
75 – 79	27	23	4
80 – 84	35	35	- -
85 – 89	18	17	1
90 and over........................	8	8	--

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Table 3

Pensions in Payment Status on June 30, 2011
by Type and by Monthly Amount

Monthly Amount	Total	Type of Pension	
		Non-Disability	Disability
Total	138	128	10
Less than $50	44	43	1
$ 50 - 99	22	21	1
100 - 149	10	9	1
150 - 199	20	15	5
200 - 249	16	15	1
250 - 299	7	7	- -
300 - 349	4	4	- -
350 - 399	1	1	- -
400 - 449	6	6	- -
450 - 499	2	2	- -
500 - 549	3	2	1
650 - 699	2	2	- -
800 and over	1	1	- -

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V. INCOME, EXPENSES AND FUND DEVELOPMENT

Income

The Fund had net investment income in 2011 of $130,717 (after deduction of investment fees of $13,440) compared to net investment income of $156,046 in the prior year. Investment income for fiscal 2011 included interest earnings and net appreciation in fair value of investments.

Expenses

The Fund's administration expenses in 2011 totaled $41,435, compared to $40,775 in 2010. Benefit payments in 2011 were $267,552 compared to $295,202 in 2010.

Tables 4 and 5 summarize the income and expenses of the Fund.

Fund Development

As of June 30, 2011, the Fund's net assets at market value totaled $1,329,188 compared to net assets of $1,507,458 as of June 30, 2010, a decrease of $178,270. Table 6 provides more details on the Fund's assets.

Investment Experience

As mentioned above, the Fund had net investment income in 2011 of $130,717 and in 2010 of $156,046 which represented an annual rate of return of 9.73% and 10.34% respectively. Table 7 details the Fund's investment experience over the past ten years.

Table 4

Summary Statement of Income and Expenses
for Year Ended June 30

	2011	2010
Investment income:		
Interest..	$392	$582
Net appreciation in fair value of investments	143,765	169,880
Total investment income............................	144,157	$170,462
Less: Investment fees................................	-13,440	-14,416
Net investment income...............................	$130,717	$156,046
Less: Administration expenses......................	-41,435	-40,775
Total income available for benefit payments	$89,282	$115,271
Less: Pension benefit payments....................	267,552	-295,202
Reduction in reserve for future benefits	-$178,270	-$179,931

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Table 5

Administration Expenses for Year Ended June 30

Expense	2011	2010
Actuarial fees	$15,000	$15,000
Contract administrator's fee	11,863	11,715
Insurance	6,097	6,043
Audit fees	6,054	5,063
Legal fees	2,044	2,400
Office expenses	377	554
Total	$41,435	$40,775

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Table 6

Assets as of June 30
at Market Value

Assets at Market Value	2011		2010	
Investments:				
Collective investment Funds ..	$967,015		$1,127,737	
Money market funds	57,272		378,969	
Total investments		$1,024,287		$1,506,706
Due from brokers for investment securities sold		300,000		0
Prepaid expenses......................		7,109		3,581
Total assets		$1,331,396		$1,510,287
Less: Accounts payable		-2,208		-2,829
Net assets at market value		$1,329,188		$1,507,458

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Table 7

Rates of Return
Including All Changes in Market Values
2002 - 2011

Year Ended June 30:	Average Value of Assets	Net Dividend and Interest Income		Change in Market Value of Assets*		Total Investment Return	Total Annual Rate of Return
		Amount	Annual Rate of Return	Amount	Annual Rate of Return		
2002	$3,925,604	$(28,231)	(0.72)%	$(20,280)	(0.52)%	$(48,511)	(1.24)%
2003	3,420,681	(27,056)	(0.79)	258,474	7.56	231,418	6.77
2004	3,218,408	(26,870)	(0.83)	194,604	6.05	167,734	5.21
2005	2,978,139	(21,700)	(0.73)	176,445	5.92	154,745	5.20
2006	2,752,014	(11,139)	(0.40)	92,526	3.36	81,387	2.96
2007	2,458,340	(3,114)	(0.13)	270,391	11.00	267,277	10.87
2008	2,401,974	(6,859)	(0.29)	(31,164)	(1.30)	(38,023)	(1.58)
2009	2,028,338	(11,227)	(0.55)	(167,069)	(8.24)	(178,296)	(8.79)
2010	1,508,799	(13,834)	(0.92)	169,880	11.26	156,046	10.34
2011	$1,343,543	(13,048)	(0.97)	143,765	10.70	130,717	9.73
Total	$24,035,840	($163,078)		$1,087,572		$924,494	
				5 year average return: 10 year average return:			3.47% 3.55%

* Includes realized gains and losses.
Note: Detail figures may not add to totals shown due to rounding.
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VI. <u>PRESENT VALUE OF ACCRUED VESTED BENEFITS</u>

ERISA Section 4281(b) requires the Trustees to determine annually whether the value of nonforfeitable benefits exceeds the value of Fund assets <u>including</u> claims for withdrawal liability owed the Fund. When the value of benefits does exceed the value of assets, the Plan must be amended to reduce benefits to the extent necessary to ensure that the plan's assets are sufficient to discharge, when due, all of the plan's obligations with respect to nonforfeitable benefits.

Nonforfeitable benefits, on the basis of the definition in Section 4001(a)(8) of ERISA include all benefits in pay status as of June 30, 2011 and for future retirees, all vested pension benefits accrued as of June 30, 1994 (date of plan termination) payable at earliest eligible retirement age.

<u>Plan Benefits</u>

Plan benefits considered "forfeitable" (and, therefore, not valued) include the disability retirement benefit for non-retired participants.

Benefits are computed in accordance with the terms and provisions of the Plan on the date the participant left employment of the participating Employer. At June 30, 1994 (date of plan termination), the monthly amount of the Normal Pension of a participant retiring on or after August 1, 1988 was as follows:

Years of Pension Credit	Monthly Amount
15	$300.00
16	320.00
17	340.00
18	360.00
19	380.00
20	400.00
21	420.00
22	440.00
23	460.00
24	480.00
25 or more	500.00*

* Plus $30 per month for each year of credit that is earned in excess of 25 years of pension credit after having attained age 55, to a maximum addition of $300.

Actuarial Assumptions

We have determined the values in accordance with Pension Benefit Guaranty Corporation (PBGC) Regulation Part 4281, Subpart B - Valuation of Plan Benefits and Plan Assets Following Mass Withdrawal. The interest rates, mortality tables, and loading assumptions are set forth in that regulation. For a valuation in June 2011, the interest rate to be used is 3.96% for the first 20 years and 4.32% for years after. The mortality table for healthy participants is the 1994 Group Annuity Mortality Basic Table projected from 1994 to the calendar year in which the valuation date occurs plus ten years using Scale AA. In accordance with the PBGC regulation, we have determined the administrative expense loading charge to be $62,919 as of June 30, 2011.

In accordance with the PBGC regulation, we have assumed that benefit payments for all non-retired vested participants will commence at the earliest eligible retirement age. Benefits are reduced, where appropriate, by the following early retirement adjustment factors as adopted by the Trustees:

Attained Age	Early Retirement Factor
55	0.5000
56	0.5333
57	0.5667
58	0.6000
59	0.6333
60	0.6667
61	0.7333
62	0.8000
63	0.8667
64	0.9333

Liabilities

On the basis set forth above, the Fund's present value of accrued vested benefits as of June 30, 2011 is shown below.

Participant Group	Number of Participants	Present Value of Accrued Vested Benefits
Non-retired participants..	37	$779,703
Pensioners and survivor beneficiaries (including two pensioners in suspended status).............................	140	2,132,196
Administrative expense loading	- -	62,919
Total..	177	$2,974,818

The Fund's present value of accrued vested benefits as of June 30, 2011 including the expense loading totaled $2,974,818 , a slight decrease from $3,126,668 one year earlier. The market value of assets as of June 30, 2011 amounted to $1,329,188.

Therefore, the value of nonforfeitable benefits exceeds the value of Fund assets by $1,645,630.

When the value of benefits exceeds the value of assets, benefits subject to reduction shall be discontinued to the extent necessary to ensure that the plan's assets are sufficient to discharge, when due, all of the plan's obligations with respect to non-forfeitable benefits.

Due to the complexity and ambiguity in the law and regulations, all interpretations as to benefit reductions must be reviewed by Fund Counsel.

We discuss plan solvency in the next section.

VII. PLAN SOLVENCY

PBGC Regulation Part 4041 A, Subpart C - Powers and Duties of Plan Sponsor of Plan Terminated by Mass Withdrawal - requires an annual determination of the plan's solvency, that is, whether a plan is able to pay benefits when due during the year. When a Fund becomes insolvent, benefits in excess of the "insolvency benefit level," which is the greater of the "resource benefit level" or the guaranteed benefit level, should be suspended. Guaranteed benefits, under ERISA Section 4022A, are a monthly amount of $11 plus 75% of the accrual rate in excess of $11 up to a maximum of $33 per year of service. This Fund's guaranteed benefit would be $17.75 per month per year of service for the first 25 years of pension credit.

If all employees currently eligible to retire do retire in the year ending June 30, 2012, benefit payments for the year would total $301,875. Assets totaling $1,329,188 as of June 30, 2011 will be more than sufficient to pay these anticipated benefits.

Table 8 illustrates the flow of the Fund's assets under the following conditions:

A) Expenses will increase 1.5% per year from $42,000 for the year ending June 30, 2012.

B) Mortality will follow PBGC's published rates;

C) Investment income will be received at the PBGC's June 2011 published rates as indicated in Section VI of this report with no other market adjustments;

D) Retirement is assumed to occur at the earliest eligible retirement age; and

E) Benefits have not been reduced or suspended.

As Table 8 indicates, based on the above assumptions, it is anticipated that the Plan's assets will be sufficient to pay benefits through the year ending June 30, 2015, but be depleted sometime in the year July 1, 2015 through June 30, 2016.

Table 8

Projected Assets
Over the Next 10 Years

Year Ended June 30:	Administrative Expenses	Benefit Payments	Investment Income	Assets
2011				$1,329,188
2012	$42,000	$301,875	$45,398	1,030,711
2013	42,630	291,860	33,782	730,003
2014	43,269	279,046	22,137	429,825
2015	43,918	263,803	10,565	132,669
2016	44,577	251,384	(948)	(164,240)
2017	45,246	234,487	(12,355)	(456,328)
2018	45,925	220,463	(23,633)	(746,349)
2019	46,613	207,690	(34,856)	(1,035,508)
2020	47,313	193,215	(46,009)	(1,322,045)
2021	48,022	181,089	(57,109)	(1,608,265)

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