



Electrical Construction Industry
VACATION-HOLIDAY PLAN
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Notice to Participants

As you know, the Plan provides paid time off, holiday and jury duty benefits. In addition, each November, the Plan had issued an additional distribution to participants. This is to advise that there will be no additional distribution in 2023. Following is an explanation from Plan's Trustees providing how the additional distribution is calculated and why they have decided to suspend the approval of additional distributions for 2023.

Under the Plan, the additional distribution is payable to the extent the Plan's investment earnings and forfeitures exceed the administrative expenses of operating the Plan. The Plan's earnings have been at historic lows for the past several years. The Plan's assets are invested conservatively in short-term fixed income securities (bonds) and cash equivalents. As you may know, interest rates were at historic lows until they began rising last year. When interest rates rise, bond returns decline. 2022 was a historically challenging market for bond investors. This has caused the Plan's investment earnings to be much lower than in past years. This is simply a function of the interest rate environment. Given the nature of the Plan, the Plan's Trustees believe it is appropriate to invest conservatively with a primary goal of preservation of capital. For that reason, the assets have always been invested in conservative, short-term fixed income products. And unfortunately, while those investments provide security, they did not generate significant returns last year. However, returns for short-term bonds have now increased more recently in 2023, which is positive news for future additional distributions.

The Plan's Trustees will again reinstate the additional distribution as earnings rebound and Plan assets can support the distribution. Based on current interest rates, the Plan's investment earnings are expected to increase, thus permitting additional distributions in the future. However, it is obviously difficult to project when Plan earnings will increase to the level allowing an additional distribution.

If you have any questions regarding this notice, please contact the Plan Office.