Human Resources
Benefits

Pacific Gas and Electric Company Retirement Plan Annual Funding Notice — Frequently Asked Questions

Q: Why am I receiving this Annual Funding Notice?

A: Under the Pension Protection Act of 2006 (PPA), beginning in 2009, employers who sponsor defined benefit pension plans are required to distribute an Annual Funding Notice, which is a standard disclosure that must be sent to all pension plan participants. The notice must include information on the funding status of the pension plan and rules regarding plan termination and pension benefits guaranteed by the Pension Benefit Guaranty Corporation (PBGC).

Q: Do I need to take action?

A: No. The notice is purely informational.

Q: When must the notice be distributed?

A: The Annual Funding Notice must be distributed within 120 days after the close of the Plan year to which it relates. Because PG&E's Plan year ends on December 31, we are required by law to send this notice by April 30 each year.

Q: What key information should I note from this Annual Funding Notice?

A: The Pacific Gas and Electric Company Retirement Plan is a defined benefit plan, which means your benefit is determined based on a specific formula using your base pay, years of service and your age at retirement—not on investment earnings and growth. The Retirement Plan continues to be well-funded despite economic fluctuations.

Q: Does this notice apply to my company 401(k) plan?

A: No. The Annual Funding Notice applies only to the Pacific Gas and Electric Retirement Plan (a pension plan). It does not apply to defined contribution plans such as the PG&E Retirement Savings Plans.

Q: Does receipt of this notice mean that the Plan is underfunded?

A: No. The Annual Funding Notice must be provided regardless of the Plan's actual financial condition or level of funding. The information contained in the Annual Funding Notice is specifically required in this format to comply with the PPA; this information is not intended to suggest that these conditions apply to the Plan.

Q: Where can I find more financial information about the Plan?

A: You can find more financial details in the Annual Report, commonly referred to as "Form 5500." The Annual Report essentially is a tax return for the Retirement Plan. It is a long document, complete with various tax schedules, which PG&E files annually with the Department of Labor.

A summary of the Annual Report is available on the HR intranet under *Plans, Policies & Forms > Benefit Plan Documents > Summary Annual Reports > Annual Return/Report of Employee Benefit Plan.*

Q: **Who determines how much is contributed to the Plan?**

A: The company decides each year how much to contribute to the pension trust fund. The company's funding policy is to contribute amounts that are tax-deductible and consistent with applicable regulatory decisions and federal minimum funding requirements.

When helping the company determine the pension contribution each year, the Plan actuary provides detailed calculations, including quantifying the minimum amount the company must contribute to ensure the Plan complies with federal funding standards.

Q: **What happens if the actuarial valuation shows that a pension plan is under-funded?**

A: When a plan is underfunded, restrictions may apply to benefit increases, plan amendments and the forms of payment available under the plan. In addition, plans with a funding shortfall are required to pay increased premiums to the PBGC. Generally, plan sponsors are required to make up funding shortfalls over no more than seven years. PG&E continues to make required contributions and none of the restrictions mentioned currently apply.

Q: **Is it possible for a pension plan to be overfunded? If so, what happens to the funds?**

A: Yes, a pension plan can be overfunded. In this case, companies may not be able to make additional tax-deductible contributions to the pension plan.