

Company introduces new retirement benefits for non-rep new hires

DTE Energy will introduce new post-employment health care and retirement income benefits for new non-represented employees who are hired or rehired by Detroit Edison, MichCon, Citizens Gas and DTE Energy Corporate Services, LLC on or after Jan. 1, 2012.

The new benefits will help the company better manage costs and bring our new hire benefits more in line with those offered by our peer companies.

Beginning Jan. 1, 2012, instead of offering non-represented new hires post-employment health care benefits, the company will allocate \$4,000 a year to an account in a tax-exempt trust for each newly hired employee. The accumulated balance and earnings in an employee's account will vest when the employee has 10 years of service, regardless of his or her age. These funds will be available to the employee to use for health care expenses after the employee leaves the company.

Also effective Jan. 1 2012, the company will discontinue offering new hire non-represented employees a cash balance pension plan benefit. In its place, the company will annually contribute an amount equivalent to four percent of an employee's eligible pay into his or her 401(k) plan. This **automatic** contribution will be in addition to the company's match contribution, which is currently up to six percent of an employee's eligible pay. The incremental contributions the company will make to employee 401(k) savings accounts will provide non-rep new hires with the option for greater control and discretion in managing their investments.

In addition, the company will no longer provide a post-employment life insurance benefit to this group of new hires.

DTE Energy will spend approximately \$120 million on post-employment health care and life insurance benefits this year, and approximately \$150 million on retirement income benefits. As more Baby Boomer employees reach retirement age, our company's so-called "legacy" benefit costs will continue to climb.

"Our challenge is to find ways to manage these rapidly mounting costs to keep our services affordable and our company healthy," said **Larry Steward**, vice president – Human Resources. "In the long run, these new plans will help us do that."

The changes the company is making are intended to keep our benefit programs competitive while continuing to deliver benefits that are valuable, cost effective and in line with utility industry and local area trends. These changes are expected to save the company approximately \$17 million a year.

The modified new hire benefit plans are similar to those already in place for our new hires represented by Locals 70, 132 and 799 Northern of the International Chemical Workers Union Council/United Food and Commercial Workers (ICWUC/UFCW). New

hires represented by Local 223 have a post-employment medical plan that is similar to the new benefits for non-represented new hires.

The benefit changes announced today will only affect non-represented employees who start work at DTE Energy on or after Jan. 1, 2012 at Detroit Edison, MichCon, Citizens Gas and Corporate Services, LLC. However, as the company continues to look for ways to keep costs in line, it's possible that modifications could be made to current non-represented employee and retiree plans in the future.

Companies nationwide are increasingly moving away from traditional "defined benefit" pension plans, where benefits are based on a set formula, to "defined contribution" plans, which is a tax-deferred savings account. The contribution amounts and investment earnings of the individual defined contribution plan accounts determine the retirement benefit.

"Over the past few years, the number of companies switching to defined contribution plans has increased dramatically because they offer more financial predictability," said Steward. "The auto industry's struggle with its legacy costs is a good example of what can happen when defined benefit and post-retirement medical costs go unchecked and the economy declines. Defined contribution plans help companies reduce the risk and volatility of providing retirement benefits, increasing their sustainability."

In 1985, 89 of the Fortune 100 companies offered newly hired salaried workers defined benefit pension plans, according to a study by Towers Watson, a global professional services company. Currently, only 13 of today's Fortune 100 companies offer salaried new hires any kind of defined benefit pension. The vast majority have switched to defined contribution plans, like 401(k)s.

According to a benchmarking study completed earlier this year, the retirement benefits DTE Energy currently offers its non-represented new hires are not in line with those offered by other leading companies.

The study, conducted annually by Aon Hewitt, an internationally recognized expert in compensation and benefits, showed that the overall value of retirement benefits (post-employment health care benefits and retirement income) we offer non-represented new hires ranked seventh out of the 49 companies surveyed. Taken separately, our post-employment health care and retirement income benefits also ranked seventh. Additionally, of the 49 companies surveyed, only 23 offered any post-employment life insurance benefits.

"We expect that with the introduction of our benefit structure for new plans, we'll land just about at the median, or middle, in these categories, which is our target," said **Jeff Wuepper**, director of compensation and benefits. "Being at the median means that our benefits are competitive and our costs are in line with our peers."

It also means that the company will continue to be successful in attracting and keeping excellent employees.

“The benefit plan is one of many things people consider important in choosing an employer. Other factors like compensation, reputation, employment outlook, values and quality of life matter, too,” he said. “When you consider all our company has to offer, it’s a pretty great place to be. That’s why talented people come to work here and why they stay.”

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