

**NEW ENGLAND TEAMSTERS AND**



**TRUCKING INDUSTRY PENSION FUND**

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To: All Pension Fund Participants

From: Board of Trustees

Date: September 12, 2007

Re: Annual Funding Notice

Beginning this year, the U.S. Department of Labor (“DOL”) is requiring all multiemployer pension plans to provide participants with an Annual Funding Notice. The Annual Funding Notice is printed on the back of this letter. The Notice is in a standardized format and is required to show information pertaining to, among other things, the plan’s funded status, annual benefit payments, pension plan terminations and insolvency.

The funding and plan termination information contained in the Notice complies with DOL regulations. However, it is the opinion of this Board of Trustees of the New England Teamsters & Trucking Industry Pension Fund (“Fund”) that the attached Notice does not provide you with a realistic view of the current status and future outlook of the Fund. The intention of this cover letter is to more fully explain some of the federally-mandated information contained in the Notice and to provide you with a better understanding of your pension plan.

Like most pension plans across the country, the Fund was impacted by the cumulative effect of poor performance in the investment markets during 2000, 2001 and 2002. During that three-year period, the United States stock markets lost nearly 40% of their value, negatively affecting every investor, large and small. Since a portion of the assets of the Fund are invested in the U.S. stock markets, the Fund’s overall investment returns during this period were lower than desired and anticipated. Coinciding with these troublesome financial markets, four of the Fund’s long-time contributing employers withdrew from the Fund due to bankruptcy or facility closing: APA, Consolidated Freightways, Red Star and SuperValu. The loss of these employers meant fewer contribution dollars for the Fund. In addition, many of the former employees of these companies retired sooner than they or we planned, due to the loss of their jobs.

Your Trustees took action in 2003 and again in 2005, after the financial markets had stabilized, to ensure that the Fund continues to maintain strong financial solvency. As you are aware, the changes made in 2005 were part of a comprehensive approach to affect all aspects of the Fund's operations, including: 1) freezing pension accruals, 2) subjecting future contracts to a 5% Maintenance of Benefits requirement and 3) slowing the rate of early retirements. As you also may know, many pension funds throughout the country, including Teamster funds, faced similar conditions and were forced to take more drastic measures to strengthen their funding, going so far as to reduce future pension accruals by 50%.

Obviously, pension plans are designed to accumulate contributions and investment earnings so that sufficient assets are available to pay pension benefits at retirement. This Pension Fund is designed to meet these objectives to pay pension benefits for your lifetime after retirement. In order to ensure that the Fund is adequately funded to meet its stated objectives, your Trustees engage the services of professional consultants and advisors. Chief among them are actuaries who certify that the Fund is properly funded under Federal law, utilizing a series of forward-looking assumptions regarding items such as life expectancy of the Fund's participants and long-term interest rates that reflect future anticipated investment performance of the Fund's assets.

Typically, the funding status of a pension plan is determined by comparing the Fund's assets (contributions plus investment returns) to the Fund's liabilities (value of future benefits plus operating expenses). The major components in determining the Fund's liabilities are the assumptions used for future investment performance of the Fund's assets and the life expectancies of each of the Fund's participants and retirees. Clearly, different funding levels are arrived at by using different forecasts of future events.

In the Notice section titled, "Plan's Funding Level", the "funded current liability percentage" is based on a forecast rate of return on the Fund's assets of 5.81% per year and a designated life expectancy table. Both the forecast rate of return and life expectancy table are dictated by law. We believe that the mandatory forecast rate of return set by the government is an unrealistically low rate; especially when compared with the forecast rate of return that is being used by the plan of 8.50% per year. Our consultants believe that the Fund's 8.50% forecast rate of return will be achievable over the long term based on the Fund's current investment strategy.

The lower the forecast rate of return, the lower the "funded percentage". If we reported the "funded percentage" based on the 8.50% forecast rate of return that is used by our actuaries to fund the plan, the percentage would actually be 63% versus the 44% contained in the Notice. In fact, the recently enacted Pension Protection Act of 2006 ("PPA") will require the Fund to use the 8.50% forecast rate of return for future funding notices for plan years beginning after October 1, 2008. In other words, if the requirements of the PPA were in effect today, the Fund would report a funded percentage of 63%.

In the Notice section titled, "Plan's Financial Information", the Fund is required to divide the fixed value of Fund's assets as of the beginning of the plan year by the amount of pension benefit payments made during the year to provide an estimate of the number of years of future pension payments. Further, the Fund is required to report, using this computation, that it will be able to make approximately 8.4 years of pension benefit payments in annual amounts equal to what was paid out during the past plan year. We believe that this computation is grossly misleading because it does not take into account future employer contributions to the Fund, earnings on investments or other changes to the Fund. Each of these factors is expected to generate sufficient assets in the future so that all present and future pension benefits will be paid. As we more fully explain below, the Fund's assets increased by \$100 million during the latest plan year while paying out \$396 million in pension benefits. In other words, the information contained in the Notice does not accurately reflect the Fund's ability to pay its promised benefits.

Finally, the Notice sections titled, “Rules Governing Insolvent Plans” and “Benefit Payments Guaranteed by the PBGC” requires a discussion of insolvent multiemployer funds and the PBGC benefit guarantees if the Fund were to terminate. Please understand that this is mandated language and is not an indication as to whether or not these conditions will ever apply to this Fund. Based on the current status of the Fund and a reasonable forecast of future events, as developed by our consultants, we do not foresee the Fund becoming insolvent nor needing PBGC relief. The New England Teamsters & Trucking Industry Pension Fund has been providing benefits for Fund retirees and beneficiaries without interruption for nearly 50 years. Significantly, in the plan year ended September 30, 2006, the Fund’s assets increased by \$100 million while providing benefit payments of approximately \$396 million to over 30,000 retired participants and beneficiaries.<sup>1</sup>

Your Trustees remain committed to operating the Fund on a financially sound basis while meeting all Federally-mandated requirements. Furthermore, we continue our commitment to provide to you pension benefits which will give you the ability to obtain a secure financial future.

Fraternally yours,

Board of Trustees



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<sup>1</sup> The Fund actually earned \$260 million in investment gains after expenses and received \$236 million in employer contributions.

ANNUAL FUNDING NOTICE  
FOR  
NEW ENGLAND TEAMSTERS & TRUCKING INDUSTRY PENSION FUND

Introduction

This notice, which federal law requires all multiemployer plans to send annually, includes important information about the funding level of the New England Teamsters & Trucking Industry Pension Fund (EIN: 04-63772430; Plan Number: 001) (Plan). This notice also includes information about rules governing insolvent plans and benefit payments guaranteed by the Pension Benefit Guaranty Corporation (PBGC), a federal agency. This notice is for the plan year beginning October 1, 2005 and ending September 30, 2006 (Plan Year).

Plan's Funding Level

The Plan's "funded current liability percentage" for the Plan Year was 44.3%. In general, the higher the percentage, the better funded the plan. The funded current liability percentage, however, is not indicative of how well a plan will be funded in the future or if it terminates. Whether this percentage will increase or decrease over time depends on a number of factors, including how the plan's investments perform, what assumptions the plan makes about rates of return, current market interest rates, whether employer contributions to the fund increase or decline, and whether benefits payments from the fund increase or decline.

Plan's Financial Information

The market value of the Plan's assets as of October 1, 2005 was \$3,330,715,000. The total amount of benefit payments for the Plan Year was \$395,933,200. The ratio of assets to benefit payments is 8.4 to 1. This ratio suggests that the Plan's assets could provide for approximately 8.4 years of benefit payments in annual amounts equal to what was paid out in the Plan Year. However, the ratio does not take into account future changes in total benefit payments or plan assets.

Rules Governing Insolvent Plans

Federal law has a number of special rules that apply to financially troubled multiemployer plans. Under so-called "plan reorganization rules," a plan with adverse financial experience may need to increase required contributions and may, under certain circumstances, reduce benefits that are not eligible for the PBGC's guarantee (generally, benefits that have been in effect for less than 60 months). If a plan is in reorganization status, it must provide notification that the plan is in reorganization status and that, if contributions are not increased, accrued benefits under the plan may be reduced or an excise tax may be imposed (or both). The law requires the plan to furnish this notification to each contributing employer and the labor organization.

Despite the special plan reorganization rules, a plan in reorganization nevertheless could become insolvent. A plan is insolvent for a plan year if its available financial resources are not sufficient to pay benefits when due for the plan year. An insolvent plan must reduce benefit payments to the highest level that can be paid from the plan's available financial resources. If such resources are not enough to pay benefits at a level specified by law (see Benefit Payments Guaranteed by the PBGC, below), the plan must apply to the PBGC for financial assistance. The PBGC, by law, will loan the plan the amount necessary to pay benefits at the guaranteed level. Reduced benefits may be restored if the plan's financial condition improves.

A plan that becomes insolvent must provide prompt notification of the insolvency to participants and beneficiaries, contributing employers, labor unions representing participants, and PBGC. In addition, participants and beneficiaries also must receive information regarding whether, and how, their benefits will be reduced or affected as a result of the insolvency, including loss of a lump sum option. This information will be provided for each year the plan is insolvent.

Benefit Payments Guaranteed by the PBGC

The maximum benefit that the PBGC guarantees is set by law. Only vested benefits are guaranteed. Specifically, the PBGC guarantees a monthly benefit payment equal to 100 percent of the first \$11 of the Plan's monthly benefit accrual rate, plus 75 percent of the next \$33 of the accrual rate, times each year of credited service. The PBGC's maximum guarantee, therefore, is \$35.75 per month times a participant's years of credited service.

Example 1: If a participant with 10 years of credited service has an accrued monthly benefit of \$500, the accrual rate for purposes of determining the PBGC guarantee would be determined by dividing the monthly benefit by the participant's years of service ( $\$500/10$ ), which equals \$50. The guaranteed amount for a \$50 monthly accrual rate is equal to the sum of \$11 plus  $\$24.75 (.75 \times \$33)$ , or \$35.75. Thus, the participant's guaranteed monthly benefit is \$357.50 ( $\$35.75 \times 10$ ).

Example 2: If the participant in Example 1 has an accrued monthly benefit of \$200, the accrual rate for purposes of determining the guarantee would be \$20 (or  $\$200/10$ ). The guaranteed amount for a \$20 monthly accrual rate is equal to the sum of \$11 plus  $\$6.75 (.75 \times 9)$ , or \$17.75. Thus, the participant's guaranteed monthly benefit would be \$177.50 ( $\$17.75 \times 10$ ).

In calculating a person's monthly payment, the PBGC will disregard any benefit increases that were made under the plan within 60 months before the earlier of the plan's termination or insolvency. Similarly, the PBGC does not guarantee pre-retirement death benefits to a spouse or beneficiary (e.g., a qualified pre-retirement survivor annuity) if the participant dies after the plan terminates, benefits above the normal retirement benefit, disability benefits not in pay status, or non-pension benefits, such as health insurance, life insurance, death benefits, vacation pay, or severance pay.

Where to Get More Information

For more information about this notice, you may contact the Fund Office, at 1-781-345-4400 or 1 Wall Street, Burlington, MA 01803-4768. For more information about the PBGC and multiemployer benefit guarantees, go to PBGC's website, [www.pbgc.gov](http://www.pbgc.gov), or call PBGC toll-free at 1-800-400-7242 (TTY/TDD users may call the Federal relay service toll free at 1-800-877-8339 and ask to be connected to 1-800-400-7242).