

FREIGHT DRIVERS AND HELPERS LOCAL 557 PENSION FUND

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Presented by:
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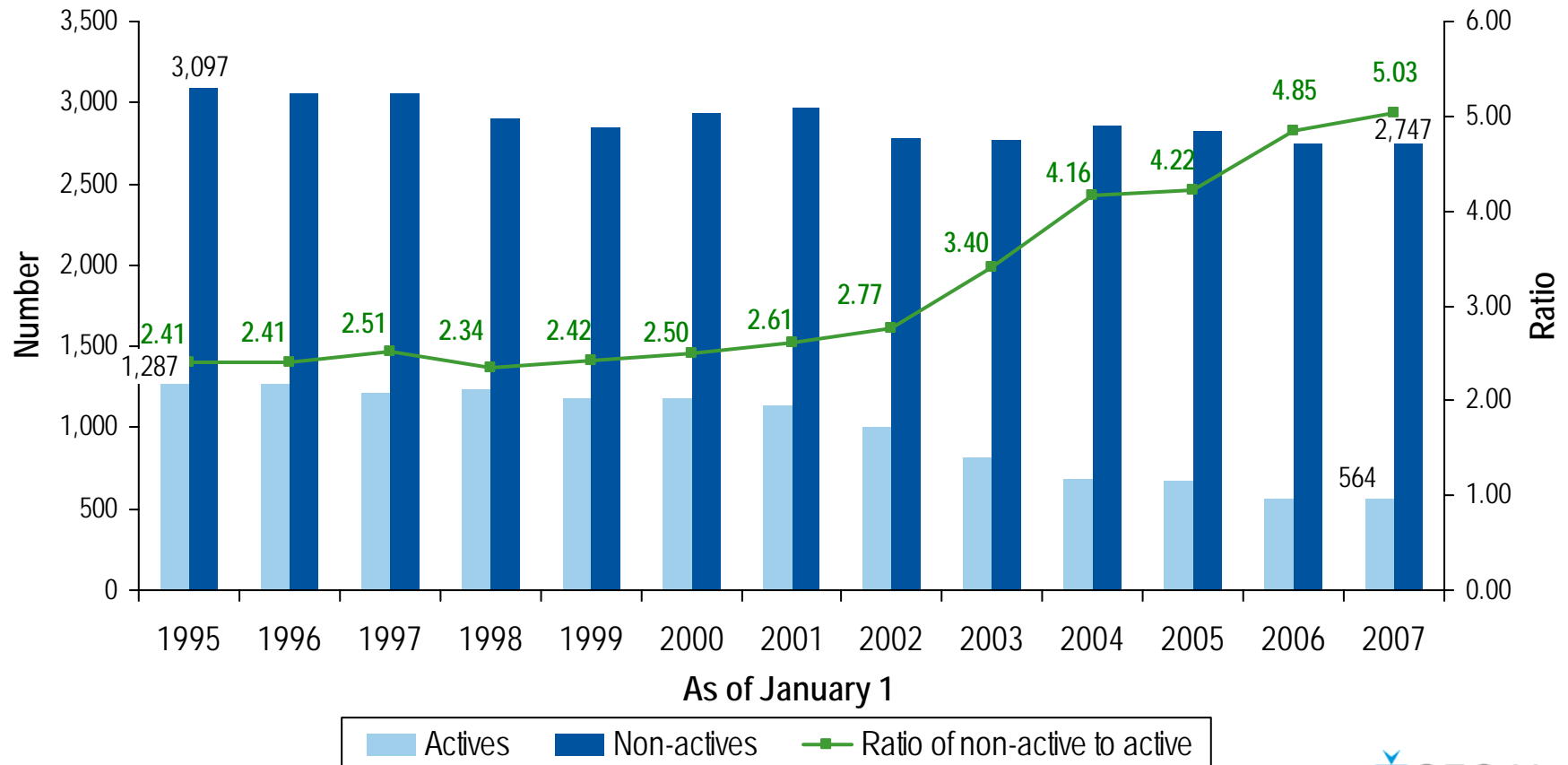
Summary

- Starting with the poor investment climate from 2000 through 2002, there developed an imbalance between the benefits provided under the Plan and the resources available to pay for them
- This led to the 50% reduction in the **future** benefit accrual rate that was effective January 1, 2007
- A second “once in a lifetime” market correction happened in 2008 (and continuing into the early part of 2009...maybe)
- Also in 2008, the Pension Protection Act of 2006 takes full effect
- Changes in population demographics (i.e., fewer contribution hours) limit possible solutions
- Changing future benefit accrual levels, even with contribution rate increases, is no longer enough to bring the Plan’s funding back into balance

Participant Population 1999 – 2007

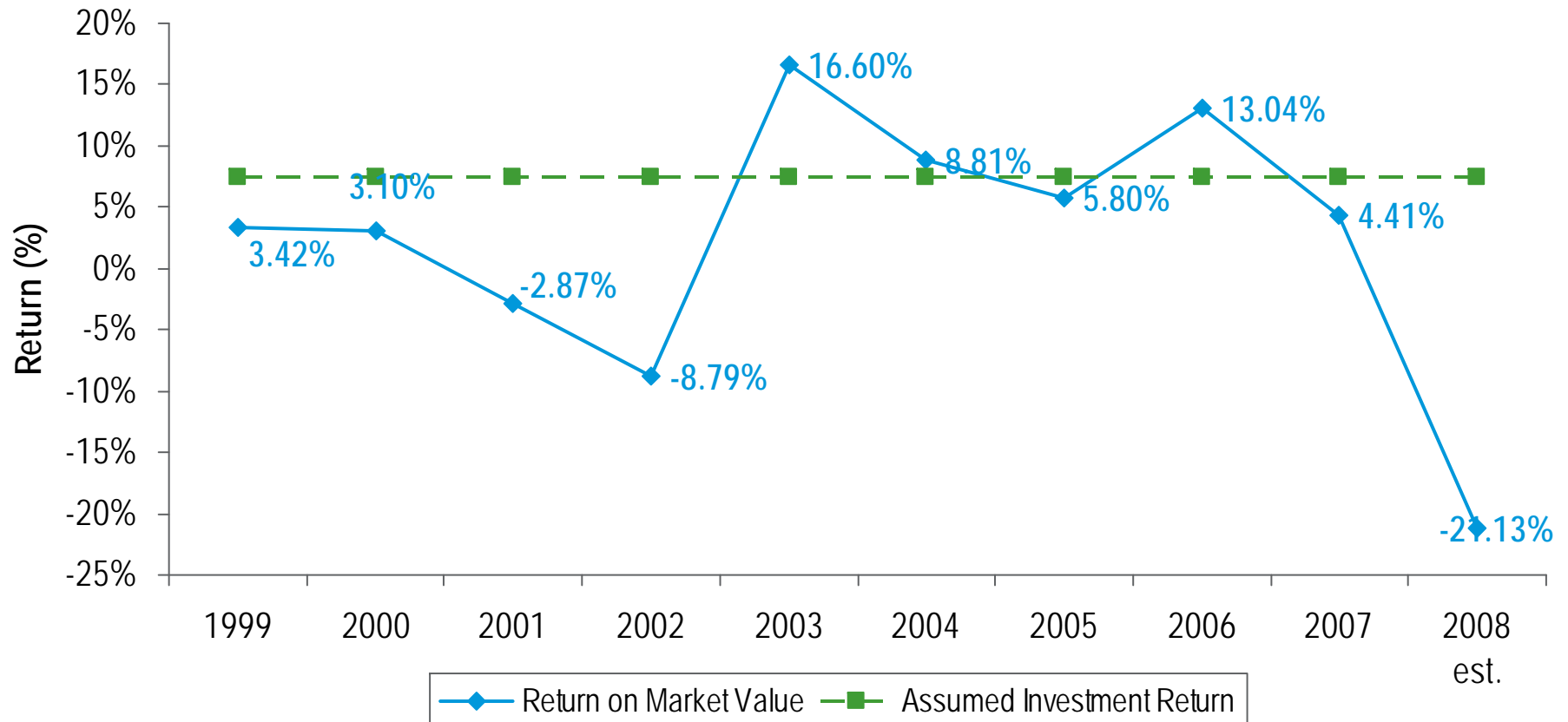
Over the last 12 years, the active population has declined by more than 56%, while the non-active population has dropped by only 11%

PARTICIPANT COUNTS/RATIOS



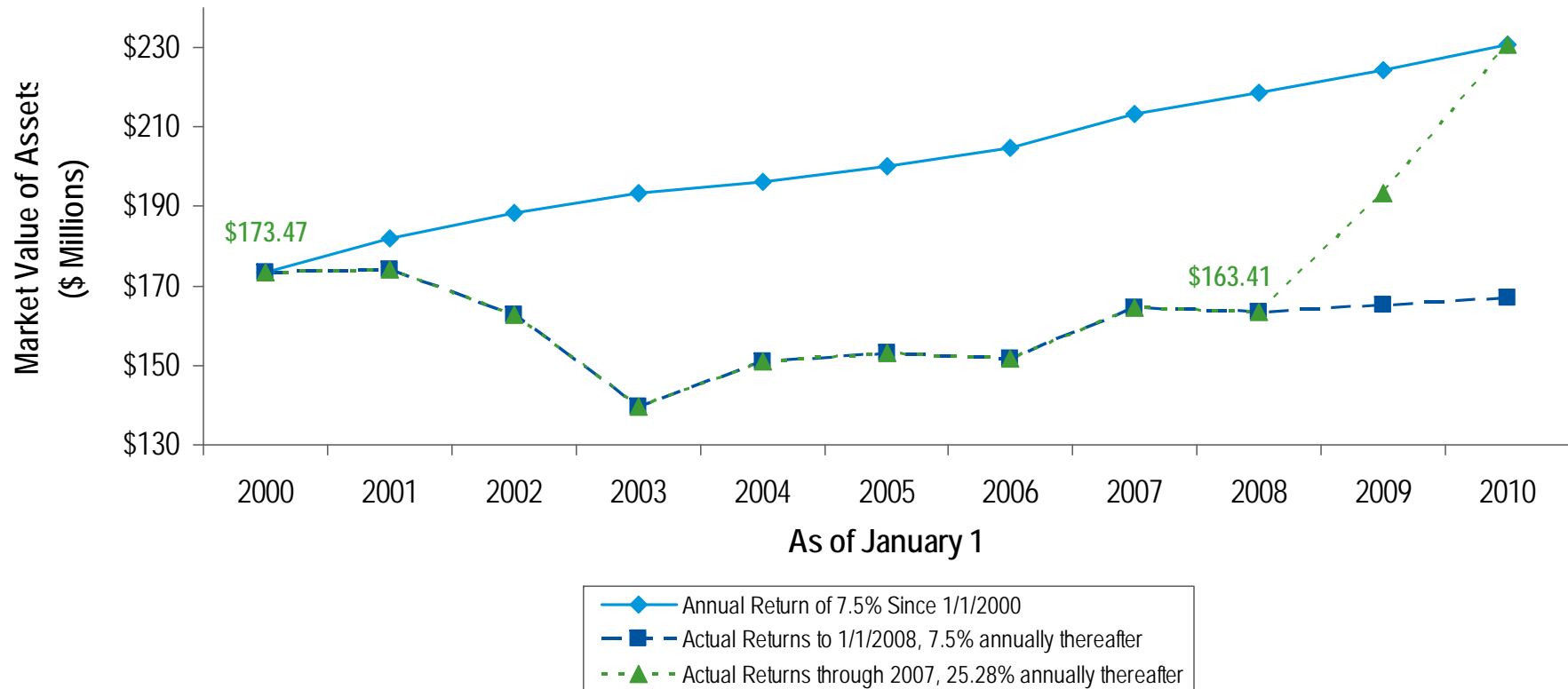
Market Value Returns: 1999 – 2008

In 7 of the last 10 years, assets have failed to return 7.50% on a Market Value basis



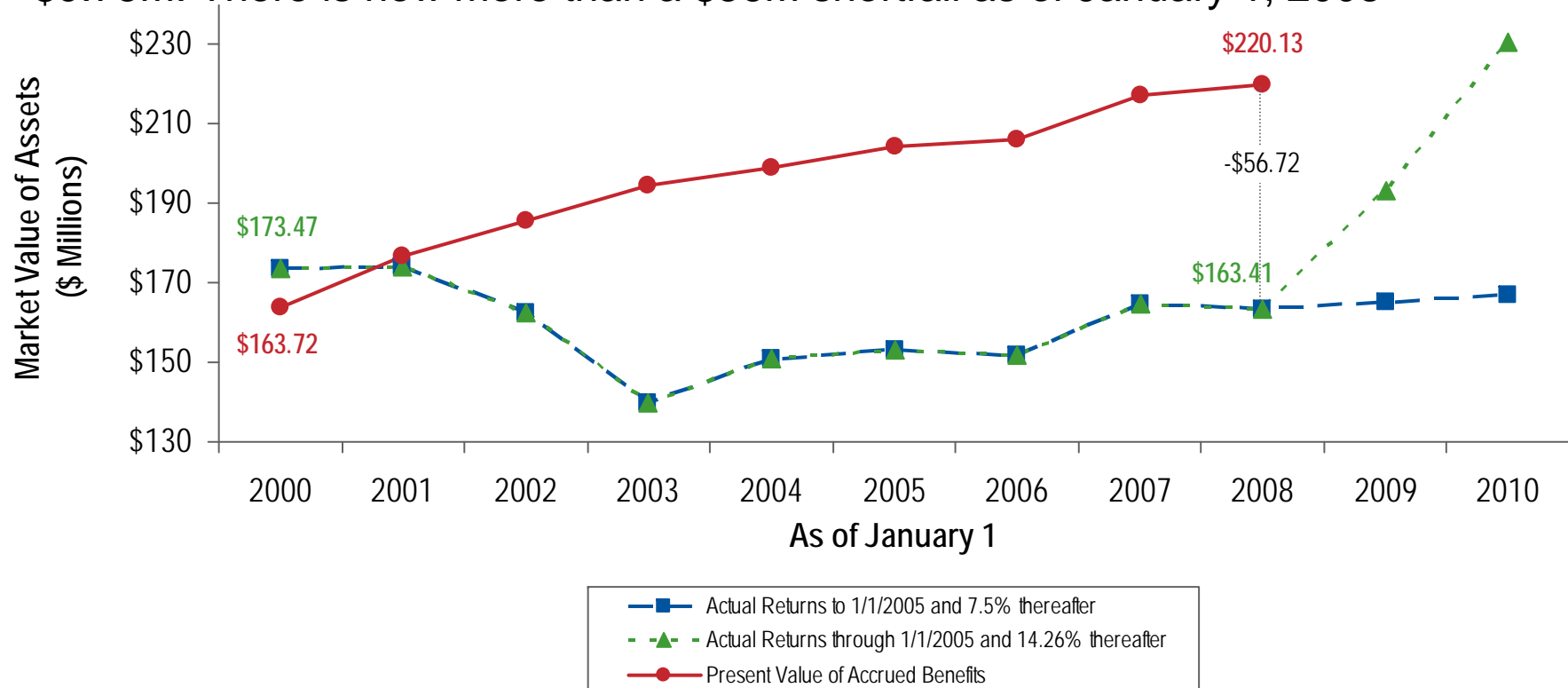
Market Value of Assets—Projections to 2010

Even with favorable returns in 2003, 2004 and 2006, investment losses of 2000 – 2002 have not been recovered. To fully recover losses without additional contribution income, the Plan must achieve a 25.28% return each of the next two years



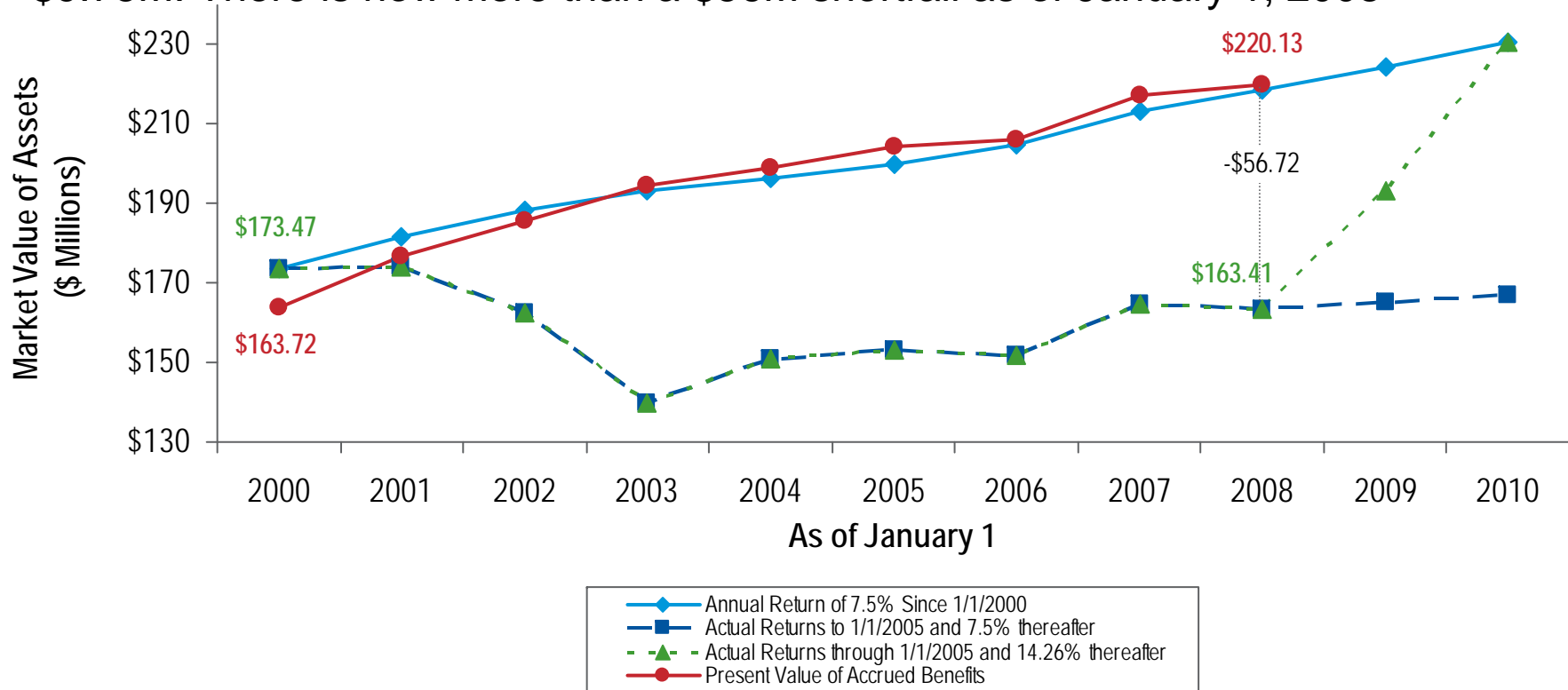
Market Value of Assets—Projections to 2010

- Even with favorable returns in 2003 and 2004, investment losses of 2000 – 2002 have not been recovered. To fully recover losses without additional contribution income, the Plan must achieve a 14.26% return each year from 2005 through 2009
- At January 1, 2000, assets exceeded the present value of accrued benefits by \$9.75M. There is now more than a \$56M shortfall as of January 1, 2008



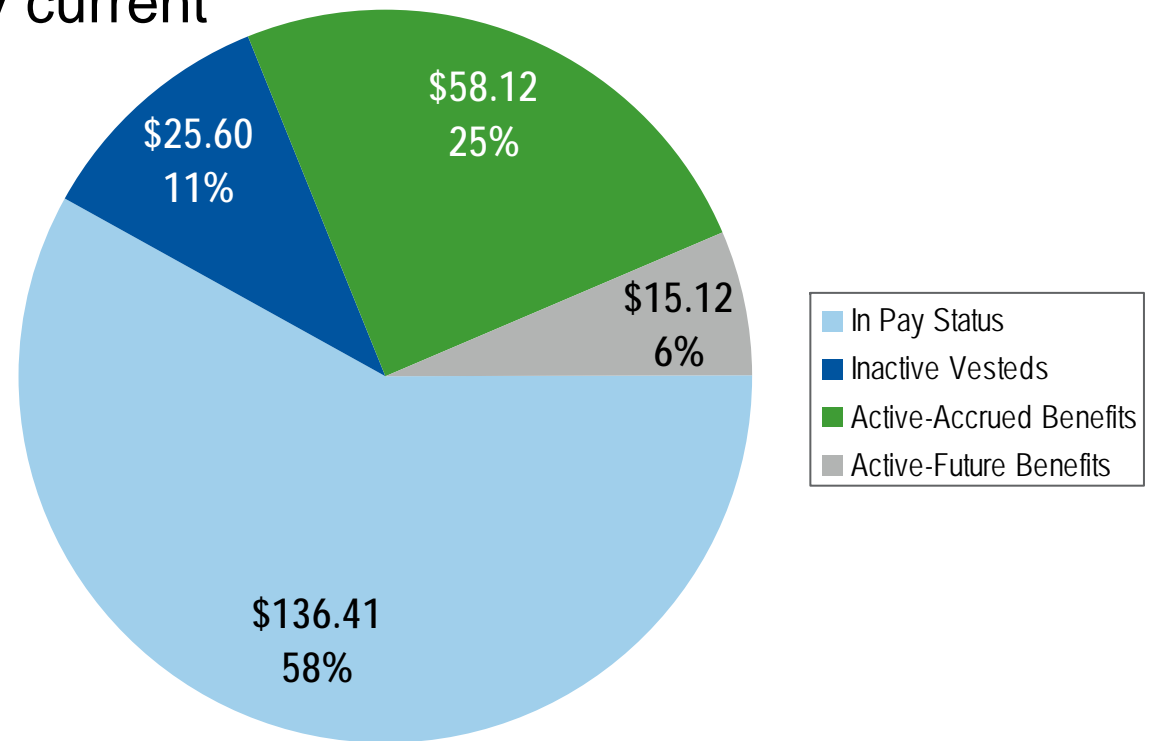
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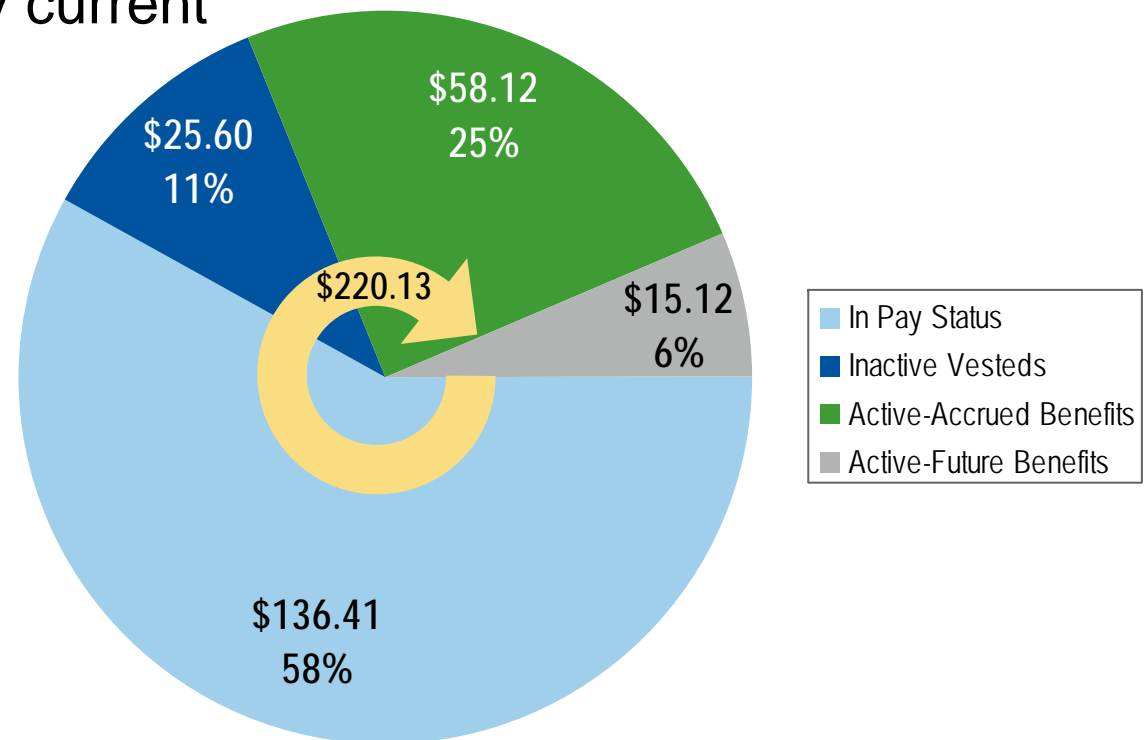
Present Value of Benefits

➤ Total Present Value of Benefits projected to be earned by current population is \$235.25M



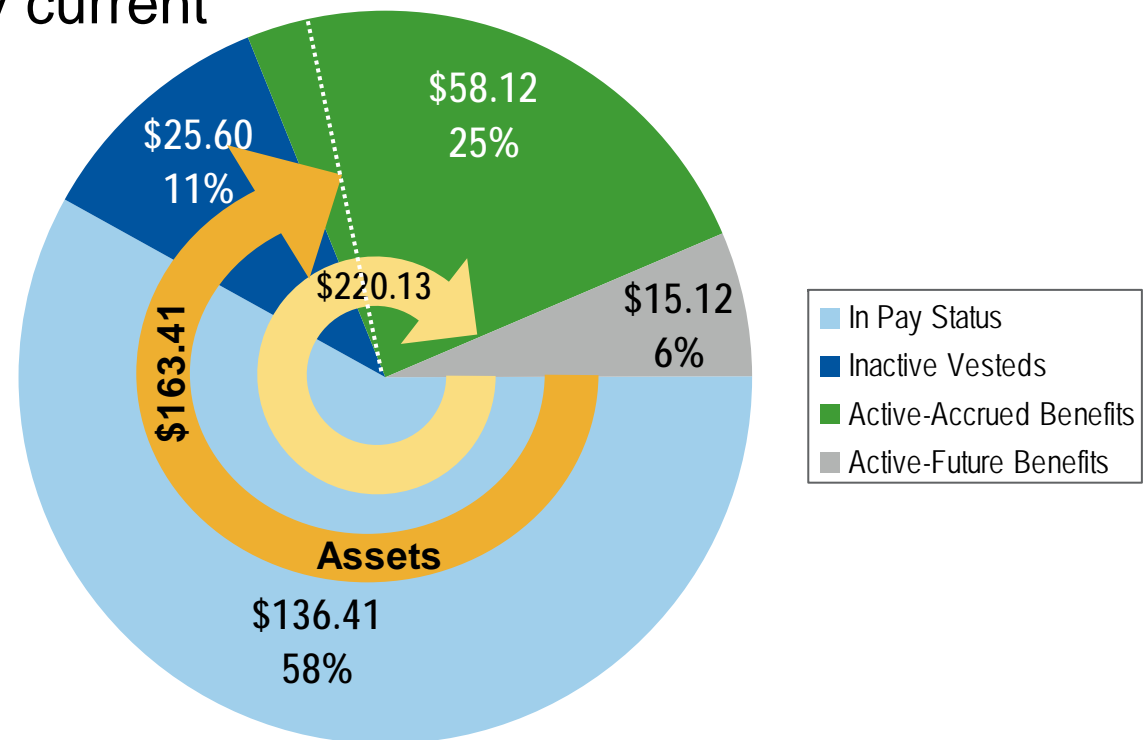
Present Value of Benefits

- Total Present Value of Benefits projected to be earned by current population is \$235.25M
- \$220.13M (94% of total) have already been earned and cannot be reduced
- Only \$15.12M (6% of total) represents future benefits



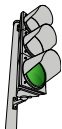
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- Total Present Value of Benefits projected to be earned by current population is \$235.25M
- \$220.13M (94% of total) have already been earned and cannot be reduced
- Only \$15.12M (6% of total) represents future benefits
- Assets cover only 74.2% of accrued benefits

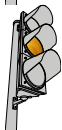


Pension Protection Act of 2006 (PPA'06)

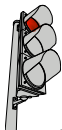
- PPA'06 rules add new layers of structure and introduce additional measurements used to monitor funding
- Annual actuarial certification of Plan's position is required:



- **Neither Endangered nor Critical:** No action required




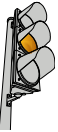
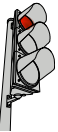
- **Endangered Status:** Funding Improvement Plan required



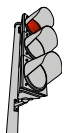
- **Critical Status:** Rehabilitation Plan required

PPA'06 Measurements	2008	2009
Credit Balance projected to expire	2016 (9 years)	2012 (4 years)
Funded Percentage	74.66%	64.99%
Status	Endangered	Critical

Pension Protection Act of 2006 (PPA'06) *continued*

- Prior to PPA'06, ERISA guaranteed that once a benefit was earned it could never be taken away
- PPA'06 modified that rule, for certain plans
- Remedies available:
 -  • **If the Plan is Neither Endangered nor Critical:**
 - Reduce future benefits
 - Increase contributions
 -  • **If the Plan is in Endangered Status:**
 - Reduce future benefits
 - Increase contributions
 -  • **If the Plan is in Critical Status:**
 - Reduce future benefits
 - Reduce/eliminate “adjustable benefits”
 - Increase contributions

Pension Protection Act of 2006 (PPA'06) *continued*



If in **Critical Status**:

➤ “Adjustable Benefits”

- Any early retirement benefit or retirement-type subsidy
 - Unreduced Early (age 55/30 Service Credits)
- Any payment option, but not the 50% Joint and Survivor Annuity
 - Split-Level Annuity
 - 120 Certain Payment and Life Annuity
 - “Pop Up” feature
- Post-retirement death benefits
 - \$7,500 lump sum
- Benefit increases adopted or effective less than 60 months before the start of the first year in critical status (we have none of these)

➤ **Cannot** reduce benefits payable at Normal Retirement Age (except for rollback of recent increases)

➤ **Cannot** reduce benefits of people who retired before plan gave notice that it is, or is about to be, in critical status (except for rollback of recent increases)

Possible Solutions for Freight Drivers and Helpers Local 557 Pension Fund

- Remove adjustable benefits from the Plan
- Preserve everyone's accrued benefit, and future accruals, payable at Normal Retirement Age
- Negotiate contribution rate increases to shore up the funding of the Plan
- Trustees will continue to monitor all aspects of the Plan's operation

Questions

