New England Teamsters & Trucking Industry
PENSION FUND
Looking Forward To Your Future

Protecting the Pensions of *Today's* and *Tomorrow's* Participants

Agenda for August 13, 2005

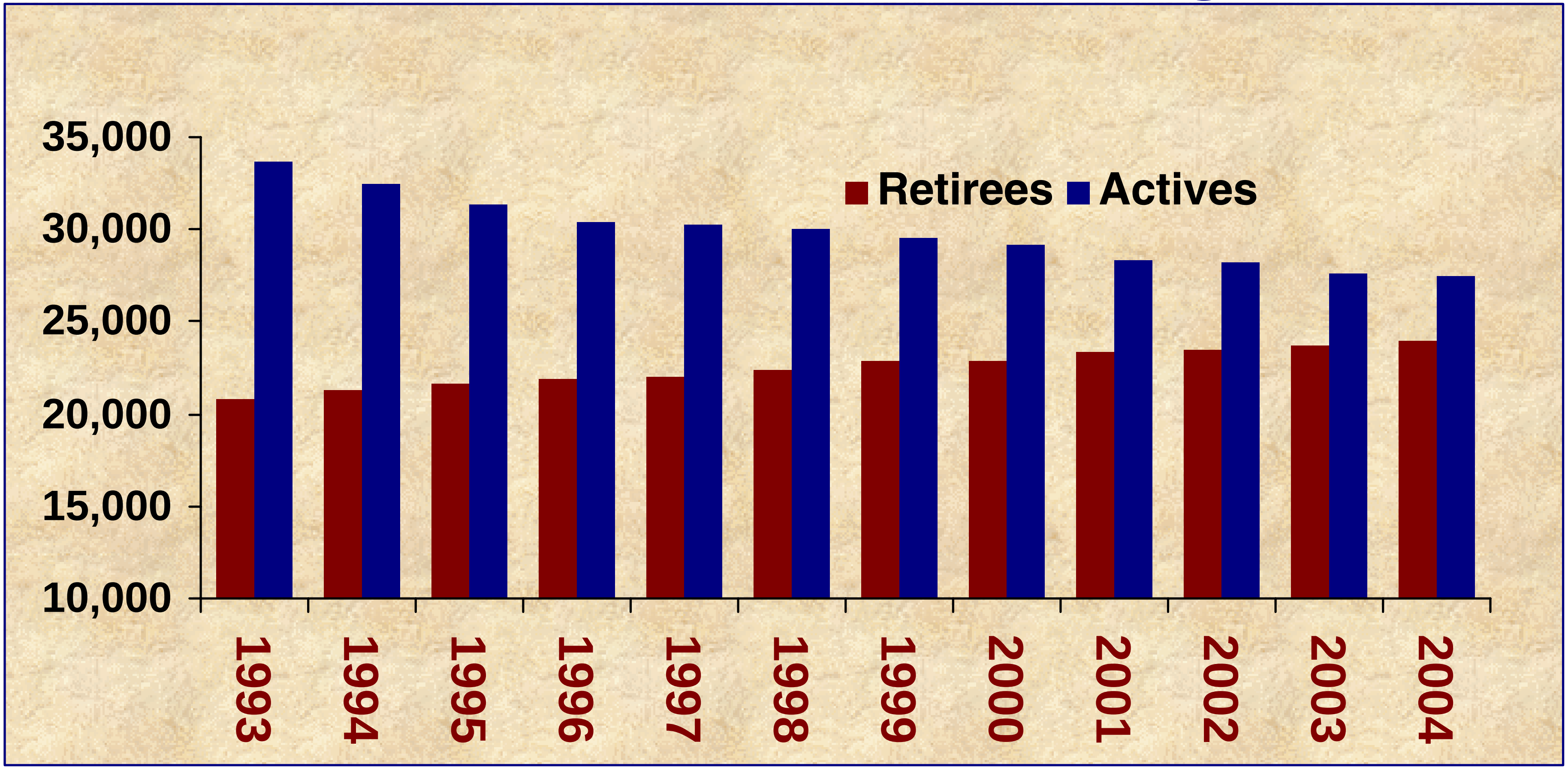
- **Introductory Remarks**
- **Pension Fund Status and Adopted Changes**
- **Questions and Answers – after lunch**

- **Dave Laughton**
  Union Trustee Co-Chair
- **Ed Groden**
  Pension Fund
- **Trustees and Pension Fund**

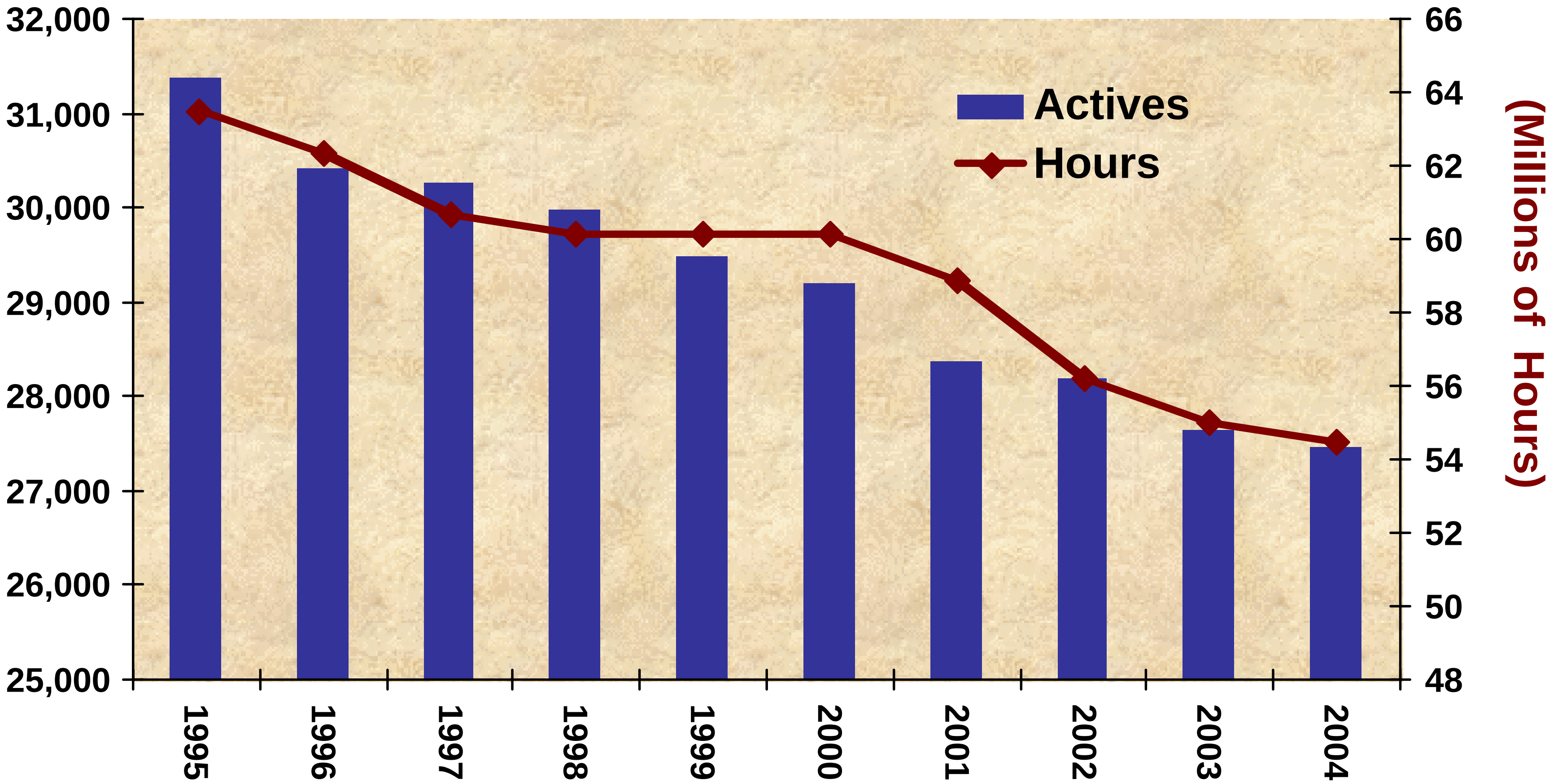
Current Environment

- ✓ People are living longer and retiring earlier.
- ✓ The number of active participants is declining.
- ✓ Employer contribution hours are declining.
- ✓ The number of retirees is increasing.
- ✓ Three year stock market free-fall from 2000 through 2002 hurt Funds throughout the US…and the world.

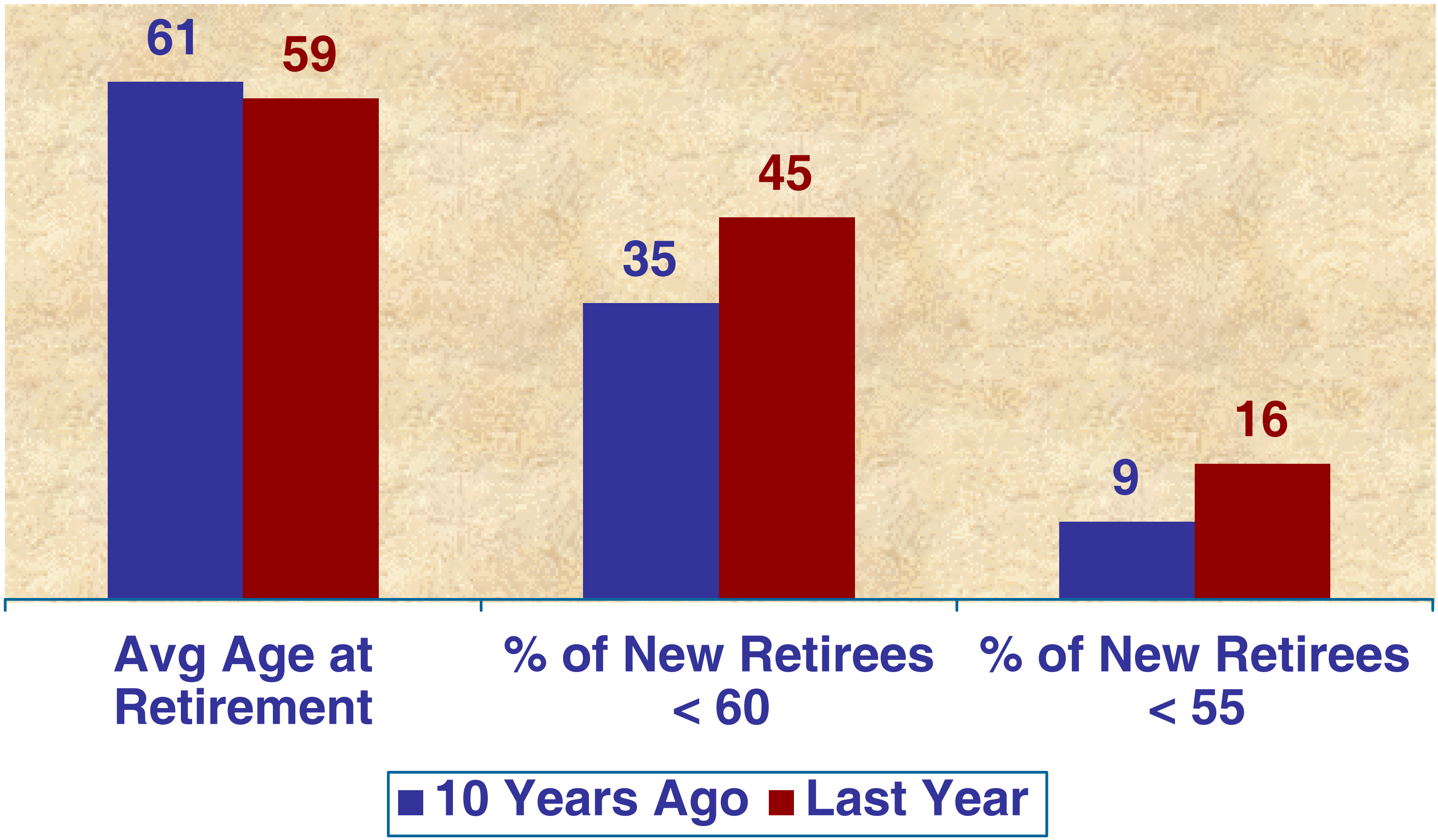
Increasing Retirees…
…Decreasing Actives



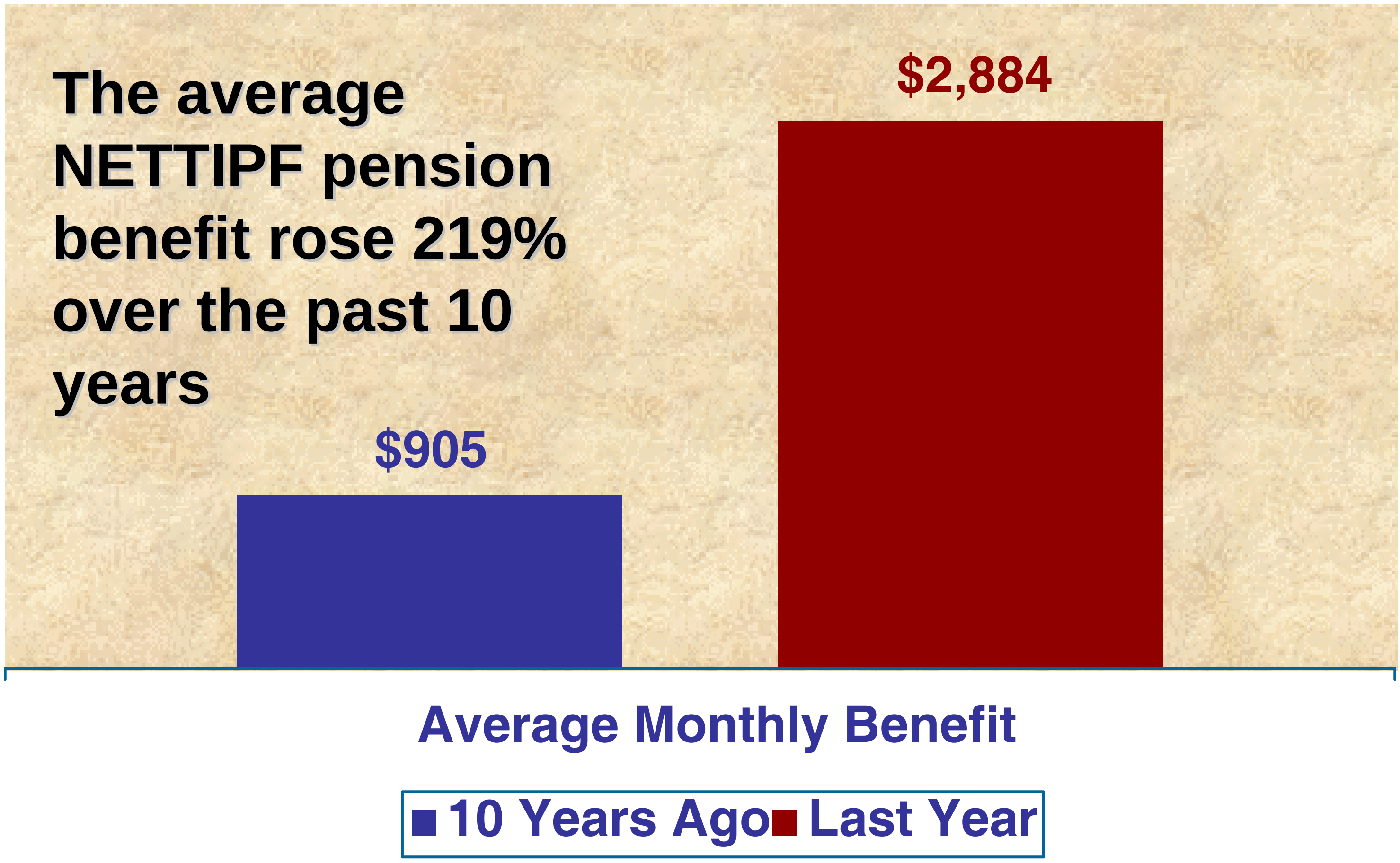
As Actives have declined…
…so have Contribution Hours



NETTIPF Pensioners are retiring earlier…



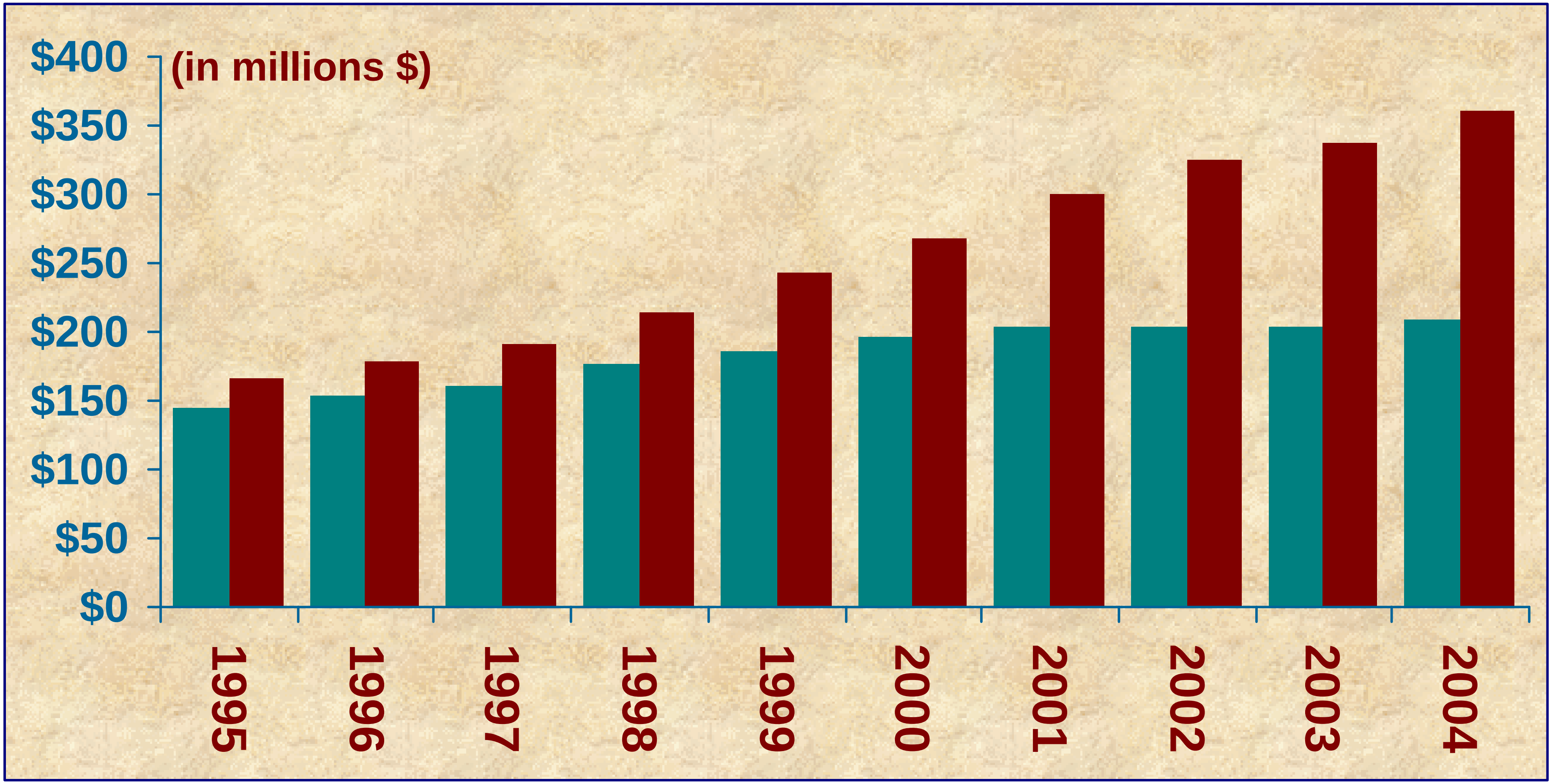
…and collecting larger benefits over longer periods of time.



What’s the Impact?

In every year since 1992, NETTIPF benefit *payments* have been *greater* than contribution *income*.

Contributions Received *vs.* Benefits Paid

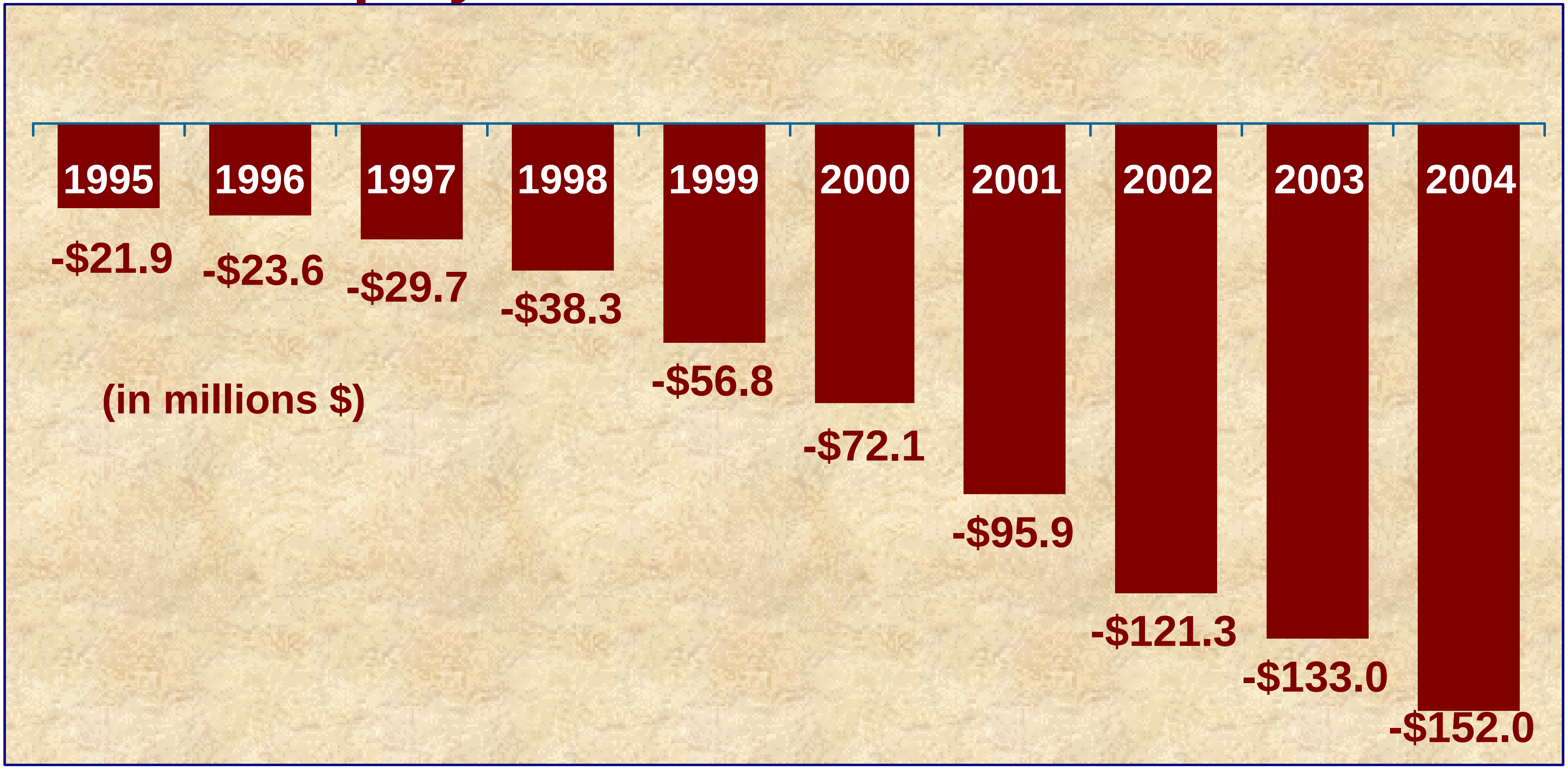


How has the NETTIPF Pension continued to operate with expenses outpacing income?

By spending reserves and relying on investment income to make up the gap.

Deficit Spending Is Not Sustainable

Excess of NETTIPF Fund Benefits Paid over Employer Contributions Received



NETTIPF Employers No Longer Making Contributions

- ✓ **Consolidated Freightways*:* *BANKRUPT***
- ✓ **Red Star*:* *CLOSED***
- ✓ **SuperValu*:* *SOLD / WITHDRAWN***
- ✓ **APA*:* *SHUT DOWN***

70% of current retirees last worked for an employer who no longer is making contributions to the Fund.

How Employer Bankruptcies Impact the Fund

CONSOLIDATED FREIGHT

Filed Bankruptcy: September 2, 2002

Pension Fund

✓ **Employer Withdrawal Liability**

- **$8 million**
- **Expect to collect $2 million — *$6 million shortfall***

Consequences of Rising Liabilities and Shrinking Assets

Funding Deficiency

Failure to meet minimum funding level required by federal law.

Deteriorating Funding Status

Fully Funded = 100%

NETTIPF ratio has dropped to 55%

NETTIPF Goal: 90% by 2030

NETTIPF is not alone ...

...many established Pension Funds face a similar — *if not worse* — situation.

Many Multiemployer Plans are modifying future accrual rates in response to the funding crisis…

- ✓ Western Conference of Teamsters Pension Trust
- ✓ Central States Southeast and Southwest Areas Health and Pension Funds
- ✓ NYS Teamsters Benefit Funds

…while others have found they can no longer go it alone.

Funds taken over by the federal Pension Benefits Guarantee Corp. (PBGC)

Company	No. of Employees
Bethlehem Steel	95,000
LTV Steel	82,000
TWA	36,500
National Steel	35,000
Pillowtex	23,000
Grand Union Co.	17,000
Anchor Glass Container Corp.	14,000
Polaroid Corp.	11,000
Outboard Marine Corp.	10,000
Reliance Insurance Company	8,800
Bradlees	8,000
Consolidated Freightways	8,000
Durango Apparel	7,000
Kaiser Aluminum	5,000

Takeover by the PBGC is a last resort.

- ✓ The PBGC's ***maximum* payment** for a multi-employer pension is **$35.75 per month** for each year of credited service.
- ✓ That equals **$1,072** per month for a person with 30 years of service.

Goals

- ✓ Protect <u>all</u> benefits *already* earned.
- ✓ Strengthen the Fund to protect *future* pensions.
- ✓ Change <u>only</u> what's necessary.

Action Plan

1. Reduce Fund's Administrative Costs

With the move of the Fund Office to Burlington, we've reduced annual overhead expenses by about $400,000.

Action Plan

2. Meet Investment Targets

Actuaries project that the Fund must earn an 8.5% annual return on assets in order to maintain benefits and meet future obligations.

3. Do Not Change Structure of the Plan

Fund Trustees <u>did not</u> change the way the Fund operates, including:

- ✓ **Preserve the highest yearly accruals in the industry.**
- ✓ **Preserve the right to Early Retirement at age 55 with 15 years of Pension Credit.**
- ✓ **Preserve All Types of Pensions, Lump Sums, Disability Pensions, Death Benefits, Survivor Pensions for married and unmarried, All Optional Forms of payment, earning of Pension Credit, etc.**

4. Implement Benefit Modifications

After extensive study and discussion, Fund Trustees deemed modifications necessary to safeguard pensions of current and future retirees:

- ✓ **Change only what's necessary.**
- ✓ **Protect past accruals.**
- ✓ **Preserve Special Service and 30-Year Full Service Pensions.**
- ✓ **Provide a $1,000 "Supplemental" Benefit for qualifying retirees.**

Action Plan

5. Request relief under IRC Section 412(e)

Helps Funds such as NETTIPF continue to meet their ERISA minimum funding requirements.

Plan Modifications

All Pensions Accrued Remains As Is

- ✓ **Pensions accrued for pension credit earned prior to July 31, 2005, do NOT change.**

Future Pension Accrual

Modifications only affect future pension accruals — pensions earned after July 31, 2005.

In order to maintain the current level of benefit accruals, **a 5% increase in employer contributions to the Fund will be required in future years.**

Any increase bargained above the 5% will be used to increase the accrual rate.

If an employer's contribution rate increase falls below 5% in future contracts, benefit accruals will be decreased by 50% for that year.

Future Pension Accruals

Contracts in effect on 7/31/2005 will automatically satisfy the 5% maintenance of benefits requirement during the remainder of the contract.

For example, if your current contract calls for only a 4% annual increase in the employer contribution rate to the Pension Fund, this 4% will be accepted as satisfying the Fund's maintenance of benefit requirement until the contract is scheduled to expire and the employer contribution can be negotiated for 5% increases in future years.

Future Pension Accruals

So long as future contracts are negotiated that continue to include 5% annual employer contribution rate increases, participants will not see their future service accruals reduced.

Plan Modifications

Preserve the Special Service and 30-Year Full Service Pensions…

…by implementing a minimum retirement age of 57

Special Service Pensions

1. **Participants who qualify for any Special Service Pension on 7/31/2005**

- ✓ **Can still retire at *any* age.**
- ✓ **Will continue to "move up the chart" to reflect additional years of age and pension credit, as long as covered employment continues.**

Special Service Pensions

2. Participants working under a Plan D contract, but who have earned 25 years but less than 30 years of pension credit on 7/31/2005

- ✓ Can still retire at *any* age under the Plan C schedule.
- ✓ Will move to the Plan D schedule upon attaining 30 years of pension credit, but no earlier than age 57, as long as covered employment continues.

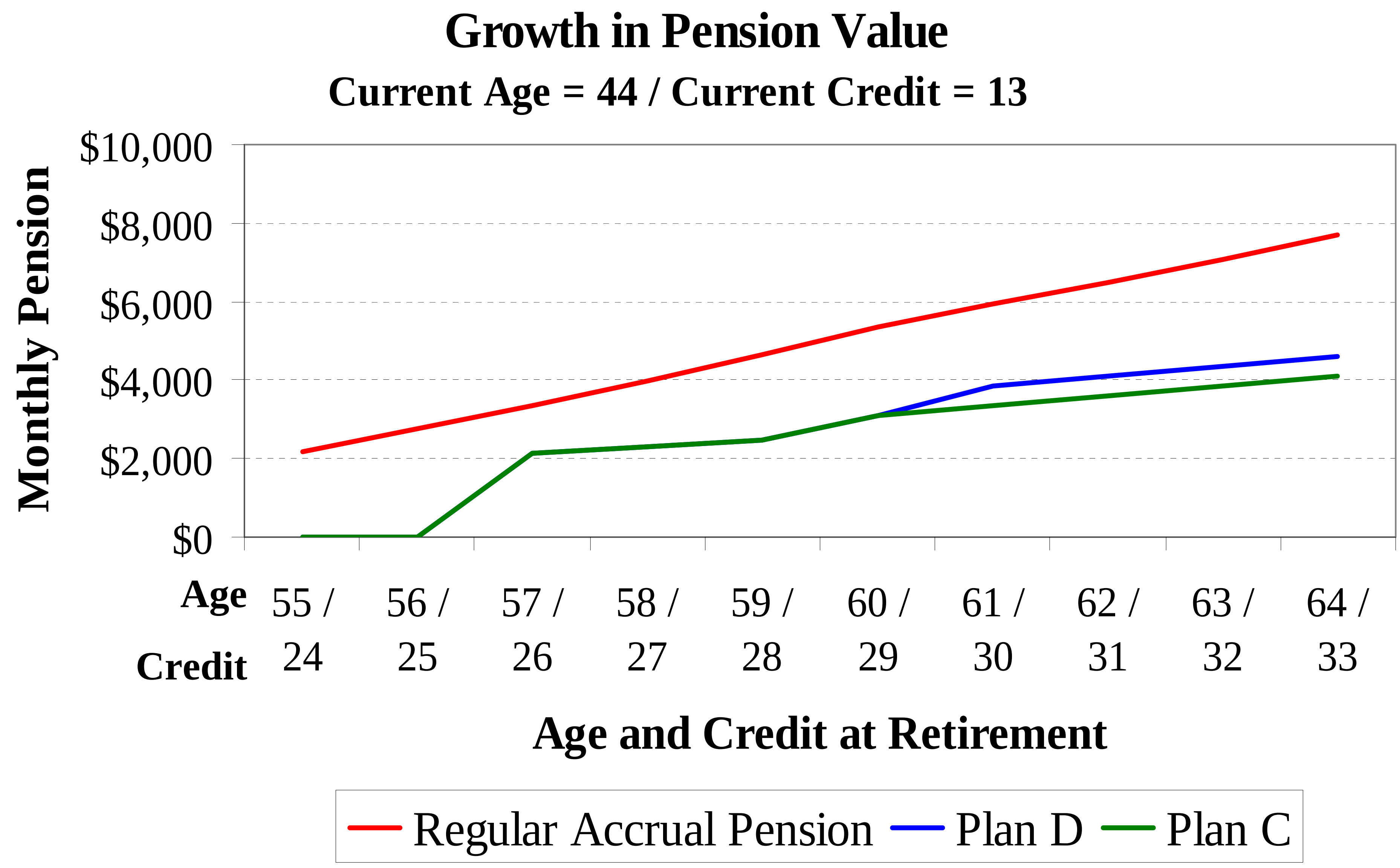
Special Service Pensions

3. Participants who do not qualify for any Special Service Pension on 7/31/2005

- ✓ May not retire under a Special Service Pension earlier than age 57.
- ✓ Future eligibility for a Special Service Pension will be based on contribution rates and years of pension credit.
- ✓ Good chance that Regular Accrual Pension will exceed Special Service Pension

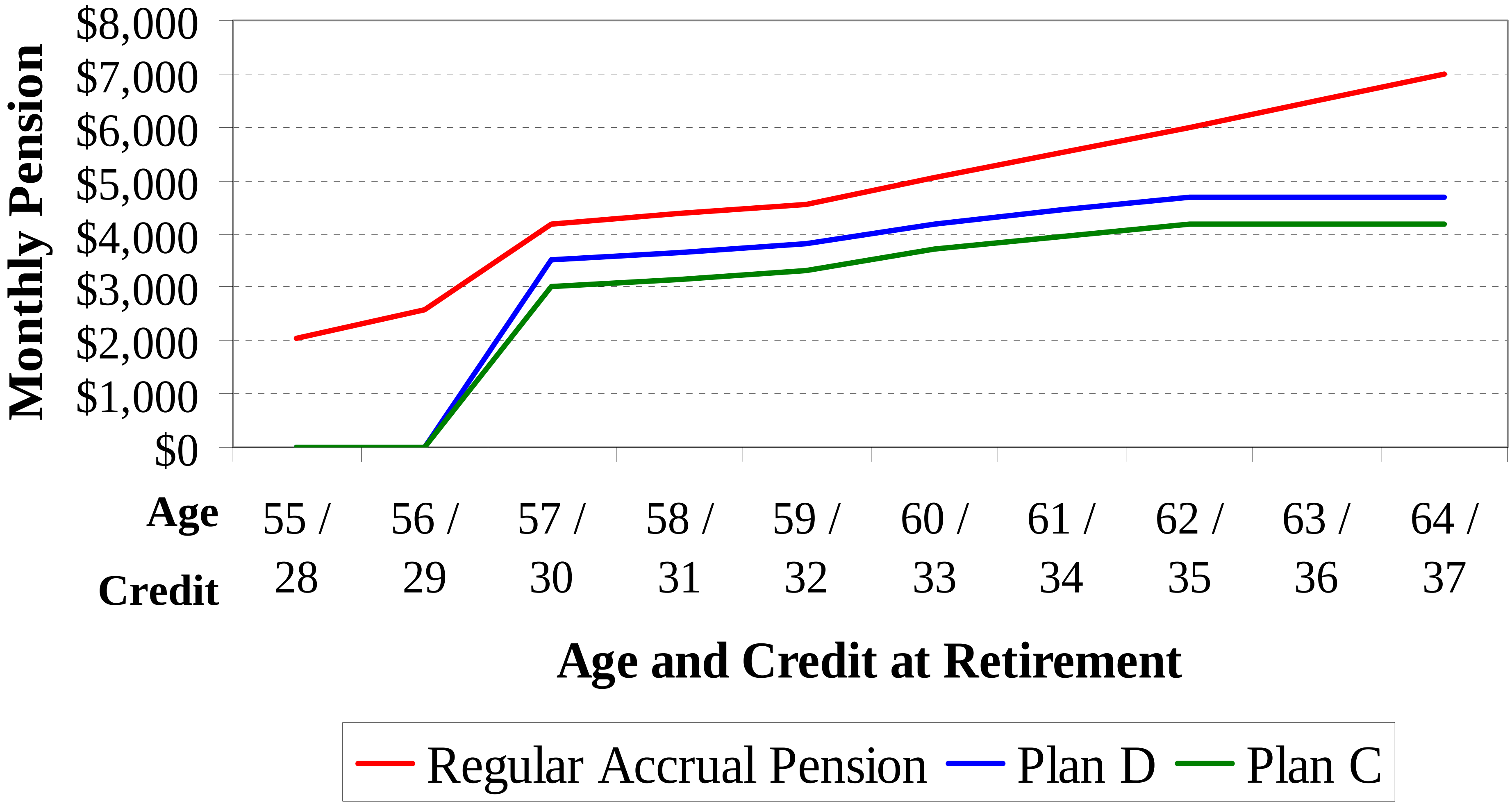
Regular Accrual Pensions

- ✓ Yearly accruals under the Fund are the highest in the industry
- ✓ Regular Accrual Pensions may provide a bigger pension than Special Service
- ✓ Comparison charts on the following pages use the UPS contract with a future accrual of $248/month for each future year.


Growth in Pension Value
Current Age = 44 / Current Credit = 13
Monthly Pension
$10,000
$8,000
$6,000
$4,000
$2,000
$0
Age
Credit
55 / 24
56 / 25
57 / 26
58 / 27
59 / 28
60 / 29
61 / 30
62 / 31
63 / 32
64 / 33
Age and Credit at Retirement
Regular Accrual Pension
Plan D
Plan C

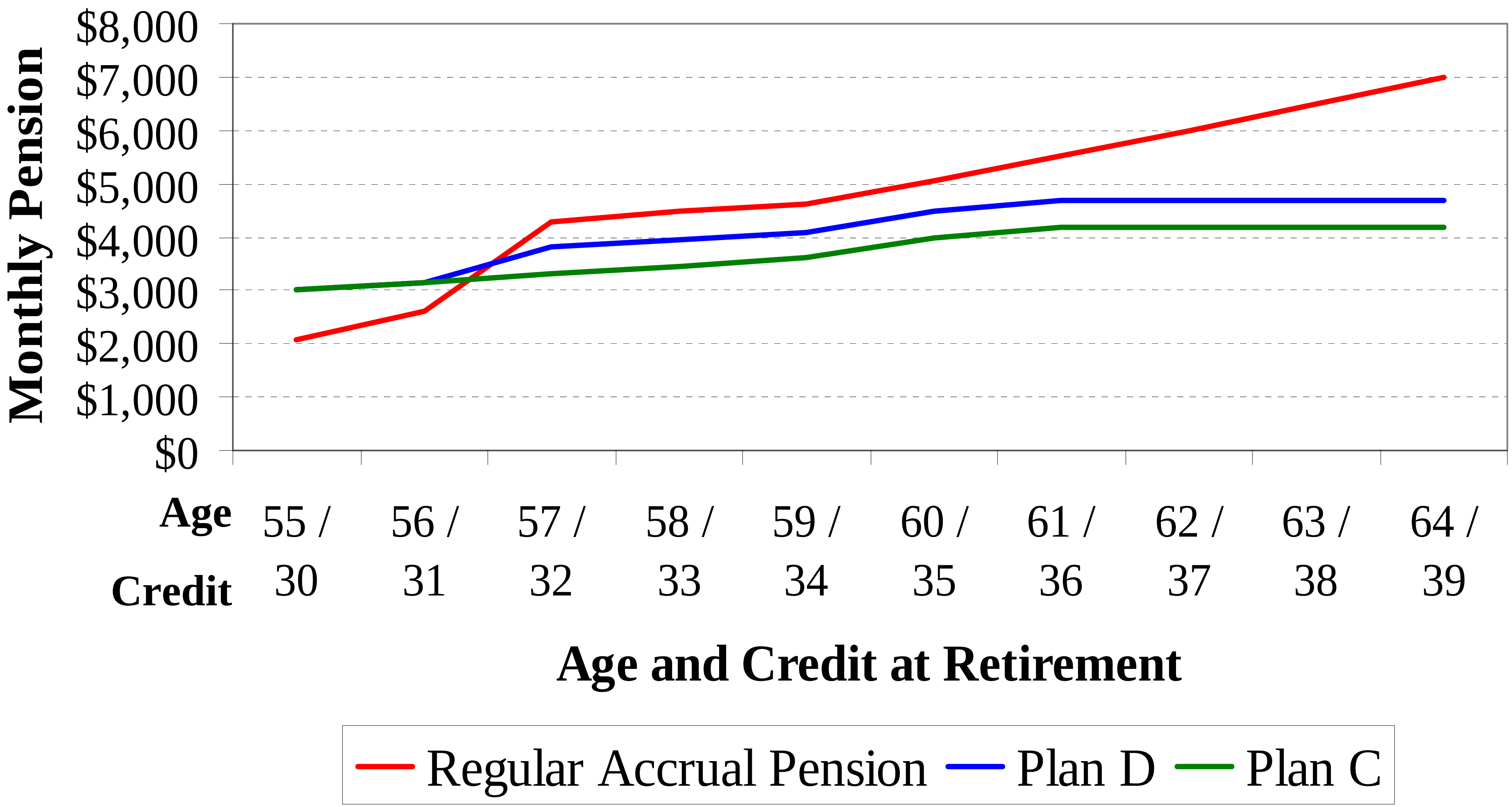
Growth in Pension Value

Current Age = 50 / Current Credit = 23

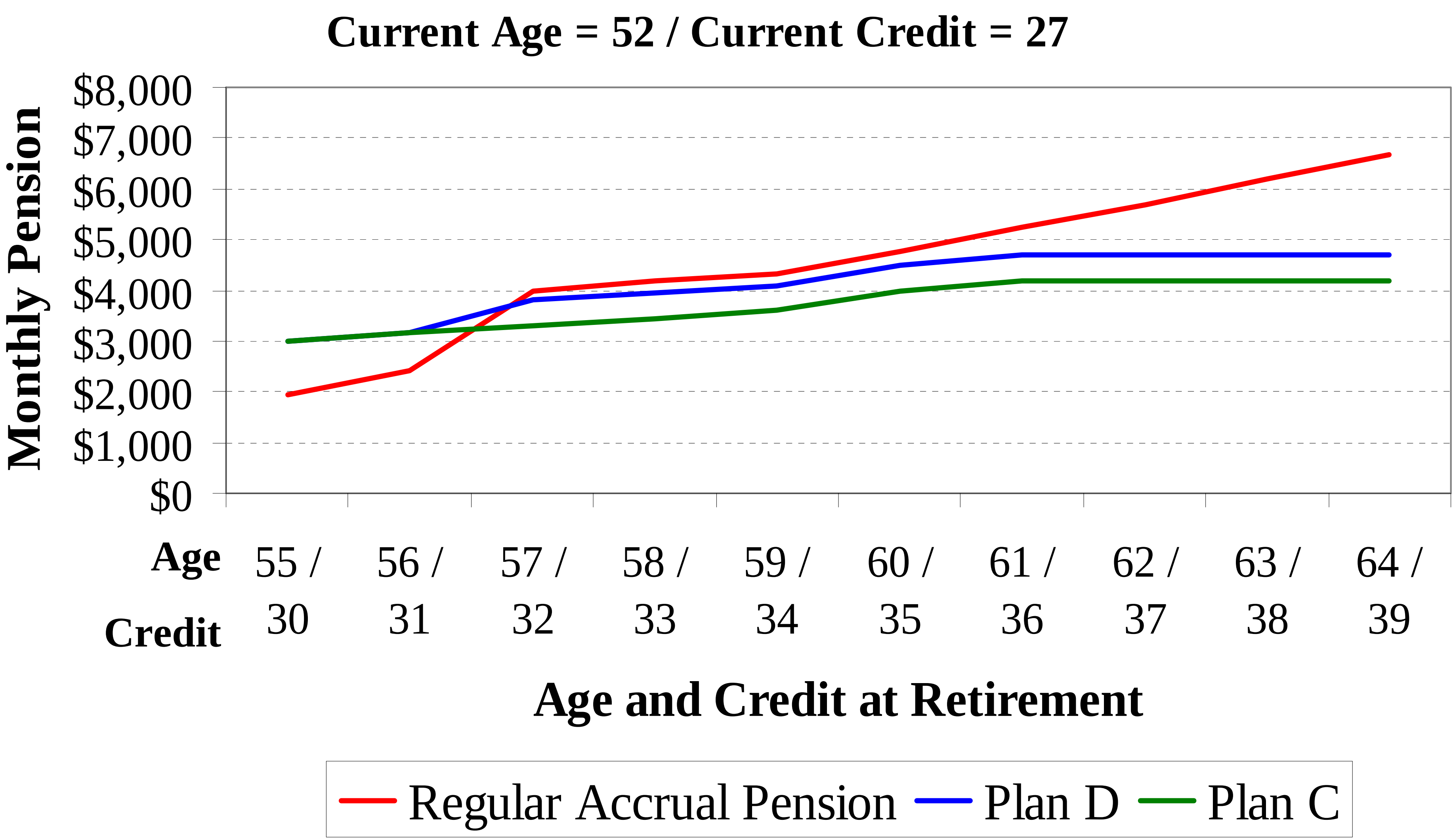


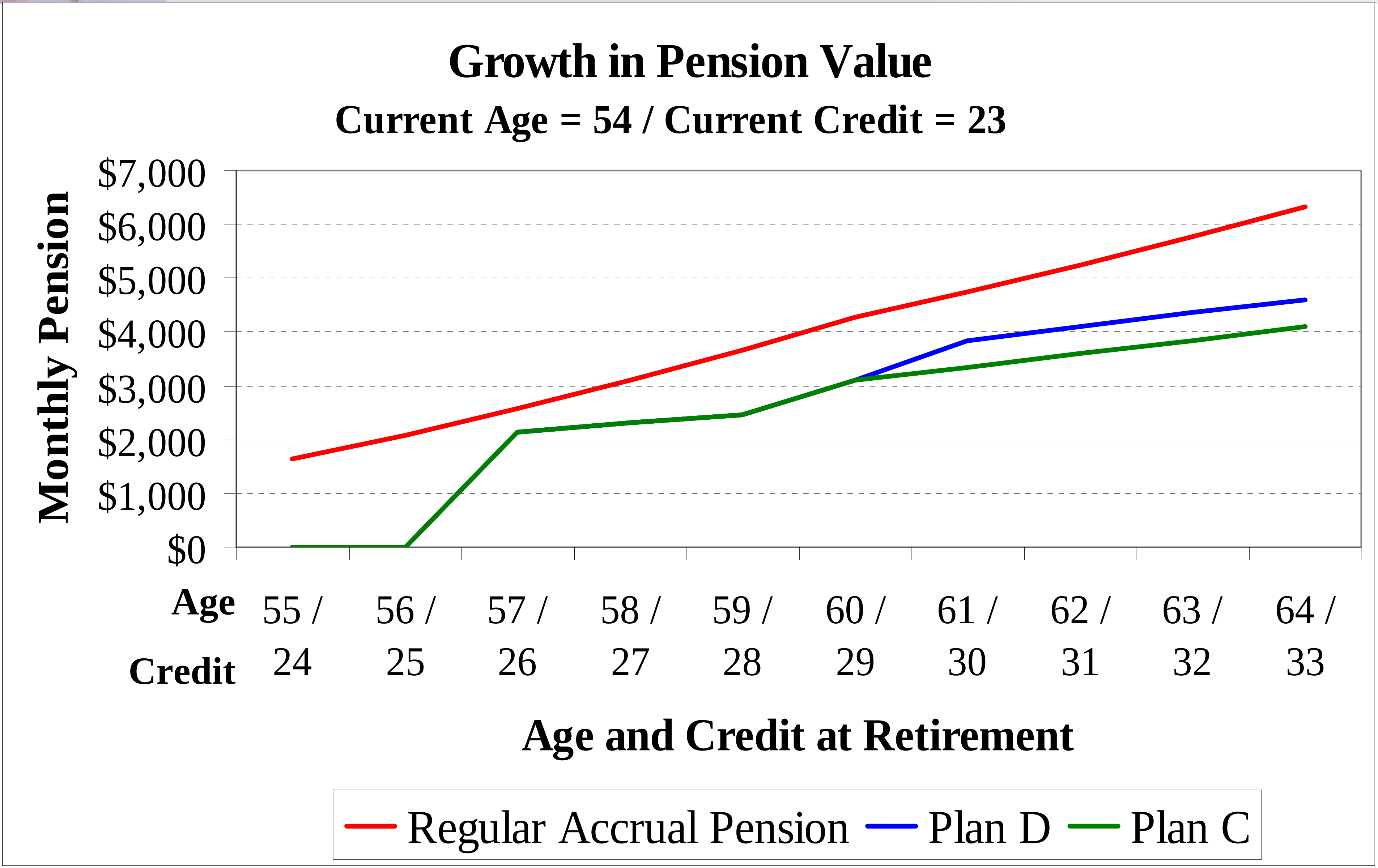
Growth in Pension Value

Current Age = 50 / Current Credit = 25



Growth in Pension Value




Growth in Pension Value
Current Age = 54 / Current Credit = 23
Monthly Pension
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
Age
Credit
55 / 24
56 / 25
57 / 26
58 / 27
59 / 28
60 / 29
61 / 30
62 / 31
63 / 32
64 / 33
Age and Credit at Retirement
Regular Accrual Pension
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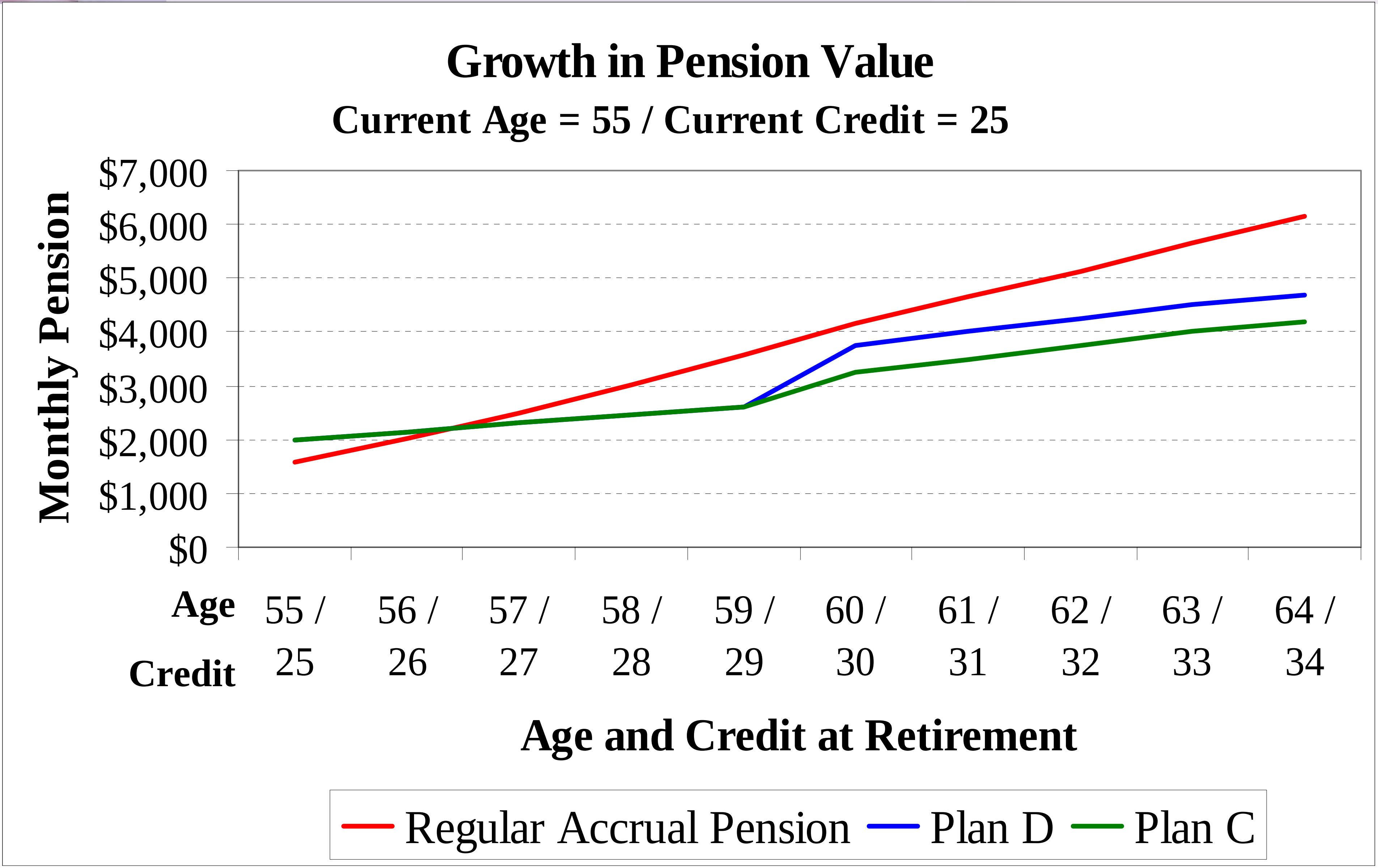
Plan C


Growth in Pension Value
Current Age = 55 / Current Credit = 25
Monthly Pension
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
Age
Credit
55 / 25
56 / 26
57 / 27
58 / 28
59 / 29
60 / 30
61 / 31
62 / 32
63 / 33
64 / 34
Age and Credit at Retirement
Regular Accrual Pension
Plan D
Plan C

30-Year Full Service Pensions

- A participant who qualifies for a 30-Year Full Service Pension on 7/31/2005 can still retire at *any* age, based on pension accrual to retirement age.
- A participant who does not qualify for a 30-Year Full Service Pension on 7/31/2005 may not collect a 30-Year Full Service Pension be*fore they reach the new minimum age of 57*.

Supplemental $1,000 Benefit

Beginning October 1, 2008, a supplement of $1,000 per month will be paid to those between the ages of 60 and 62 who will be retiring on Special Service or 30-Year Full Service Pensions.

Modification Goals

Goal:

Achieve 90% Funding by 2030

Getting there will require *increasing the Fund's Asset Base*

5% annual increases in employer contributions for maintenance of benefits will increase the total dollar amount of employer contributions each year and help shrink the growing gap between contribution income and benefit expenses.

Goal:

Achieve 90% Funding by 2030

Getting there will require *slowing the Fund's liability growth*

Through a combination of reducing future benefit accruals and implementing the 57-year minimum retirement age, we will slow the growth rate in the Fund's liabilities and help ensure that there will be sufficient assets to cover expected benefit payouts.

Modification Goals

Goal:

Achieve 90% Funding by 2030

Getting there will require *a change in participant behavior.*

Minimum retirement age for full pension and supplemental incentive will, over time, encourage participants to retire later and lead to greater balance in Fund's demographics.

Modification Goals

Goal:

Achieve 90% Funding by 2030

Getting there will ensure the retirement security of *today's* and *tomorrow's* NETTIPF pensioners.