NEW ENGLAND TEAMSTERS & TRUCKING INDUSTRY PENSION FUND

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To: All Participating Local Unions

From: Board of Trustees

Date: March 27, 2008

Re: Revised Maintenance of Benefits Requirements

As previously advised, the Trustees have been working with the Fund's actuaries and advisors to meet their responsibilities under and to assess the effects of the Pension Protection Act of 2006 (PPA). Under this law, the actuaries of this Fund must certify as to its funding classification no later than December 29, 2008. Also as required by PPA, the Fund's actuaries reported at the Trustees' March meeting that they forecast this Fund to be classified under PPA as "critical". Because of this classification, the Trustees are required by law to adopt a Rehabilitation Plan. The purpose of the Rehabilitation Plan is to improve the Plan's funding status and upgrade the Plan's classification category above critical before the end of a 10-year rehabilitation period.

With the enactment of ERISA in 1974, U.S. pension funds are required to demonstrate annually that contributions to a pension fund are at least equal to a government-mandated minimum contribution requirement. If the annual contributions to a pension fund in any given plan year exceed this minimum contribution requirement, that surplus is added to the fund's minimum contribution reserves account. Likewise, if the annual contributions are less than this minimum contribution requirement, that shortfall is deducted from the minimum contribution reserves account. Further, if the annual contributions to a pension fund are less than this minimum contribution requirement and the shortfall is not covered by an existing surplus or credit balance in the fund's minimum contribution reserves account, excise tax penalties would be triggered and benefit cutbacks may be mandated by ERISA.

Over the last few years, the annual negotiated contributions to this Pension Fund have been less than the government-mandated minimum contribution requirement. These shortfalls did not trigger excise tax penalties or benefit cutbacks, because the Pension Fund had built up a surplus in its minimum contribution reserves account, which had been sufficient to cover the shortfalls. With the continuing draw down in the credit balance caused, in part, by poor market conditions and a decrease in participants, the actuaries have advised the Trustees that the Fund's minimum contribution reserves account will be fully depleted next year. Prior to the passage of

PPA, the depletion of the credit balance would have triggered ERISA-mandated excise tax penalties to contributing employers and/or benefit cutbacks. However, with the enactment of PPA, future minimum contribution shortfalls will not trigger excise tax penalties to the contributing employers and/or benefit cutbacks, as long as the Fund is classified as "critical" and has adopted a Rehabilitation Plan.

In 2005, the Trustees adopted a funding improvement plan which called for the maintaining of benefit accrual values provided there was an annual 5% increase in the hourly contribution rates paid by contributing employers. The purpose of this plan was to improve the Plan's funding status over a 20-year period, thereby increasing the security of the benefits promised to all Plan participants. However, Rehabilitation Plans under PPA must demonstrate that minimum contribution shortfalls are reversed and become minimum contribution surpluses *before the end of a 10-year rehabilitation period*. Consequently, the period for funding improvement has been cut in half by the new law. As a result of this change required under PPA and based on the recommendation of the Fund's actuaries, the Trustees agreed at their March 2008 meeting to adopt a 10% Maintenance of Benefits feature that would become part of a Rehabilitation Plan to be formally adopted later this year. In any event, barring unforeseen circumstances, it is expected that the 10% Maintenance of Benefits feature will be sufficient to avoid the necessity of a reduction in the Fund's current schedule of benefits. The contemplated Rehabilitation Plan requires the 10% MOB to be negotiated in all future renewal agreements as well as all prior renewal agreements that had not been executed as of March 4, 2008.

In conjunction with the above ruling, the Trustees noted that the recently ratified New England Freight and UPS renewal agreements call for annual pension rate increases of 65¢ per hour over the next five years. This annual rate increase will be added to the expiring contract ending rate of $5.26 per hour. In recognition of this approved rate sequence, the Trustees agreed that any renewal contract that provides for annual increases of 65¢ per hour, when added to an existing rate of $5.26 per hour, will satisfy the contemplated Rehabilitation Plan and would not necessitate a reduction in the Fund's current schedule of benefits.

If the rates negotiated in a renewal agreement do not meet either the required 10% MOB annual rate increases or the annual 65¢ rate increases, reductions in the schedule of benefits and/or future accrual values will have to be implemented with respect to those employees covered under such renewal agreement. The Trustees are presently working with the Fund's actuaries and advisors to compute the reductions in the current schedule of benefits and/or future accrual values in such cases. Since the scope of these reductions could be significant, we strongly urge the bargaining parties to comply with the new MOB schedule. Additional information pertaining to non-complying renewal agreements will be available shortly.

Due to the specific nature of the new MOB schedule and the need to address each renewal agreement individually, we must again stress the need for each Local Union to notify the Fund Office in writing prior to entering negotiations for a renewal contract requiring participation in this Fund. In response to each request, the Fund Office will specify in writing the exact rate increases needed to satisfy the new MOB schedule. By putting it in writing, there will be no doubt as to what rates must be negotiated to protect and ensure the current benefit structure for your members.

Thank you for your continued cooperation. If you have any questions on this matter, please do not hesitate to contact us.