



# Central Pennsylvania Teamsters Defined Benefit Plan

## Actuarial Valuation as of January 1, 2009

*Prepared by:*



*1845 Walnut Street  
Philadelphia, PA 19103-4755  
(215) 587-0700*

*October 2009*

October 7, 2009

Trustees of the Central Pennsylvania  
Teamsters Defined Benefit Plan  
PO Box 15223  
Reading, PA 19612-5223

Dear Trustees:

This report presents the results of the actuarial valuation of the Central Pennsylvania Teamsters Defined Benefit Plan as of January 1, 2009. The primary purposes of the valuation are to:

1. Determine the minimum funding requirements of ERISA (as amended) for the plan year ending December 31, 2009.
2. Compare the minimum required contribution to the contributions expected to be made by contributing employers pursuant to collective bargaining agreements or agreements with the Trustees.
3. Provide information required by Financial Accounting Standard No. 35.
4. Calculate the Plan's unfunded vested benefit liability as of December 31, 2008, which would be used in the determination of withdrawal liability under the Multiemployer Pension Plan Amendments Act of 1980.

To the best of our knowledge, all plan participants on January 1, 2009, and all plan provisions in effect on that date have been reflected in the valuation. In our opinion, all calculations and procedures are in conformity with generally accepted actuarial principles and practices; and the results presented comply with the requirements of the Internal Revenue Code, ERISA, or Statements of Financial Accounting Standards, as applicable.

We will be pleased to review this report with you at your convenience.

Respectfully submitted:

**The Savitz Organization, Inc.**



Joseph F. Hicks, Jr., FCA, MAAA  
Enrolled Actuary No. 08-6117

**Section 1 - Discussion**

Trustee Summary .....	1
Contribution Amounts .....	3
Funding Policy .....	4
Funded Status of the Plan .....	5
Plan Experience .....	7
Plan Assets and Investment Performance .....	8
Unfunded Vested Benefit Liability .....	9
Projected Benefit Payments and Cash Flow .....	10
Participant Data .....	11
Actuarial Methods and Assumptions .....	13
Plan Provisions .....	13

**Section 2 - Valuation Results**

***Summary of Results***

Exhibit A-1 Summary and Comparison of Valuation Results .....	14
---	----

***Actuarial Liabilities***

Exhibit B-1 Details of Actuarial Accrued Liability .....	15
Exhibit B-2 Details of Current Liability .....	16
Exhibit B-3 Development of (Gain) / Loss .....	17

***Minimum Contribution***

Exhibit C-1 Calculation of Minimum Required Contribution .....	18
Exhibit C-2 Funding Standard Account .....	19
Exhibit C-3 Schedule of Required Amortizations .....	21
Exhibit C-4 Development of Full Funding Limitation and Credit .....	23
Exhibit C-5 Development of Projected End-of-Year Amounts .....	25

***Maximum Contribution***

Exhibit D-1 Calculation Of Maximum Deductible Contribution .....	26
--	----

***Accumulated Benefits***

Exhibit E-1 Present Value of Accumulated Benefits .....	27
Exhibit E-2 Reconciliation of Present Value of Accumulated Benefits .....	28

**Section 3 - Plan Assets**

Exhibit F-1	Summary of Asset Values and Rates of Return .....	29
Exhibit F-2	Statement of Assets as of December 31, 2008 .....	30
Exhibit F-3	Reconciliation of Market Value of Assets .....	31
Exhibit F-4	Actuarial Value of Assets .....	32

**Section 4 - Participant Data**

Exhibit G-1	Reconciliation of Participant Data .....	33
Exhibit G-2	Age / Service Distribution of Active Participants .....	34
Exhibit G-3	Age Distribution of Inactive Participants .....	35

**Section 5 - Appendices**

Appendix 1	Actuarial Assumptions and Methods .....	36
Appendix 2	Summary of Principal Plan Provisions .....	38

## TRUSTEE SUMMARY

SUMMARY OF RESULTS		
	<u>January 1, 2009</u>	<u>January 1, 2008</u>
<b><i>Contributions</i></b>		
Minimum Required Contribution		
Before Recognition of Credit Balance	\$ 76,724,472	\$ 64,822,638
After Recognition of Credit Balance	0	0
Funding Policy Contribution	\$ 87,310,176	\$ 49,481,296
Contributions for the Plan Year*	\$ 82,300,000	\$ 80,273,426
<b><i>Normal Cost</i></b>	\$ 26,416,080	\$ 36,449,053
<b><i>Unfunded Accrued Liability (UAL)</i></b>		
Accrued Liability	\$ 1,076,569,929	\$ 1,012,632,939
Actuarial Value of Assets	775,045,262	863,293,774
Unfunded Accrued Liability	301,524,667	149,339,165
<b><i>Funding Period to Amortize UAL</i></b>		
Based on Unit Credit, Actuarial Value of Assets	7.16 years	4.12 years
Based on Unit Credit, Market Value of Assets	12.07 years	2.53 years
Based on Entry Age, Actuarial Value of Assets	9.03 years	6.17 years
Based on Entry Age, Market Value of Assets	13.54 years	4.94 years
<b><i>Funded Status</i></b>		
Market Value of Assets	\$ 645,871,052	\$ 915,399,989
Present Value of Accumulated Benefits	1,073,569,929	1,009,632,939
Funded Ratio	60.16%	90.67%
<b><i>Unfunded Vested Benefit Liability**</i></b>		
Vested Benefit Liability	\$ 947,676,463	\$ 1,123,441,754
Unfunded Vested Benefit Liability	301,805,411	208,041,765
<b><i>Participants</i></b>		
Actively Employed	8,956	9,735
Vested Terminated	5,611	5,723
Retirees and Beneficiaries	17,660	17,580
Total	32,227	33,038

\* Includes \$864,180 in withdrawal liability payments for 2008. Estimated for 2009, not including any withdrawal liability payments.

\*\* For purposes of determining employer withdrawal liability. See page 9 for more details.

## TRUSTEE SUMMARY (continued)

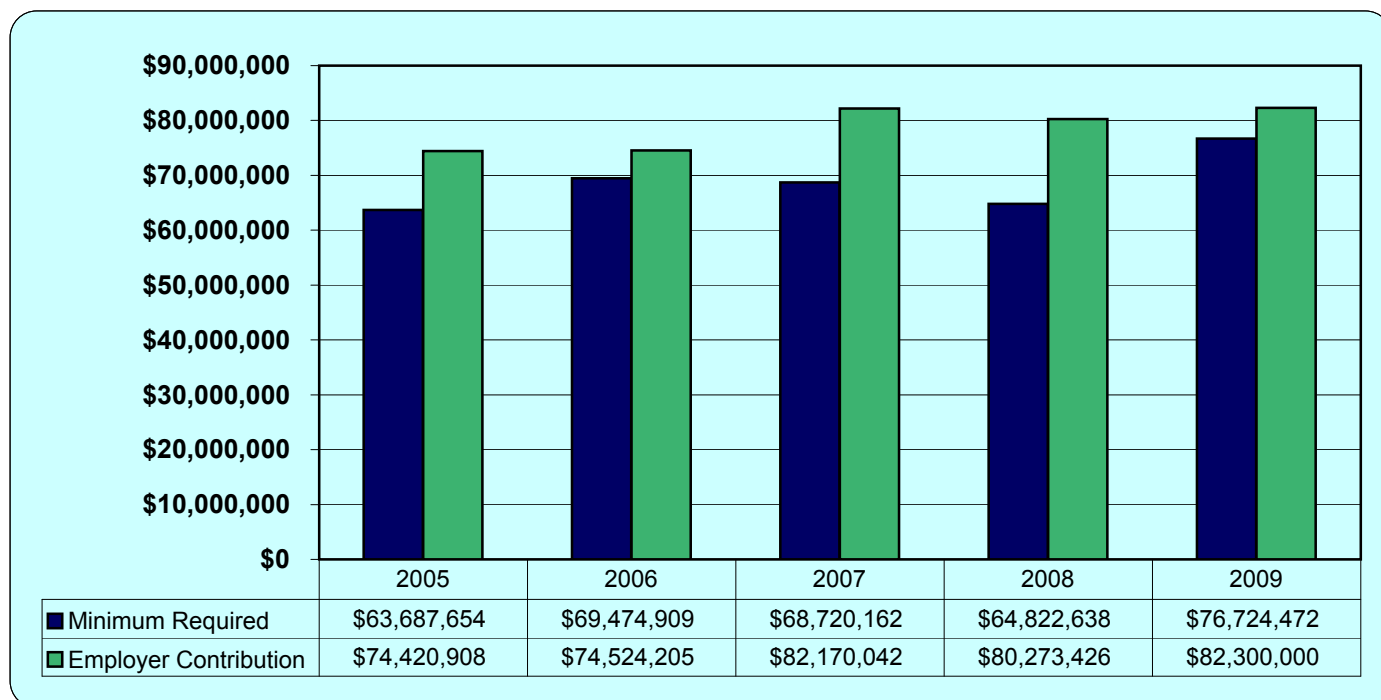
### COMMENTARY

- ❶ The collapse of the equity markets profoundly impacted the Plan in 2008. The Fund's return on a market value basis was -29.14% for the year. The actuarial value of assets, which recognizes gains and losses over a five-year period, returned -9.86%. This produced an actuarial investment loss of \$153.5 million for 2008.
- ❷ The market collapse also affected the Plan's liabilities, as RIP balances dropped significantly during 2008. This shifted more of the cost of the Combined Minimum Monthly Benefit to the Plan. The losses in the RIP relative to the 7.5% return assumed for the valuation caused an actuarial liability loss of \$28.5 million. The Plan's total liability loss was \$30.5 million, for a combined actuarial loss of \$184.0 million for 2008.
- ❸ The Fund's asset losses eroded the Plan's funded position. The ratio of market value of assets to the present value of accumulated benefits (Exhibit E-1) decreased from 90.67% as of January 1, 2008 to 60.16% as of January 1, 2009.
- ❹ The minimum required contribution, prior to the recognition of the credit balance, increased from \$64.8 million for 2008 to \$76.7 million for 2009. The 2008 experience loss increased the contribution by \$21.5 million. This was partially offset by a \$10.0 million drop in the normal cost, which was caused in part by the drop in the maximum benefit accrual from \$180 in 2008 to \$140 in 2009 and by the reduction in the number of active participants.

## CONTRIBUTION AMOUNTS

Exhibit C-1 shows the development of the minimum required contribution. Exhibits C-2 through C-5 contain information needed to develop the minimum contribution. Exhibit D-1 shows the development of the maximum tax-deductible contribution.

### Five-Year History of Minimum Required and Actual/Expected Contributions



**Notes:**

1. The minimum contribution amounts are calculated before application of the credit balance.
2. Employer contributions shown above include employer withdrawal liability payments.
3. The 2009 employer contribution is estimated based on current contribution rates and the number of active members as of January 2009.

CREDIT BALANCE ANALYSIS					
	2005	2006	2007	2008	2009
Minimum Required before Credit Balance*	\$ 63,688	\$ 69,475	\$ 68,720	\$ 64,823	\$ 76,724
Credit Balance*	\$ 75,763	\$ 96,091	\$ 112,141	\$ 138,869	\$ 169,763
Minimum Contribution*	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

\* End of year, in thousands.

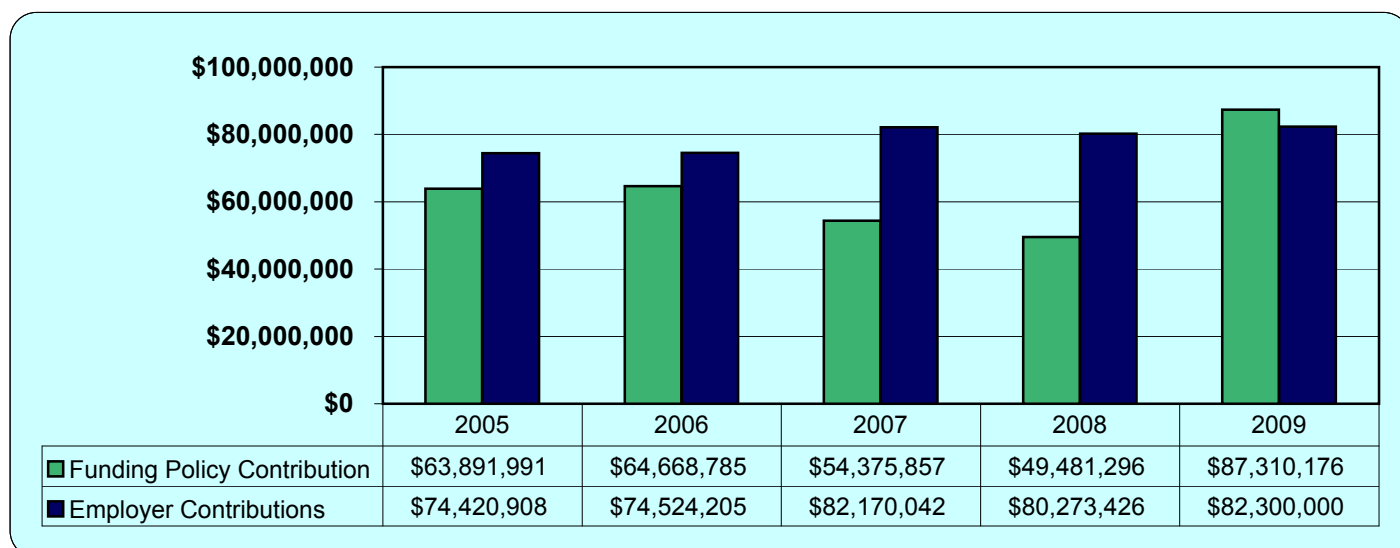
## FUNDING POLICY

The minimum required contribution shown on the previous page is developed using the assumptions and methods disclosed in the Appendix to this report, and amortizing the unfunded liability over the IRS-mandated funding period. The Plan's *funding policy* develops a contribution based on the following assumptions, methods, and funding period:

FUNDING POLICY CRITERIA	
Interest Rate	8.00%
Cost Method	Entry Age Normal
Asset Method	Market Value
Funding Period	12 Years

2009 FUNDING POLICY CONTRIBUTION & MARGIN	
Normal Cost (w/ Expenses)	\$ 13,894,925
12-Year Amortization of Unfunded	70,057,167
Interest to Mid-year	3,358,084
<b>Funding Policy Contribution</b>	<b>\$ 87,310,176</b>
Estimated Employer Contributions	\$ 82,300,000
<b>Margin</b>	<b>\$ (5,010,176)</b>

The table below shows a recent history of the funded policy contribution compared with the actual employer contributions made.



## FUNDED STATUS OF THE PLAN

Many benchmarks can be used to measure how well a plan is funded. For purposes of this report, we focus on the **SFAS No. 35**. Although this measurement provides useful information, it should not be used as a measure of the value of plan liabilities for plan termination purposes, since the liabilities for this purpose will be based upon the cost of purchasing annuities from insurance companies and/or providing lump-sum settlements, which may vary significantly based upon prevailing interest rates at the time of termination.

### SFAS No. 35

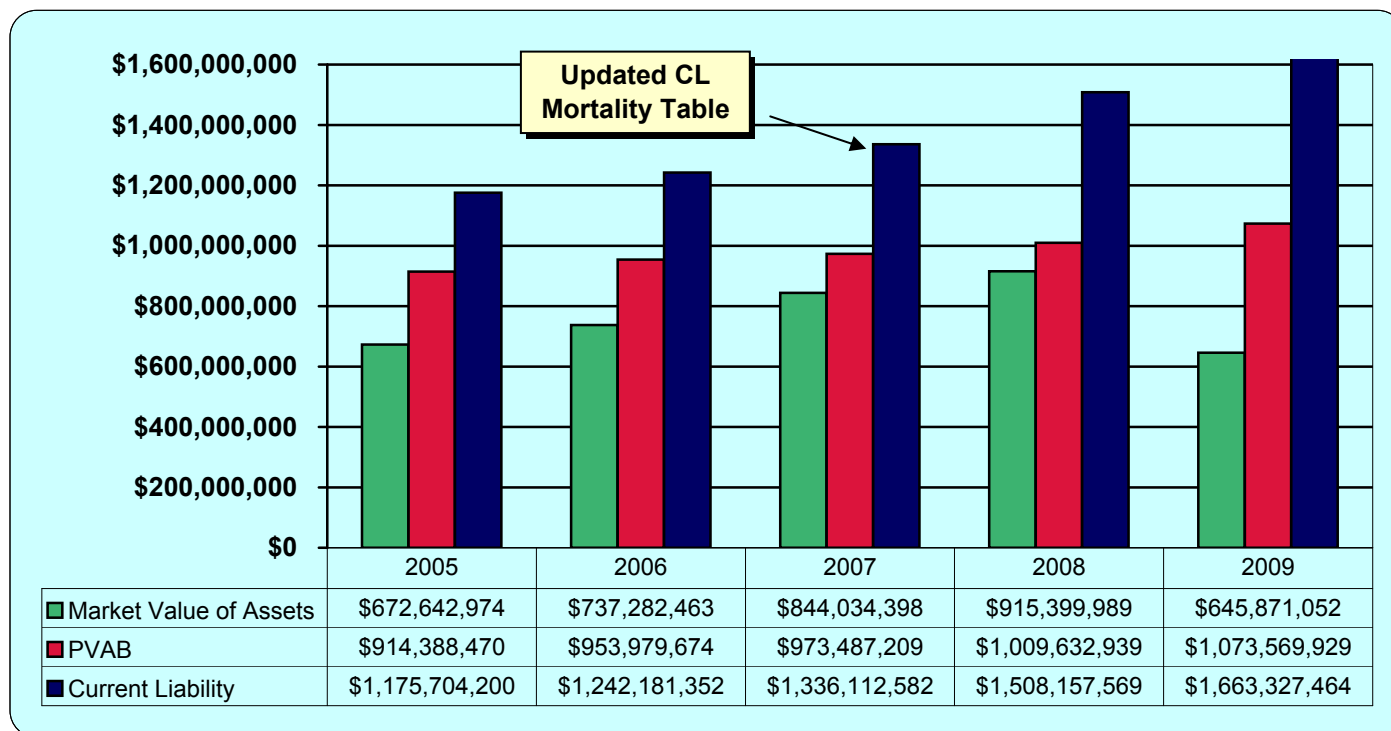
SFAS No. 35 compares the value of accumulated benefits, determined using the valuation assumptions, to the market value of assets. Under this method, the value of accumulated benefits is determined as if all employees stopped earning additional benefits on the valuation date but continued working in Covered Employment. This measure must be disclosed in the plan's financial statements. The result of this comparison is shown below. Additional details are shown in Exhibits E-1 and E-2.

SFAS NO. 35 FUNDED STATUS ON JANUARY 1, 2009		
1.	Market Value of Assets	\$ 645,871,052
2.	Present Value of Accumulated Benefits	1,073,569,929
3.	Funded Ratio (1) ÷ (2)	60.16%

## FUNDED STATUS OF THE PLAN (continued)

The graph below shows the five-year history of the present value of accumulated benefits on the SFAS No. 35 basis and the Current Liability basis, and the market value of assets.

**Five-Year History of Present Value of Accumulated  
 Benefits (PVAB), Current Liability (CL), and Market Value of Assets**



**Note:** The SFAS No. 35 accumulated benefits are calculated based on the same actuarial assumptions as those used to determine the plan's long-term funding requirements. Current Liability (C.L.) is determined based on IRS mandated interest rates and mortality assumptions. The Current Liability mortality table was updated for the 2007 valuation. The SFAS No. 35 and Current Liability interest rates used in each of the last five years are shown below:

Plan Year	Interest Rate	
	SFAS No. 35	C.L.
2005	8.00%	6.10%
2006	8.00%	5.77%
2007	8.00%	5.78%
2008	8.00%	5.06%
2009	8.00%	4.82%

## PLAN EXPERIENCE

To determine the plan's liabilities and contribution amounts, we make various assumptions to predict future benefit payments and the amount of assets available to pay these benefits. To the extent actual experience is different from our assumptions, an actuarial gain or loss results. An actuarial gain improves the funded status and decreases future contributions, while an actuarial loss has the opposite effect.

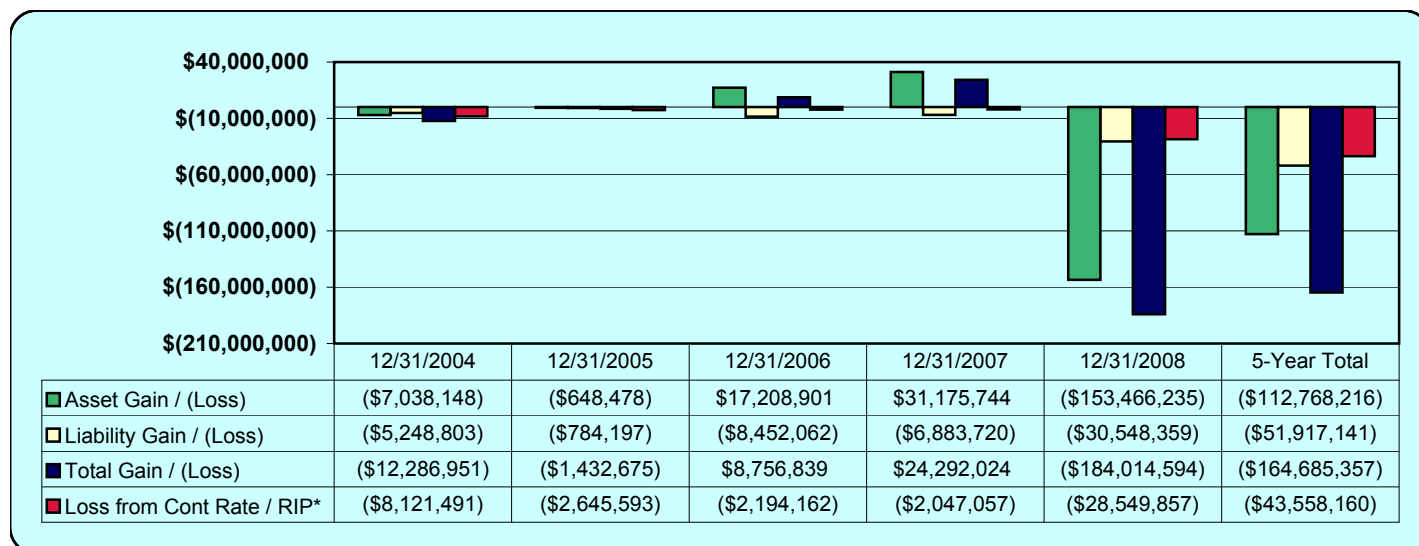
In addition to changes caused by actuarial gains or losses, there are several other reasons why the contribution changes from year to year:

1. Changes occur as a result of the normal operation of the actuarial assumptions and funding method as a result of expected retirements, terminations, etc.
2. Some changes in actuarial assumptions (e.g., the current liability interest rate), are mandated by law. This in turn may impact plan liabilities and required contributions for the
3. IRS rules do not allow us to anticipate future new entrants. As a result, additional participants cause contribution increases.

The total net amount of the actuarial gain/(loss) during the prior plan year was (\$184,014,594) as shown in Exhibit B-3. This amount is amortized and subtracted from the other contribution requirements. The breakdown of the gain/(loss) is shown below.

SUMMARY OF THE PRIOR YEAR'S ACTUARIAL GAIN/(LOSS)	
Gain/(Loss) Due to Investment Return.....	\$ (153,466,235)
Gain/(Loss) Due to Liability Experience.....	(30,548,359)
Total Gain/(Loss).....	\$ (184,014,594)

### Five-Year History of Actuarial Gain / (Loss)



\* For 2004-2007, the losses shown are due to the increases in the contribution rate. For 2008, the loss is due to the drop in RIP balances.

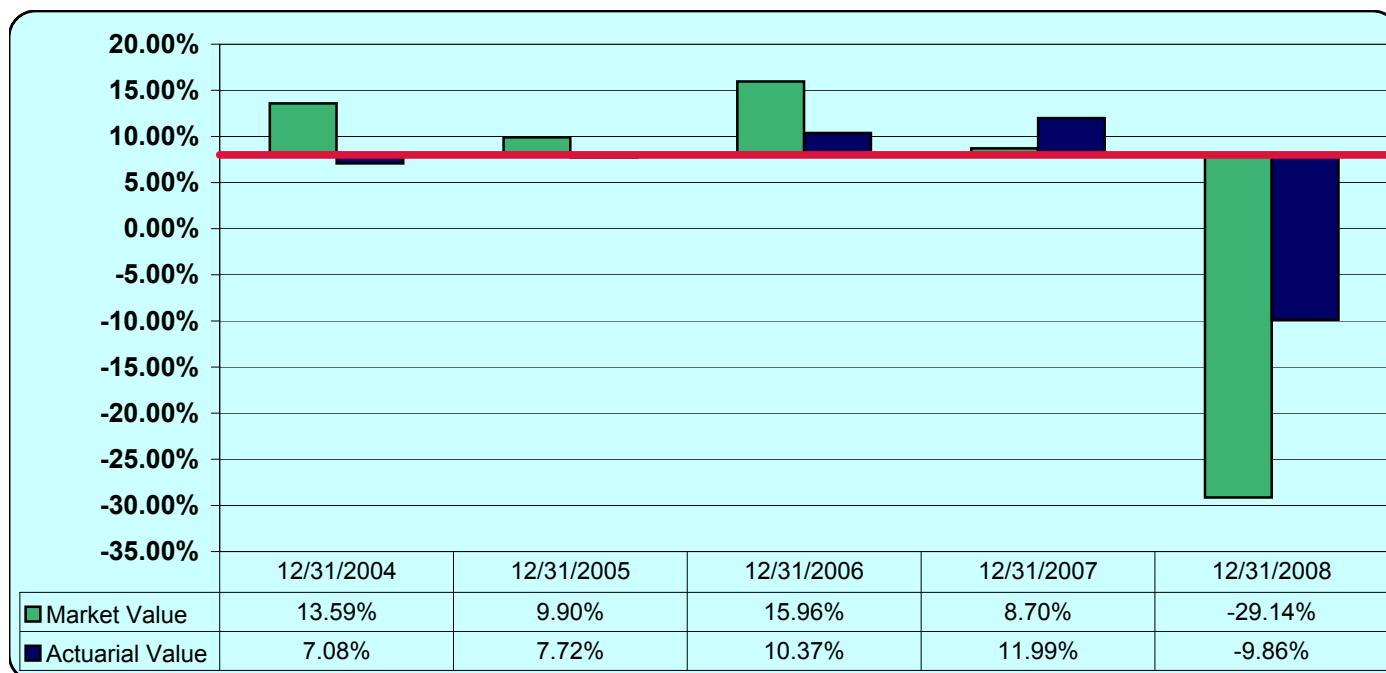
## PLAN ASSETS AND INVESTMENT PERFORMANCE

The plan is funded through a separate trust. The market value of assets as of January 1, 2009 is \$645,871,052. This amount includes \$7,978,295 of accrued employer contributions at year-end. The actuarial value of assets is equal to \$775,045,262 as shown in Exhibit F-4.

The rate of return during the prior plan year was -29.14% on a market value basis and -9.86% on an actuarial value basis. These figures are net of investment expenses, and compare to the 8.00% return assumed for last year. Exhibit F-1 shows the calculation of these rates.

The graph below presents the net rates of return in recent years.

Five-Year History of Investment Returns



**Five-year average on a time-weighted basis = 2.20% (market value)**

**Five-year average on a time-weighted basis = 5.15% (actuarial value)**

**Note:** The approximate returns shown above were calculated under the assumption that all receipts and disbursements occurred in the middle of the year. To the extent that substantial receipts and disbursements occurred on a time-weighted basis at other than the middle of the year, these returns may not be indicative of actual investment performance.

## UNFUNDED VESTED BENEFIT LIABILITY

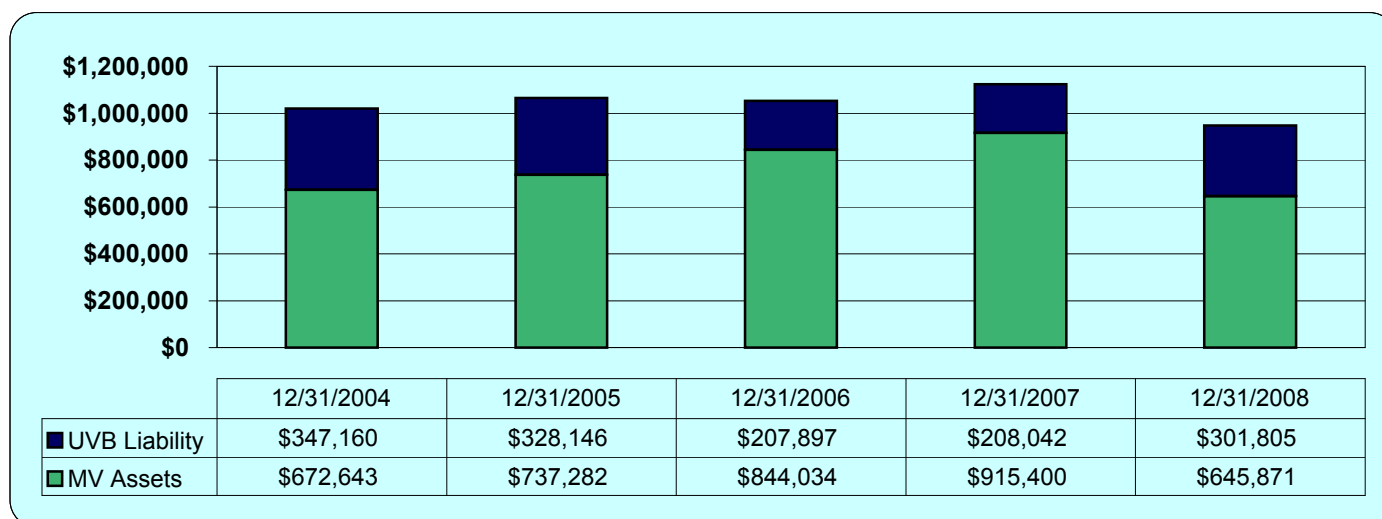
The unfunded vested benefit liability as of December 31, 2008 is the amount used in the determination of withdrawal liability under the Multiemployer Pension Plan Amendments Act of 1980. Except for the discount rate described below, the vested benefit liability was calculated on the same basis as used for the regular valuation of the Plan. The calculation of the unfunded vested benefit liability is shown below:

UNFUNDED VESTED BENEFIT LIABILITY ON DECEMBER 31, 2008		
1. Vested Benefit Liability*		
a. For retired participants and beneficiaries in pay status	\$	701,943,658
b. For other participants		245,732,805
c. Total	\$	947,676,463
2. Market Value of Assets	\$	645,871,052
3. Unfunded / (Overfunded) Vested Benefit Liability	\$	301,805,411

\* The portion of the vested benefits that is matched by the Plan's assets is valued using current annuity market interest rates as represented by the Pension Benefit Guaranty Corporation's plan close-out rates (plus 0.75% on the deferred rate). The portion of vested benefits that is matched by assets is determined by comparing the total present value of vested benefits (at the PBGC rates plus 0.75% on the deferred rate) with the total value of assets. Each vested benefit is treated as covered by assets to the same extent as other vested benefits. The vested benefits for which future withdrawal liability payments are required are valued using the same interest rates that apply for plan funding.

Determination Date	PBGC Rates Basis	
	1st 20 Years	> 20 Years
12/31/2005	4.75%	5.50%
12/31/2006	5.80%	5.50%
12/31/2007	5.37%	5.79%
12/31/2008	8.67%	7.74%

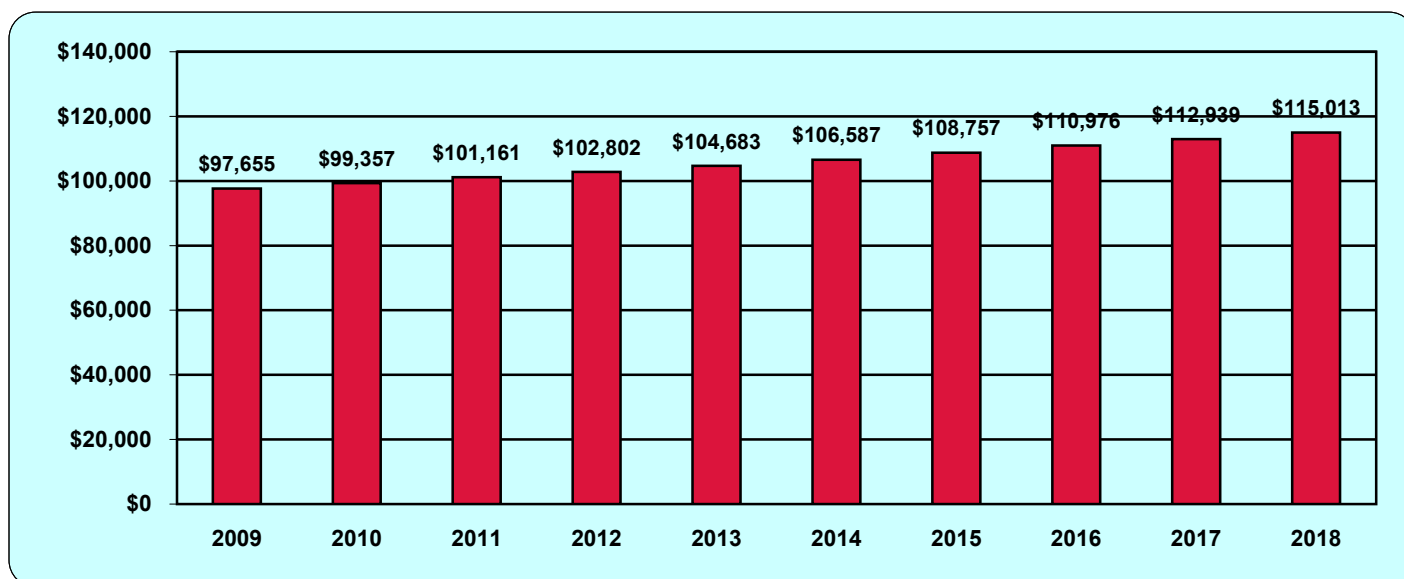
Five-Year History of Unfunded Vested Benefit (UVB) Liability  
(000's omitted)



## PROJECTED BENEFIT PAYMENTS AND CASH FLOW

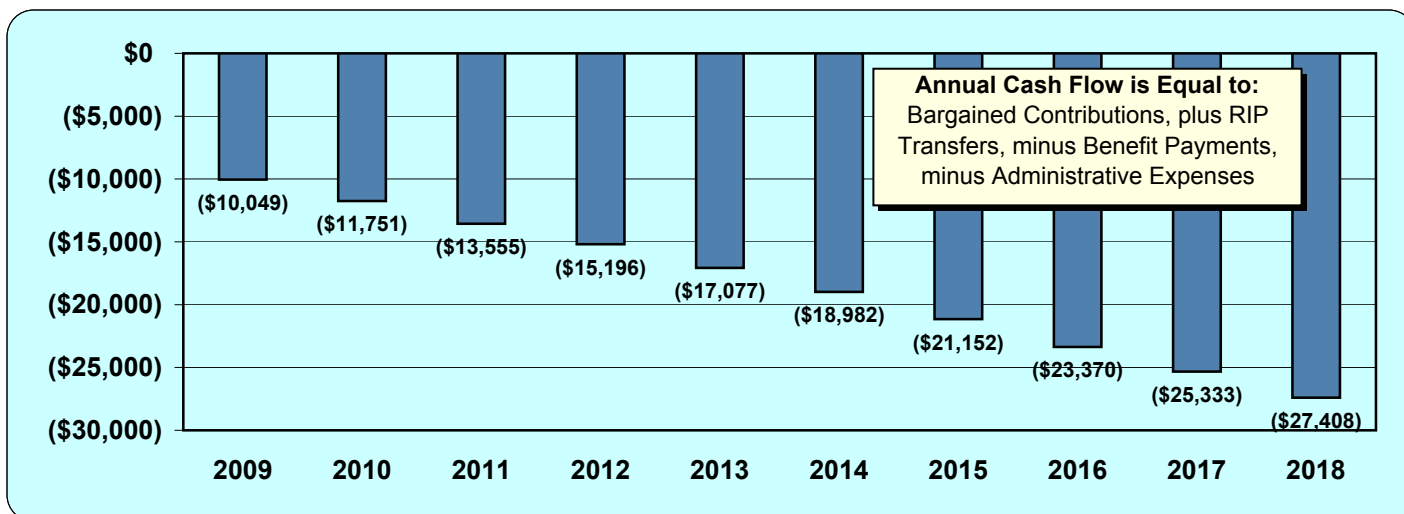
The following graph illustrates the expected benefit payments over the next ten years for participants who are in the plan as of January 1, 2009. This information should assist the plan's investment advisors in determining the liquidity requirements that the plan will face in the near term.

Expected Benefit Payments (in thousands)



**Note:** Except for anticipated future RIP transfers (assumed to be \$9.8 million per year for these two exhibits), the benefit disbursements and projected cash flow are calculated based on the assumptions used in the valuation.

Projected Cash Flow (in thousands)



**Comment:** Mathematically, if two portfolios have the same average rate of return, the portfolio with less period-to-period volatility will have a greater compound rate of return. The larger a plan's negative cash flow, the more susceptible its time-weighted, compound investment return will be to volatility.

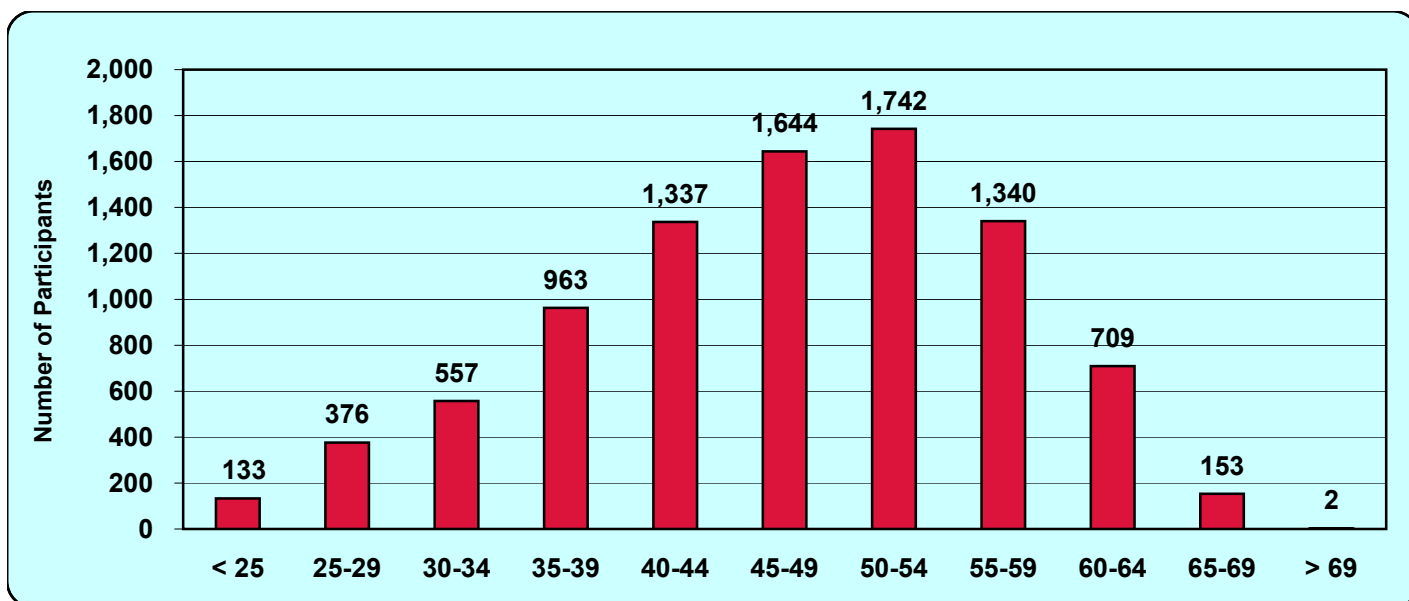
## PARTICIPANT DATA

Participant information was provided by Central Pennsylvania Teamsters. An audit of the data was not made. However, a thorough check of the data was prepared, reconciling last year's data with the new data. This reconciliation accounted for all changes to the covered population. The result of this reconciliation is shown in Exhibit G-1. Additionally, all data was checked for internal consistency and for consistency with last year's data.

Exhibit G-2 shows the age and service distribution of active participants. Exhibit G-3 shows the distribution of the inactive participants.

Comparing this year's census data to last year's, the total number of active participants included in the valuation decreased by 8.0%. The average age of the active participants is 47.5. The average benefit service of this group is 15.7 years.

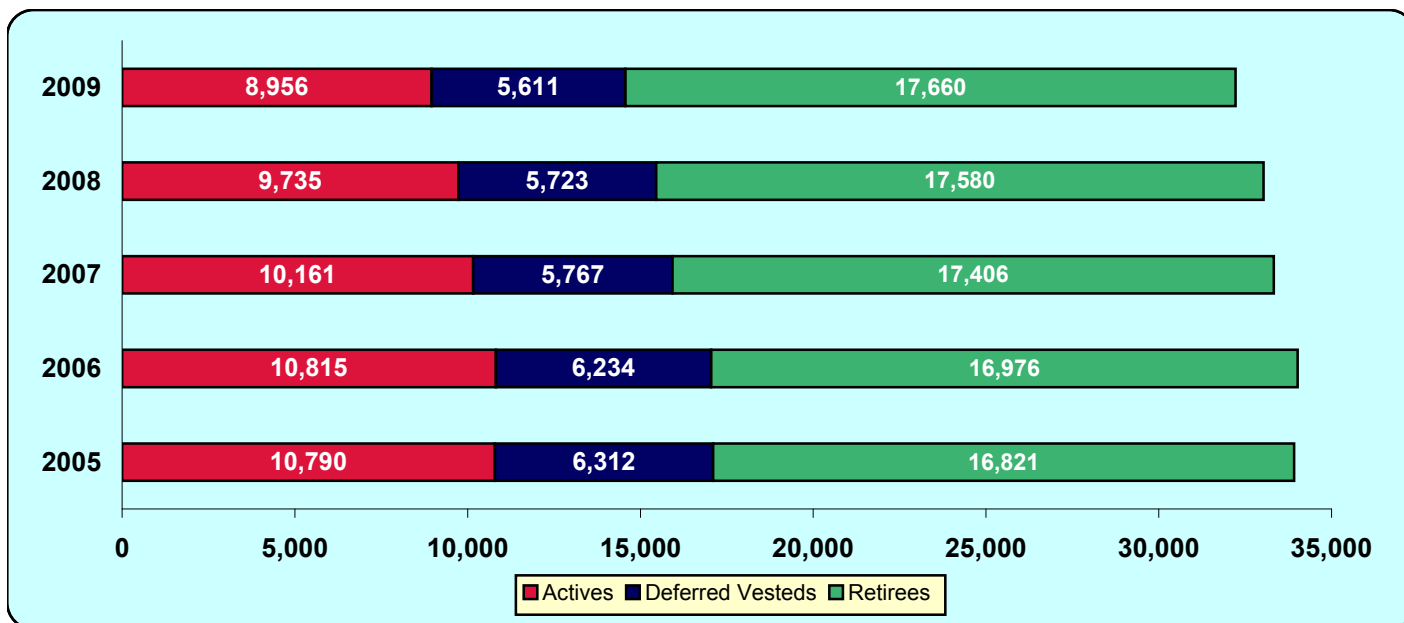
Age Distribution of Active Participants



## PARTICIPANT DATA (continued)

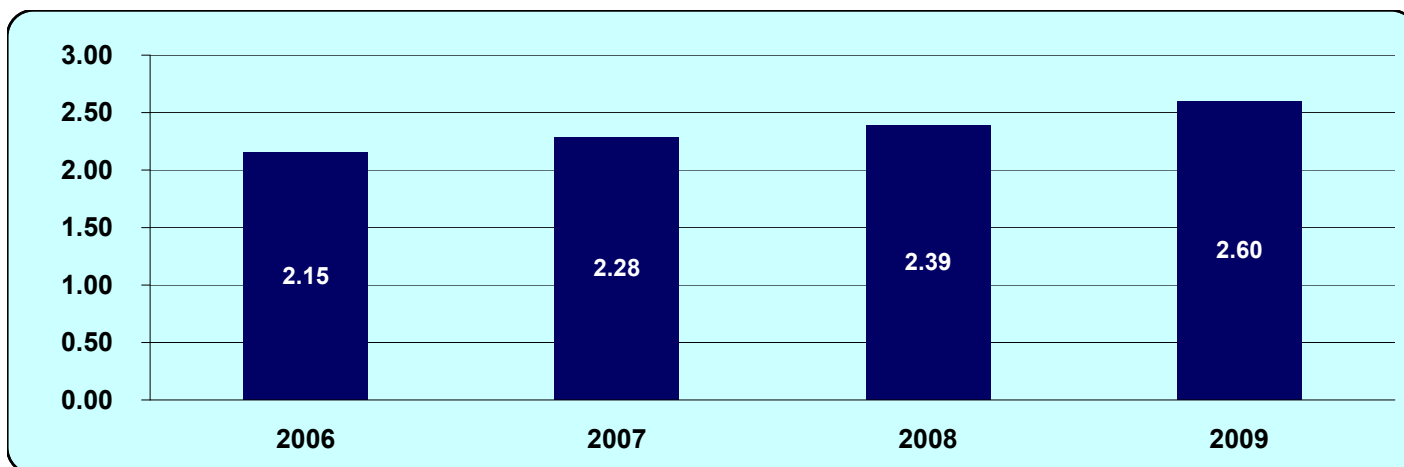
The following graph illustrates the change in participation during the past several years.

**Five-Year History of Number of Participants**



As a plan matures, the ratio of inactive to active participants increases. A higher ratio signifies an increased risk profile associated with actuarial gains and losses that the plan faces. The following graph shows the change in the inactive to active ratio over the past several years.

**Ratio of Inactive Participants to Active Participants**



## **ACTUARIAL METHODS AND ASSUMPTIONS**

Appendix 1 (Section 5) summarizes the actuarial assumptions and methods used to determine plan liabilities and contribution requirements. The only change to the assumptions and methods for the plan year beginning January 1, 2009 is as follows:

- ❶ The interest rate used to calculate the RPA current liability was decreased from 5.06% to 4.82%.

ERISA requires that the actuary use assumptions that represent his or her best estimate of future experience under the plan and reasonably relate to the experience of the plan. We believe that the current actuarial basis meets this requirement. We will monitor the actuarial experience under the plan in future years in order to judge the continuing appropriateness of these assumptions.

## **PLAN PROVISIONS**

Appendix 2 (Section 5) summarizes the main provisions of the plan as of the valuation date. There were no changes to the plan provisions since the prior valuation.

No significant benefit provisions have been ignored in calculating plan liabilities and contribution requirements. All calculations were made assuming the plan will continue indefinitely.

## SUMMARY AND COMPARISON OF VALUATION RESULTS

	Actuarial Valuation as of	
	January 1, 2009	January 1, 2008
1. Number of Plan Participants		
a. Active Participants	8,956	9,735
b. Terminated Vested Participants	5,611	5,723
c. Retired Participants and Beneficiaries	17,660	17,580
d. Total	32,227	33,038
2. RPA Current Liability (value of benefits accrued) (based on a discount rate of 4.82% at 01/01/09 and a discount rate of 5.06% at 01/01/08)	\$ 1,663,327,464	\$ 1,508,157,569
3. Actuarial Accrued Liability	\$ 1,076,569,929	\$ 1,012,632,939
4. Assets		
a. Market value	\$ 645,871,052	\$ 915,399,989
b. Actuarial value	\$ 775,045,262	\$ 863,293,774
5. Normal Cost		
a. Amount	\$ 26,416,080	\$ 36,449,053
b. Per participating employee*	2,973.44	3,772.41
6. Maximum Deductible Contribution		
a. Amount	\$ 1,638,953,269	\$ 1,347,051,942
b. Per participating employee*	184,483.71	139,417.51
7. Minimum Required Contribution		
a. Amount	\$ 0	\$ 0
b. Per participating employee*	0.00	0.00

Current plan year amounts are calculated assuming that contributions will be made in the amounts and on the dates described in Exhibit C-3 and that the receivable contributions for the prior plan year will be made when due. Prior plan year amounts may differ from the prior report if actual contributions were made in different amounts or on different dates than described in the prior report.

\* For actives under the plan's assumed retirement age (8,884 for 2009; 9,662 for 2008).

## DETAILS OF ACTUARIAL ACCRUED LIABILITY AND NORMAL COST UNDER THE UNIT CREDIT COST METHOD

1.	Actuarial Accrued Liability		
	a. Active Participants		
	(i) Retirement benefits	\$ 268,993,199	
	(ii) Termination benefits	3,440,370	
	(iii) Death benefits	7,352,102	
	(iv) Disability benefits	5,308,373	
	(v) Total Active		\$ 285,094,044
	b. Terminated Vested Participants		69,963,399
	c. Retired Participants and Beneficiaries		721,512,486
	d. Total		\$ 1,076,569,929
2.	Normal Cost		
	a. Retirement benefits		\$ 21,524,552
	b. Termination benefits		579,327
	c. Death benefits		1,027,410
	d. Disability benefits		784,791
	e. Administrative expenses		2,500,000
	f. Total		\$ 26,416,080
3.	Present Value of Future Benefits		
	a. Active Participants		
	(i) Retirement benefits	\$ 473,998,702	
	(ii) Termination benefits	6,168,195	
	(iii) Death benefits	15,239,916	
	(iv) Disability benefits	10,275,003	
	(v) Total Active		\$ 505,681,816
	b. Terminated Vested Participants		69,963,399
	c. Retired Participants and Beneficiaries		721,512,486
	d. Total		\$ 1,297,157,701
4.	Expected Benefit Payments		\$ 97,654,828

## DETAILS OF CURRENT LIABILITY

	<b>RPA '94 Based on IRS <u>Mandated Mortality</u></b>
1. Applicable Interest Rate	4.82%
2. Current Liability at Valuation Date	
a. Active Participants	\$ 561,922,111
b. Terminated Vested Participants	111,969,432
c. Retired Participants and Beneficiaries	989,435,921
d. Total: (a) + (b) + (c)	\$ 1,663,327,464
e. Reduction to exclude pre-participation service	0
f. Net: (d) - (e)	\$ 1,663,327,464
3. Expected Benefit Payments	\$ 97,654,828
4. Assets at Valuation Date	
a. Market Value	\$ 645,871,052
b. Actuarial Value	\$ 775,045,262
5. Funded Percentage at Valuation Date	
a. Market Value	38.83%
b. Actuarial Value	46.60%
6. Current Liability Normal Cost	
a. Benefits	\$ 48,282,074
b. Administrative expenses	2,500,000
c. Employer normal cost	\$ 50,782,074
7. Vested Current Liability at Valuation Date	
a. Active Participants	\$ 372,276,387
b. Terminated Vested Participants	111,969,432
c. Retired Participants and Beneficiaries	989,435,921
d. Total: (a) + (b) + (c)	\$ 1,473,681,740

## DEVELOPMENT OF (GAIN) / LOSS AS OF JANUARY 1, 2009

1.	Unfunded Accrued Liability as of January 1, 2008	\$	149,339,165
2.	Normal Cost as of January 1, 2008	\$	36,449,053
3.	Interest to the end of the year at 8.00%	\$	14,863,057
4.	Employer contributions for the 2008 plan year	\$	80,273,426
5.	Interest on (4) to the end of the plan year	\$	2,867,776
6.	Expected Unfunded Liability Before Changes as of January 1, 2009: (1) + (2) + (3) - (4) - (5)	\$	117,510,073
7.	Actual Unfunded Liability Before Changes as of January 1, 2009		
	a. Actuarial Accrued Liability	\$	1,076,569,929
	b. Actuarial Value of Assets		<u>775,045,262</u>
	c. Unfunded Liability: (a) - (b)	\$	301,524,667
8.	(Gain) / Loss as of January 1, 2009		
	a. Liability (Gain) / Loss	\$	30,548,359
	b. Asset (Gain) / Loss		<u>153,466,235</u>
	c. Total (Gain)/Loss: (a) + (b)	\$	184,014,594
9.	Change in unfunded due to a change in assumptions	\$	0
10.	Change in unfunded due to a plan amendment	\$	0
11.	Change in unfunded due to method change	\$	0
12.	Unfunded Liability as of January 1, 2009 after changes: (7) + (9) + (10) + (11)	\$	301,524,667
13.	Actual Unfunded Liability as of January 1, 2009		
	a. Actuarial Accrued Liability (Exhibit B-1, Item 1)	\$	1,076,569,929
	b. Actuarial Value of Assets (Exhibit F-1, Item A5)		<u>775,045,262</u>
	c. Unfunded Liability: (a) - (b)	\$	301,524,667

## CALCULATION OF MINIMUM REQUIRED CONTRIBUTION FOR PLAN YEAR ENDING DECEMBER 31, 2009

1. Regular Minimum Contribution	
a. Normal cost (Exhibit B-1, Item 2)	\$ 26,416,080
b. Net amortization charges (Exhibit C-3, Item C, Column 6)	44,625,097
c. Interest on (a) and (b)	<u>5,683,295</u>
d. Total, but not less than zero	\$ 76,724,472
2. Full funding limitation (Exhibit C-4, Item A9, Column 2)	\$ 791,902,865
3. Minimum required contribution before recognition of credit balance if deposited on or after December 31, 2009: lesser of (1d) or (2)	\$ 76,724,472
4. Credit balance	
a. Beginning of year (Exhibit C-2, Item A3)	\$ 157,187,744
b. Interest to end of year	<u>12,575,020</u>
c. End of year: (a) + (b)	\$ 169,762,764
5. Minimum required contribution if deposited on or after December 31, 2009: (3) - (4c), but not less than zero	\$ 0

## FUNDING STANDARD ACCOUNT

### A. Funding Standard Account for Plan Year Ended December 31, 2008

1. Charges for the Plan Year		
a. Normal cost	\$	36,449,053
b. Amortization charge (on outstanding balance of \$508,243,969)		59,756,192
c. Interest to end of year on (a) and (b)		<u>7,696,420</u>
d. Total charges	\$	103,901,665
2. Credits for the Plan Year		
a. Prior year credit balance	\$	128,582,574
b. Amortization credit (on outstanding balance of \$230,322,230)		36,184,284
c. Employer contributions *		80,273,426
d. Interest on (a), (b), and (c)		16,049,125
e. Full funding limitation credit		<u>0</u>
f. Total credits	\$	261,089,409
3. Credit balance at December 31, 2008: (2f) - (1d)	\$	157,187,744

\* Contributions made, or expected to be made, as follows:

6/30/2008	\$	72,295,131
1/15/2009	\$	7,978,295

**FUNDING STANDARD ACCOUNT**  
(continued)

**B. Projected Funding Standard Account for Plan Year Ending December 31, 2009**

1. Charges for the Plan Year		
a. Normal cost (Exhibit B-1, Item 2)	\$	26,416,080
b. Amortization charge (Exhibit C-4, Item A, Column 6)		79,662,064
c. Interest to end of year on (a) and (b)		8,486,252
d. Total charges	\$	<u>114,564,396</u>
2. Credits for the Plan Year		
a. Prior year credit balance (A3)	\$	157,187,744
b. Amortization credit (Exhibit C-4, Item B, Column 6)		35,036,967
c. Interest to the end of year on (a) and (b)		15,377,977
d. Full funding limitation credit (Exhibit C-5, Item B3)		<u>0</u>
e. Total	\$	207,602,688
3. Minimum required contribution as of December 31, 2009: (1d) - (2e), but not less than zero	\$	0

## SCHEDULE OF REQUIRED AMORTIZATIONS FOR FUNDING STANDARD ACCOUNT AS OF JANUARY 1, 2009

	Date Established	Initial Amount	Initial Amortization Period (Years)	Outstanding Balance	Remaining Amortization Period (Years)	Amortization Payment as of Beginning of Year
	(1)	(2)	(3)	(4)	(5)	(6)
<b>A. Charges</b>						
1. Re-Establish Base	1/1/1988	\$ 107,707,864	24	\$ 26,817,292	3.000	\$ 9,635,193
2. 1994 Actuarial Loss	1/1/1995	30,469,418	15	3,327,836	1.000	3,327,836
3. Method Change	1/1/1997	1,482,948	30	1,238,681	18.000	122,379
4. 1998 Actuarial Loss	1/1/1999	21,358,610	15	9,992,786	5.000	2,317,368
5. Assumption Change	1/1/1999	14,849,370	30	12,971,229	20.000	1,223,285
6. 1999 Actuarial Loss	1/1/2000	12,530,557	15	6,777,516	6.000	1,357,482
7. Assumption Change	1/1/2001	39,167,309	30	35,489,730	22.000	3,221,418
8. 2000 Actuarial Loss	1/1/2001	3,489,273	15	2,122,377	7.000	377,454
9. 2001 Actuarial Loss	1/1/2002	9,130,460	15	6,129,984	8.000	987,692
10. Plan Amendment	1/1/2003	294,195,961	30	275,144,586	24.000	24,196,918
11. 2002 Actuarial Loss	1/1/2003	23,046,049	15	16,819,490	9.000	2,493,018
12. 2003 Actuarial Loss	1/1/2004	61,686,723	15	48,358,429	10.000	6,672,993
13. Experience Loss	1/1/2005	12,286,951	15	10,247,832	11.000	1,329,147
14. Assumption Change	1/1/2006	24,185,822	30	23,492,722	27.000	1,989,227
15. Actuarial Loss	1/1/2006	1,432,675	15	1,261,381	12.000	154,981
16. Plan Amendment	1/1/2007	4,253,016	30	4,174,927	28.000	349,801
17. Actuarial Loss	1/1/2009	184,014,594	15	184,014,594	15.000	19,905,872
Total				\$ 668,381,392		\$ 79,662,064

**SCHEDULE OF REQUIRED AMORTIZATIONS FOR  
 FUNDING STANDARD ACCOUNT AS OF JANUARY 1, 2009  
 (continued)**

	Date Established	Initial Amount	Initial Amortization Period (Years)	Outstanding Balance	Remaining Amortization Period (Years)	Amortization Payment as of Beginning of Year
	(1)	(2)	(3)	(4)	(5)	(6)
<b>B. Credits</b>						
1. Assumption Change	1/1/1989	\$ 662,566	30	\$ 399,727	10.000	\$ 55,158
2. Assumption Change	1/1/1992	5,292,943	30	3,747,672	13.000	439,039
3. 1995 Actuarial Gain	1/1/1996	23,533,953	15	4,941,700	2.000	2,565,883
4. 1996 Actuarial Gain	1/1/1997	243,941	15	73,900	3.000	26,552
5. 1997 Actuarial Gain	1/1/1998	27,565,385	15	10,715,175	4.000	2,995,495
6. Method Change	1/1/2001	20,207,126	10	5,370,225	2.000	2,788,386
7. Assumption Change	1/1/2003	1,370,682	30	1,281,922	24.000	112,735
8. Actuarial Gain	1/1/2007	8,756,839	15	8,086,017	13.000	947,275
9. Actuarial Gain	1/1/2008	24,292,024	15	23,397,360	14.000	2,627,802
10. Method Change	1/1/2008	162,900,200	10	151,655,283	9.000	22,478,642
Total				\$ 209,668,981		\$ 35,036,967
<b>C. Net (A - B)</b>				\$ 458,712,411		\$ 44,625,097
<b>D. Balance Test</b>						
1. Reconciliation account due to additional funding charges					N/A	
2. Reconciliation account due to additional interest charges					N/A	
3. Credit balance				\$ 157,187,744		
4. Balance test: [C - D(1) - D(2) - D(3)]				\$ 301,524,667		
5. Unfunded accrued liability				\$ 301,524,667		

## DEVELOPMENT OF FULL FUNDING LIMITATION AND CREDIT FOR THE PLAN YEAR ENDING DECEMBER 31, 2009

	Maximum Deductible Contribution (1)	Minimum Required Contribution (2)
<b>A. Development of Full Funding Limitation</b>		
1. Actuarial accrued liability as of end of year: (Exhibit C-5, Item A2, Column 1)	\$ 1,086,963,869	\$ 1,086,963,869
2. RPA current liability as of end of year: (Exhibit C-5, Item A2, Column 2)	\$ 1,694,100,808	\$ 1,694,100,808
3. RPA current liability minimum: 90% x (2)	\$ 1,524,690,727	\$ 1,524,690,727
4. Assets at end of year		
a. Market value (Exhibit C-5, Item B2, Column 1)	\$ 593,279,715	\$ 593,279,715
b. Actuarial value (Exhibit C-5, Item B2, Column 2)	732,787,862	732,787,862
c. Lesser of (a) or (b)	\$ 593,279,715	\$ 593,279,715
5. Asset adjustments		
a. Credit balance at end of year	N/A	\$ 169,762,764
b. Net contribution carryover at end of year	\$ 0	N/A
c. Total asset adjustments	\$ 0	\$ 169,762,764
6. Adjusted assets: (4c) - (5c)	\$ 593,279,715	\$ 423,516,951
7. ERISA full funding limitation: (1) - (6), but not less than zero	\$ 493,684,154	\$ 663,446,918
8. RPA Override full funding limitation: (3) - (4b), but not less than zero	\$ 791,902,865	\$ 791,902,865
9. Full funding limitation: greater of (7) or (8)	\$ 791,902,865	\$ 791,902,865

**DEVELOPMENT OF FULL FUNDING LIMITATION AND  
CREDIT FOR THE PLAN YEAR ENDING DECEMBER 31, 2009**  
(continued)

**B. Development of Credit Due to Full Funding Limitation**

1. Net charges to funding standard account (Exhibit C-1, Item 1f)		
a. Normal cost	\$	26,416,080
b. Net amortization charge		44,625,097
c. Interest and penalties		<u>5,683,295</u>
d. Total	\$	76,724,472
2. Full funding limitation: (A9, Column 2)	\$	791,902,865
3. Full funding credit: (1) - (2), but not less than zero	\$	0

## DEVELOPMENT OF PROJECTED END-OF-YEAR AMOUNTS FOR CALCULATION OF FULL FUNDING LIMITATION

	ERISA Actuarial Accrued Liability (1)	RPA '94 Current Liability Based on IRS Mandated Mortality (2)
<b>A. Liabilities</b>		
1. Applicable interest rate	8.00%	4.82%
2. Projection to end of year		
a. Beginning-of-year liability	\$ 1,076,569,929	\$ 1,663,327,464
b. Normal cost, net of expenses	23,916,080	48,282,074
c. Expected benefit payments	(97,654,828)	(97,654,828)
d. Interest to end of year on (a) thru (c)	84,132,688	80,146,098
e. Projected end-of-year amount: (a) + (b) + (c) + (d)	\$ 1,086,963,869	\$ 1,694,100,808
<b>B. Asset Values</b>		
1. Applicable interest rate	8.00%	8.00%
2. Projection to end of year		
a. Beginning-of-year amount	\$ 645,871,052	\$ 775,045,262
b. Expected benefit payments	(97,654,828)	(97,654,828)
c. Expected expenses	(2,500,000)	(2,500,000)
d. Interest to end of year on (a) thru (c)	47,563,491	57,897,428
e. Projected end-of-year amount: (a) + (b) + (c) + (d)	\$ 593,279,715	\$ 732,787,862

**CALCULATION OF MAXIMUM DEDUCTIBLE CONTRIBUTION  
 FOR TAX YEAR ENDING DECEMBER 31, 2009  
 BASED ON PLAN YEAR ENDING DECEMBER 31, 2009**

1. Regular maximum contribution		
a. Normal cost (Exhibit B-1, Item 2)	\$	26,416,080
b. Ten-year amortization of unfunded accrued liability		41,607,469
c. Interest on (a) and (b) to end of tax year		5,441,884
d. Total	\$	<u>73,465,433</u>
2. Full funding limitation (Exhibit C-4, Item A9, Column 1)	\$	791,902,865
3. Lesser of (1d) or (2)	\$	73,465,433
4. Minimum required contributions for plan years ending within or before the current tax year	\$	0
5. Unfunded current liability		
a. Current liability at end of year	\$	1,694,100,808
b. Reduction for pre-participation service	\$	0
c. Current liability interest rate		4.82%
d. Interest on (b) to end of year: (b) x (c)	\$	0
e. Adjusted current liability: [(a) - (b) - (d)] x 140%	\$	2,371,741,131
f. Actuarial value of assets at end of tax year (Exhibit C-5, Item B2, Column 2)	\$	732,787,862
g. Asset adjustments for contribution deductions (Exhibit C-4, Item A5b, Column 1)	\$	0
h. Actuarial value interest rate (Exhibit C-5, Item B1, Column 2)		8.00%
i. Interest on (g) to end of year: (g) x (h), but not less than zero		0
j. Unfunded current liability: (e) - (f) + (g) + (i), but not less than zero	\$	<u>1,638,953,269</u>
6. Maximum deductible contribution: greatest of (3), (4), or (5j)	\$	1,638,953,269

**PRESENT VALUE OF ACCUMULATED BENEFITS  
 AS OF JANUARY 1, 2009  
 IN ACCORDANCE WITH FASB STATEMENT NO. 35**

	<b>January 1, 2009</b>	<b>January 1, 2008</b>
1. Number of Participants		
a. Retiree and beneficiaries	17,660	17,580
b. Terminated participants with deferred benefits	5,611	5,723
c. Participating employees	8,956 *	9,735
d. Total	32,227	33,038
2. Present Value of Vested Accumulated Benefits		
a. Retiree and beneficiaries	\$ 721,512,486	\$ 711,994,306
b. Terminated participants with deferred benefits	69,963,399	71,186,085
c. Participating employees	187,586,022	156,996,488
d. Total	\$ 979,061,907	\$ 940,176,879
3. Present Value of Nonvested Accumulated Benefits for Participating Employees	\$ 94,508,022	\$ 69,456,060
4. Present Value of Total Accumulated Benefits	\$ 1,073,569,929	\$ 1,009,632,939
5. Market Value of Assets	\$ 645,871,052	\$ 915,399,989
6. Benefit Security Ratio		
a. Retiree benefit security ratio: (5) ÷ (2a)	89.52%	128.57%
b. Vested benefit security ratio: (5) ÷ (2d)	65.97%	97.36%
c. Benefit security ratio: (5) ÷ (4)	60.16%	90.67%

**Actuarial Assumptions:** The same actuarial assumptions were used to value the FASB Statement No. 35 liabilities as were used for purposes of determining the plan's funding requirements, as described in the appendices. In particular the valuation interest rate of 8.00% was used.

\* Of these, 7,395 are fully vested.

## RECONCILIATION OF PRESENT VALUE OF ACCUMULATED PLAN BENEFITS

1. Present value of accumulated benefits at January 1, 2008	\$ 1,009,632,939
2. Increases / (Decreases) during the year	
a. Due to benefits accumulated and gains and losses*	\$ 77,661,548
b. Due to decrease in the discount period	77,136,205
c. Actual benefits paid	(90,860,763)
d. Due to plan amendment	0
e. Due to change of assumptions	0
f. Net increase (decrease): (a) + (b) + (c) + (d) + (e)	<u>\$ 63,936,990</u>
3. Present value of accumulated benefits at January 1, 2009: (1) + (2f) (Exhibit E-1, Item 4, Column 1)	\$ 1,073,569,929

\* For SFAS 35 reporting, this is a balancing item and includes the effects of new entrants.

## SUMMARY OF ASSET VALUES AND RATES OF RETURN

### A. Summary of Asset Values

1. Fair Value of Assets	\$ 713,265,655
2. Amounts Receivable	22,691,733
3. Amounts Payable	<u>90,086,336</u>
4. Market Value of Assets: (1) + (2) - (3)	\$ 645,871,052
5. Actuarial Value of Assets	\$ 775,045,262

### B. Rate of Return

	<u>Market Value</u> (1)	<u>Actuarial Value</u> (2)
1. Plan assets as of January 1, 2008	\$ 915,399,989	\$ 863,293,774
2. Employer contributions	80,273,426	80,273,426
3. Benefit payments made	(90,860,763)	(90,860,763)
4. Expenses paid from the trust	(2,483,568)	(2,483,568)
5. Transfers to/(from) the plan	9,815,588	9,815,588
6. Investment return, net of expenses	<u>(266,273,620)</u>	<u>(84,993,195)</u>
7. Plan assets as of January 1, 2009: (1) + (2) + (3) + (4) + (5) + (6)	\$ 645,871,052	\$ 775,045,262
8. Approximate rate of return (net of investment expenses) on average invested assets		
a. Average invested assets <sup>1</sup>	\$ 913,772,331	\$ 861,666,116
b. Rate of return: (6) ÷ (8a)	-29.14%	-9.86%
9. Approximate rate of return (net of total expenses) on average invested assets		
a. Average invested assets <sup>2</sup>	\$ 915,014,115	\$ 862,907,900
b. Rate of return: [(6) + (4)] ÷ (9a)	-29.37%	-10.14%

1. Determined using the Schedule B (Form 5500) methodology: [Item 1 + Item 2÷2 + Item 3÷2 + Item 4÷2 + Item 5÷2]

2. Determined using the Schedule B (Form 5500) methodology: [Item 1 + Item 2÷2 + Item 3÷2 + Item 5÷2]

## STATEMENT OF ASSETS AS OF DECEMBER 31, 2008

1. Total noninterest-bearing cash		\$	7,993,374
2. Receivables			
a. Employer contributions	\$	7,978,295	
b. Other		14,713,438	
c. Total: (a) + (b)			\$ 22,691,733
3. General Investments			
a. Interest-bearing cash	\$	558,912	
b. U.S. Government securities		45,478,735	
c. Corporate debt instruments		57,725,603	
d. Corporate stocks		216,921,020	
e. Group Annuity Contract		0	
f. Value of interest in common/collective trusts		48,935,175	
g. Value of interest in pooled separate accounts		85,258,580	
h. Value of interest in master trusts		0	
i. Value of interest in 103-12 investment entities		49,491,899	
j. Value of interest in registered investment companies		0	
k. Limited Partnerships		47,088,087	
l. Other assets		153,813,680	
m. Total: [add (a) through (l)]			\$ 705,271,691
4. Employer-related investments (Securities and Real Property)		\$	0
5. Buildings and other property used in plan operation		\$	590
6. Total assets: (1) + (2c) + (3m) + (4) +(5)		\$	735,957,388
7. Liabilities			
a. Benefits claims payable	\$	0	
b. Other payables and/or liabilities		90,086,336	
c. Total liabilities: (a) + (b)			\$ 90,086,336
8. Net Assets: (6) - (7c)		\$	645,871,052

## RECONCILIATION OF MARKET VALUE OF ASSETS

1.	Market Value of Assets as of January 1, 2008	\$	915,399,989
2.	Contributions		
	a. Employer	\$	80,273,426
	b. Other		<u>0</u>
	c. Total contributions: (a) + (b)	\$	80,273,426
3.	Earnings on investments		
	a. Interest		
	(i) Interest-bearing cash	\$	0
	(ii) U.S. Government securities		0
	(iii) Corporate debt instruments		0
	(iv) Other interest		<u>0</u>
	(v) Total interest: [add (i) through (iv)]	\$	0
	b. Interest and dividends		17,802,925
	c. Net gain (loss) on sale of assets		0
	d. Unrealized appreciation (depreciation) of assets		(284,129,425)
	e. Net investment gain (loss) from common/collective trusts		0
	f. Net investment gain (loss) from pooled separate accounts		0
	g. Net investment gain (loss) from master trusts		0
	h. Net investment gain (loss) from 103-12 investment entities		0
	i. Net investment gain (loss) from registered investment companies		<u>0</u>
	j. Total earnings: [add (av) through (i)]	\$	(266,326,500)
4.	Other income	\$	52,880
5.	Benefit payment and payment to provide benefits		
	a. Directly to participants or beneficiaries	\$	90,860,763
	b. To insurance carriers for the provision of benefits		<u>0</u>
	c. Total payments: (a) + (b)	\$	90,860,763
6.	Interest expense	\$	0
7.	Administrative expenses		
	a. Professional fees	\$	844,347
	b. Contract administrator fees		0
	c. Investment advisory and management fees		0
	d. Other		<u>1,639,221</u>
	e. Total administrative expenses: [add (a) through (d)]	\$	2,483,568
8.	Transfers to (from) the plan	\$	9,815,588
9.	Net assets at end of year: (1) +(2c) + (3j) + (4) - (5c) - (6) - (7e) + (8)	\$	645,871,052

## ACTUARIAL VALUE OF ASSETS

1.	Market Value of Assets as of January 1, 2008		\$	915,399,989	
2.	Contributions for the prior plan year			80,273,426	
3.	Participant account transfers			9,815,588	
4.	Benefit payments			(90,860,763)	
5.	Administrative expenses			(2,483,568)	
6.	Expected Investment Return at 8.00% on:				
a.	Market Value of Assets as of January 1, 2008		\$	73,231,999	
b.	Contributions for the prior plan year			2,867,776	
c.	Participant account transfers			392,624	
d.	Benefit payments			(3,634,431)	
e.	Administrative expenses			(99,343)	
f.	Total: (a) + (b) + (c) + (d) + (e)		\$	72,758,625	
7.	Actual Investment Return as of December 31, 2008		\$	(266,273,620)	
8.	Investment Gain/(Loss): (7) - (6)		\$	(339,032,245)	
9.	Market Value of Assets as of January 1, 2009		\$	645,871,052	
10.	Total Deferred Gain/(Loss)				
	Plan	Investment	Percent	Percent	Deferred
	<u>Year</u>	<u>Gain/(Loss)</u>	<u>Recognized</u>	<u>Deferred</u>	<u>Gain/(Loss)</u>
a.	2008	\$ (339,032,245)	20%	80%	\$ (271,225,796)
b.	2007	6,170,557	40%	60%	3,702,334
c.	2006	58,594,392	60%	40%	23,437,757
d.	2005	13,251,934	80%	20%	2,650,387
e.	Total				\$ (241,435,318)
11.	Preliminary Actuarial Value of Assets as of January 1, 2009: (9) - (10e)		\$	887,306,370	
12.	Corridor				
a.	80% of Market Value: 0.80 x (9)		\$	516,696,842	
b.	120% of Market Value: 1.20 x (9)		\$	775,045,262	
13.	Actuarial Value of Assets as of January 1, 2009: (11), but not less than (12a) nor more than (12b)		\$	775,045,262	

## RECONCILIATION OF PARTICIPANT DATA

	Actives	Pensioners & Beneficiaries	Deferred Vested Participants	Total
1. Participants in Prior Valuation	9,735	17,580	5,723	33,038
2. Change During Year				
a. new entrants (prior to valuation date)	338	0	0	338
b. new entrants (on valuation date)	0	0	0	0
c. returns to active employment	26	(1)	(25)	0
d. retirements	(253)	526	(273)	0
e. deaths with beneficiary	(7)	(222)	(16)	(245)
f. deaths without beneficiary	(14)	(528)	(53)	(595)
g. new beneficiaries	0	239	6	245
h. vested terminations	(389)	0	389	0
i. non-vested terminations	(480)	0	0	(480)
j. QDRO	0	0	0	0
k. lump sum payments	0	0	0	0
l. end of certain period	0	(8)	0	(8)
m. data corrections	0	74	(140)	(66)
n. total increase	(779)	80	(112)	(811)
3. Participants in Current Valuation	8,956	17,660	5,611	32,227

## AGE / SERVICE DISTRIBUTION OF ACTIVE PARTICIPANTS

	Attained Age	Years of Credited Service										Total Number
		Under 1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & Over	
Average Age: 47.49	Under 25	42	89	2	0	0	0	0	0	0	0	133
Average Service: 15.68	25-29	46	230	90	10	0	0	0	0	0	0	376
	30-34	37	268	149	90	13	0	0	0	0	0	557
# of Males: 8,287	35-39	47	278	310	206	102	20	0	0	0	0	963
	40-44	51	261	241	265	276	234	9	0	0	0	1,337
# of Females: 669	45-49	39	222	226	208	311	491	130	17	0	0	1,644
	50-54	28	184	197	171	256	431	264	200	11	0	1,742
	55-59	8	90	122	87	167	272	219	268	103	4	1,340
	60-64	4	41	57	64	79	114	88	116	111	35	709
	65-69	2	6	13	17	14	18	16	13	31	23	153
	70 & Over	1	0	0	0	0	1	0	0	0	0	2
	<b>Total</b>	<b>305</b>	<b>1,669</b>	<b>1,407</b>	<b>1,118</b>	<b>1,218</b>	<b>1,581</b>	<b>726</b>	<b>614</b>	<b>256</b>	<b>62</b>	<b>8,956</b>

## AGE DISTRIBUTION OF INACTIVE PARTICIPANTS

Age Last Birthday	Normal, Early, and Deferred Vested Retirements*		Terminated Participants & Beneficiaries with Rights to Future Benefits **		Total	
	Number	Annual Benefit	Number	Annual Benefit	Number	Annual Benefit
Under 45	17	\$ 70,752	745	\$ 1,345,914	762	\$ 1,416,666
45-49	41	70,620	958	1,360,174	999	1,430,794
50-54	141	350,028	1,726	3,117,913	1,867	3,467,941
55-59	1,041	5,091,020	1,416	3,107,857	2,457	8,198,877
60-64	2,890	18,920,936	573	1,379,528	3,463	20,300,464
65-69	3,787	22,465,650	163	415,391	3,950	22,881,041
70-74	3,450	14,747,765	19	53,781	3,469	14,801,546
75-79	2,949	12,996,301	7	20,291	2,956	13,016,592
80 & Over	3,344	16,141,514	4	15,708	3,348	16,157,222
Total	17,660	\$ 90,854,586	5,611	\$ 10,816,557	23,271	\$ 101,671,143

Average age ..... 71.79 52.68

Average annual benefit ..... \$5,145 \$1,928

\* Including surviving spouses in pay status.

\*\* Including surviving spouses eligible for future payment.

## ACTUARIAL ASSUMPTIONS AND METHODS

<b>Funding Interest Rate:</b>	8.00% per year, compounded annually.
<b>Current Liability Interest Rate:</b>	4.82% per year, compounded annually.
<b>Mortality:</b>	For healthy lives, the UP84 Mortality Table, setback five years for females. Mortality after disability is 1957-66 Social Security Administration Experience as shown in PBGC Publication #501, Table 5. Mortality for current liability calculations is the projected RP-2000 table.
<b>Assumed Retirement Age:</b>	Active participants: Graduated rates of retirement based on age and service.  Terminated Vested participants: The later of the participant's Normal Retirement Age or age 57 and the completion of 5 years of service.
<b>Withdrawal:</b>	Participants are assumed to terminate employment for reasons other than death, disability, or retirement according to Scale T-2 from the Actuary's Pension Handbook, with rates graduated from tabular at age 40 to zero at age 50.
<b>Disability:</b>	Probability of becoming disabled according to Sarason's Advanced Pension Table pages XXXIX, with rates graduated from tabular at age 50 to zero at age 55.
<b>Salary Scale:</b>	N/A
<b>Form of Payment:</b>	Benefits are assumed to be paid as a three-year certain and life annuity.
<b>Spouses (Marital Status):</b>	80% of employees who die in service after meeting the age and service requirements for a surviving spouse pension are married. Wives are assumed to be three years younger than their husbands.

## ACTUARIAL ASSUMPTIONS AND METHODS (continued)

<b>Expenses:</b>	The normal cost is increased by \$2,500,000 to allow for administrative expenses paid from the trust.
<b>Actuarial Valuation Methods</b>	<b><i>The Unit Credit Cost Method (used for minimum funding)</i></b>  Normal Cost - For each participant, the present value of the benefit expected to be earned during the year.  Actuarial Accrued Liability - For each active participant, the present value of the benefit accrued as of the valuation date. For each terminated participant, the present value at the valuation date of his pension entitlement.  <b><i>The Entry Age Normal Cost Method (used for funding policy)</i></b>  Normal Cost - For each participant, the level amount which if paid each year from his hire date to assumed retirement date would accumulate to the amount needed at retirement date to provide the participant's expected pension.  Actuarial Accrued Liability - For each active participant, the amount needed at the valuation date to provide his expected pension at retirement, less the present value of his expected future normal cost amounts. For each terminated participant, the present value at the valuation date of his pension entitlement.
<b>Asset Valuation Method:</b>	Recognition of gains and losses above or below the assumed rate of return over a 5-year period. Adjusted, if necessary, to remain no greater than 120% of market value, nor less than 80% of market value.
<b>Reciprocity Allowance:</b>	\$3 million has been added to the accrued liability to account for reciprocity benefits.
<b>Changes since the Prior Valuation:</b>	The RPA current liability interest rate was changed from 5.78% to 5.06%.

## SUMMARY OF PRINCIPAL PLAN PROVISIONS

**Introduction:** There are two pieces to the benefit. The first piece is the accrued benefit as of 12/31/1986 (Pre-RIP Benefit) and the second piece is the benefit accrued based on all service after 01/01/2003 (Future Service Date).

**Payment of the Pre-RIP Benefit is generally based on the provisions of the plan at that time. Following is a summary of those provisions.**

**Vesting Service:** Each year during which the participant works at least 1,000 hours.

**Benefit Service:** Prior to 1987: Each year during which the participant works at least 1,800 hours in covered employment. A partial year of benefit service is earned for a year in which less than 1,800 hours but more than 1,000 hours are worked.

**Normal Retirement Date:** The later of age 57 or the fifth anniversary of participation.

**Normal Retirement Pension:** The monthly amount varies by benefit level and was frozen as of 12/31/1986.

**Early Retirement Date:** Separation from covered employment on or after age 55 with five or more years of vesting service.

**Early Retirement Pension:** The Normal Retirement Pension, actuarially reduced for commencement prior to age 57.

**Disability Pension:** An active participant with at least 15 years of benefit service who has been awarded disability benefits by the Social Security Administration and is not eligible for a Normal Retirement Pension may be eligible for a disability benefit. The monthly benefit is payable as of the Social Security Entitlement date with no reduction for early commencement.

**Single Sum Death Benefit:** The beneficiary of an active participant who dies will receive a lump sum death benefit. The amount of benefit is based on the number of years of Pre-RIP benefit service completed prior to death.

## SUMMARY OF PRINCIPAL PLAN PROVISIONS (continued)

**Pre-Retirement**

**Spouse's Death Benefit:**

If a vested participant or vested former participant dies before his pension begins, his surviving spouse will be entitled to a lifetime pension. The amount of such pension will be the same as the spouse would have received if the participant had (i) separated from covered employment on the date of death, (ii) survived until the later of the earliest retirement date or date of death, (iii) retired having elected a Qualified Joint and Survivor Annuity, and (iv) died on the next day.

**Termination Benefit:**

Participants are 100% vested in their accrued pension after five years of vesting service, with benefits payable at age 57, or a reduced pension payable as early as age 55, if eligible.

**Normal Form of Payment:**

For single participants: Three-year Certain and Continuous annuity.  
For married participants: 50% Joint and Survivor annuity.

**Payment of the Future Service Benefit is based on the following summary of provisions.**

**Vesting Service:**

Each plan year during which the participant works at least 1,000 hours.

**Benefit Service:**

Prior to 1987: Each plan year during which the participant works at least 1,800 hours in covered employment. A partial year of benefit service is earned for a plan year in which less than 1,800 hours but more than 1,000 hours are worked.

1987-2001: Each plan year during which the participant works at least 1,000 hours in covered employment.

2002: 1,500 hours in covered employment. A partial year of benefit service is earned for a plan year in which less than 1,500 hours but more than 1,000 hours are worked.

2003 and later: Each plan year during which the participant works at least 1,800 hours in covered employment. A partial year of benefit service is earned for a plan year in which less than 1,800 hours but more than 1,000 hours are worked.

## SUMMARY OF PRINCIPAL PLAN PROVISIONS (continued)

<b>Normal Retirement Date:</b>	The later of age 65 and the completion of five years of vesting service.
<b>Normal Retirement Pension:</b>	<u>From Future Service Date:</u> For each year of Benefit Service, the monthly benefit accrual is equal to the lesser of (i) 1.25% of Employer Contributions made on behalf of the member, or (ii) \$140 (\$160 for 2006, \$170 for 2007 and \$180 for 2008).
<b>Early Retirement Pension Eligibility:</b>	Separation from covered employment at any age with less than 15 years of Benefit Service, or separation from covered employment <u>before</u> the attainment of age 57 with 15-29 years of Benefit Service.
<b>Early Retirement Pension Amount:</b>	The Normal Retirement Pension, reduced 0.5% for each month by which the actual benefit commencement date precedes age 65.
<b>Special Early Retirement Eligibility:</b>	Separation from covered employment on or after the attainment of age 57 with 15-29 years of Benefit Service.
<b>Special Early Retirement Pension Amount:</b>	The Normal Retirement Pension, reduced 0.25% for each month by which the actual benefit commencement date precedes age 65.
<b>Service Pension Eligibility:</b>	Separation from covered employment on or after the attainment of age 50 with 30 or more years of Benefit Service.
<b>Service Pension Amount:</b>	The Normal Retirement Pension, reduced 0.5% for each month by which the actual benefit commencement date precedes age 57.
<b>Combined Minimum Retirement Benefit Eligibility:</b>	Separation from covered employment on or after age 57 with 25 or more years of Benefit Service.  In addition, a member must the "2-Year" and "45-Day" rules described in the Plan document in order to be eligible for this benefit, and must not have previously withdrawn any part of his/her RIP balance or commenced a DB benefit.  To be eligible for the <u>highest level</u> of the Combined Benefit Minimum, a member must have at least 20 years of Benefit Service at the UPS or Freight contribution rate, or 15 years of Benefit Service at the UPS or Freight contribution rate, including the last 10 consecutive years before retirement.

## SUMMARY OF PRINCIPAL PLAN PROVISIONS (continued)

**Combined Minimum  
Retirement Benefit**

The sum of the Pre-1987 and Future Service retirement benefit cannot be less than the excess, if any, of (a) over (b):

a) \$3,100, prorated for contributions that are at less than the "full" contribution level.

b) The annuity equivalent of the RIP Account Balance as of the date of benefit commencement, based on the UP 1984 Mortality Table and a 7.0% discount rate.

**Disability Pension:**

An active participant with at least 15 years of vesting service who has been awarded disability benefits by the Social Security Administration and is not eligible for a Normal Retirement Pension may be eligible for a disability benefit. The monthly benefit is payable as of the Social Security Entitlement date with no reduction for early commencement.

**Single Sum Death Benefit:**

None.

**Pre-Retirement  
Spouse's Death Benefit:**

If a vested active or former participant dies before his pension begins, his surviving spouse will be entitled to a lifetime pension. The amount of such pension will be the same as the spouse would have received if the participant had (i) separated from covered employment on the date of death, (ii) survived until the later of the earliest retirement date or date of death, (iii) retired having elected a Qualified Joint and Survivor Annuity, and (iv) died on the next day.

For purposes of calculating the amount of pre-retirement spouse's death benefit, vested active participants who have 15-29 years of Benefit Service at their date of death will be considered to have been eligible for the Plan's Special Early Retirement Pension (beginning at age 57), regardless of their age at death.

**Termination Benefit:**

Participants are 100% vested in their accrued pension after five years of vesting service, with benefits payable at age 65, or a reduced pension payable as early as age 57.

**Normal Form of Payment:**

For single participants: Three-year Certain and Continuous annuity.  
For married participants: 50% Joint and Survivor annuity.