

***Teamsters Pension Trust Fund of  
Philadelphia and Vicinity***

*Financial Statements*

*For the Years Ended December 31, 2007 and 2006*

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**TEAMSTERS PENSION TRUST FUND OF PHILADELPHIA AND VICINITY**  
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**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

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**REPORT OF INDEPENDENT AUDITORS**

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Board of Trustees  
Teamsters Pension Trust Fund of Philadelphia  
and Vicinity  
6981 North Park Drive, Suite 400  
Pennsauken, NJ 08109

We have audited the accompanying statements of net assets available for benefits of Teamsters Pension Trust Fund of Philadelphia and Vicinity as of December 31, 2007 and 2006 and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, information regarding the Teamsters Pension Trust Fund of Philadelphia and Vicinity's net assets available for benefits as of December 31, 2007, and the changes therein for the year then ended, and its financial status as of December 31, 2006, and the changes therein for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



**A Professional Corporation**  
Bethesda, MD  
April 28, 2008

**TEAMSTERS PENSION TRUST FUND OF PHILADELPHIA AND VICINITY**  
**STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**  
**DECEMBER 31, 2007 AND 2006**

	<b>2007</b>	<b>2006</b>
<b>ASSETS</b>		
Investments - at fair value		
Money market funds	\$ 26,808,188	\$ 22,044,158
U.S. government securities	70,390,193	82,909,399
Other bonds - principally corporate	130,905,262	117,059,051
Mutual funds	683,587,861	765,066,817
Corporate stocks	524,863,294	466,622,343
Real estate and real estate equity funds	82,401,444	52,190,766
Hedge funds	47,548,700	44,298,415
Derivative financial instruments	100,658	-
	1,566,605,600	1,550,190,949
Total investments held		
Investments on loan under securities lending agreement		
Corporate stocks	893,085	-
	1,567,498,685	1,550,190,949
Total investments - at fair value		
Cash collateral held	925,600	-
Receivables		
Employers' contributions	8,117,158	8,333,103
Interest and dividends	4,114,583	3,828,623
Due from broker for investments sold	200,783,778	984,705
Withdrawal liability	54,283	5,910,203
	213,069,802	19,056,634
Cash		
Operating	7,308,274	1,038,754
Custodian (book overdraft)	28,255,894	(490,005)
	35,564,168	548,749
Other assets	70,384	81,662
<b>TOTAL ASSETS</b>	<b>1,817,128,639</b>	<b>1,569,877,994</b>
<b>LIABILITIES</b>		
Due to broker for investments purchased	203,029,651	8,013,837
Accounts payable and accrued expenses	766,425	816,716
Obligation to refund cash collateral held	925,600	-
	204,721,676	8,830,553
<b>TOTAL LIABILITIES</b>	<b>204,721,676</b>	<b>8,830,553</b>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<b>\$ 1,612,406,963</b>	<b>\$ 1,561,047,441</b>

**TEAMSTERS PENSION TRUST FUND OF PHILADELPHIA AND VICINITY  
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

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	<b>2007</b>	<b>2006</b>
<b>ADDITIONS TO FUND ASSETS ATTRIBUTED TO</b>		
Investment income		
Net appreciation in fair value of investments	\$ 56,700,764	\$ 156,388,706
Interest and dividends	44,989,938	39,167,042
Securities lending income	15,056	-
	101,705,758	195,555,748
Investment expenses	(5,219,725)	(4,412,626)
	96,486,033	191,143,122
Contributions		
Employers	90,310,536	87,021,538
Withdrawal liability	1,134,478	8,207,033
	91,445,014	95,228,571
<b>TOTAL ADDITIONS</b>	187,931,047	286,371,693
<b>DEDUCTIONS FROM FUND ASSETS ATTRIBUTED TO</b>		
Benefits paid	133,957,241	129,308,850
Administrative expenses	2,614,284	2,728,380
Loss on disposal of fixed assets	-	174,591
	136,571,525	132,211,821
<b>TOTAL DEDUCTIONS</b>	136,571,525	132,211,821
<b>NET INCREASE</b>	51,359,522	154,159,872
<b>NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR</b>	1,561,047,441	1,406,887,569
<b>NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR</b>	\$ 1,612,406,963	\$ 1,561,047,441

**TEAMSTERS PENSION TRUST FUND OF PHILADELPHIA AND VICINITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

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**NOTE 1: PLAN DESCRIPTION AND FUNDING**

The Teamsters Pension Trust Fund of Philadelphia and Vicinity (the Fund) is a defined benefit plan covering all employees working for employers who have a collective bargaining agreement with a local union which is party to the Fund and, further, the employers have agreed to make contributions to the Fund on the employees' behalf. The Fund provides normal, early, spouse and disability retirement benefits and vested benefits if an employee terminates after meeting certain service requirements. In the event of termination of the Fund, the funds shall be allocated in accordance with priorities established by the Pension Benefit Guaranty Corporation (PBGC).

Information about the Fund, including funding policy, vesting and benefit provisions and the PBGC's benefit guarantee is contained in the pamphlet Summary Plan Description. Copies are available from the Plan Administrator.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Fund's accounting policies reflect practices common to employee benefit plans and conform with accounting principles generally accepted in the United States of America. Significant accounting policies are summarized as follows:

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Contributions from Covered Employers**

These amounts are based upon remittance reports filed by the covered employers. Contributions receivable at year end are substantially determined from employer remittance reports received subsequent to year end, but which cover hours worked during the respective years.

The Trustees have established a policy requiring audits of the payroll records of covered employers who are selected by random sampling and judgmental methods. Special audits include those performed on employers that have withdrawn from the Fund and those performed at the request of covered employers. These audits are conducted on covered employers' payroll records based upon reports filed with the Fund for the calendar year prior to the audit date. These audits are in addition to the Fund's normal verification procedures applied to contributions reports filed for the current year.

**Investment Valuation and Income Recognition**

Investments are stated at fair value. The change in the difference between fair value and cost of investments and the realized gain (loss) on sale of investments is reflected in the statements of changes in net assets available for benefits as net appreciation (depreciation) in fair value of investments. The cost of investments sold is determined on a weighted average basis. Investment transactions are recognized as of the trade date.

Fair values for investments in securities which are traded on a national securities exchange or over-the-counter are determined by the last reported sales price on the last business day of the year. Investments for which no sale was reported on that date are valued at the mean between the last reported bid and ask prices. For private placements (investments in securities which do not have an established market), current value is determined by the Fund's investment advisor.

The fair value of the participation units in mutual funds is based on quoted redemption values on the last business day of the Fund's year.

Real estate is valued at fair value as determined by the investment manager. Real estate equity funds are valued based upon the investment sponsors' financial statements.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Financial Instruments with Off-Balance-Sheet Risk**

The Fund may be a party to a variety of futures, options, swaps and forward contracts in its trading activities. These investments may be used to hedge or shift exposure to the currency, equity and fixed income markets and are carried at market value. Realized and unrealized gains and losses are reflected in the statements of changes in net assets available for benefits as net appreciation (depreciation) in fair value of investments.

**Accumulated Plan Benefits**

Accumulated plan benefits are those estimated future periodic payments that are attributable to covered services accrued by a participant to the valuation date. Accumulated plan benefits include benefits expected to be paid to (a) retired or vested terminated employees (members) or their beneficiaries, and (b) present members or vested beneficiaries. Benefits for retired or vested terminated employees or their beneficiaries are based on plan provisions in effect at the date of termination and reflect employees' years of credited service. The accumulated plan benefits for active employees reflect current plan provisions and years of credited service prior to the valuation date. For benefit accrual purposes, after January 1, 1976, members receive a full year's credit for 1,800 hours of covered services, with a prorated credit given if hours of covered services were equal to or in excess of 750 in a prior year. Benefits payable under all circumstances - retirement, death, disability and termination - are included to the extent they are deemed attributable to member-covered service rendered to the valuation date.

**Employers' Withdrawal Liability**

The Fund complies with provisions of the Multiemployer Pension Plan Amendments Act of 1980 that require imposition of "Withdrawal Liability" on a contributing employer that partially or totally withdraws from the Fund. The Trustees adopted the presumptive method set forth in ERISA Section 4211(b), to allocate potential employers' liabilities.

**Recognition of Benefits**

Benefits are recognized when paid.

**NOTE 3: ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS**

Millman USA estimates the actuarial present value of accumulated plan benefits, which is the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits earned by the participants to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment.

The accumulated plan benefit information as of the beginning of each plan year is as follows:

	2007	2006
Actuarial present value of accumulated plan benefits		
Vested benefits		
Participants currently receiving payments	\$ 1,064,145,765	\$ 1,013,809,036
Other participants	683,153,385	676,416,079
	1,747,299,150	1,690,225,115
Nonvested benefits	128,035,659	126,547,445
Total actuarial present value of accumulated plan benefits	\$ 1,875,334,809	\$ 1,816,772,560

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**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 3: ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS - continued**

The change in the actuarial present value of accumulated plan benefits from January 1, 2006 to January 1, 2007 are as follows:

Actuarial present value of accumulated plan benefits - January 1, 2006	<u>\$ 1,816,772,560</u>
Increase (decrease) attributable to	
Benefits paid	(129,308,850)
Interest	131,408,860
Actuarial experience and accumulation of benefits	<u>56,462,239</u>
	<u>58,562,249</u>
Actuarial present value of accumulated plan benefits - January 1, 2007	<u><u>\$ 1,875,334,809</u></u>

As of December 31, 2007 and 2006, the Fund's actuarially determined Minimum Funding Standards Account exceeded the minimum funding requirements of ERISA.

The most significant assumptions underlying the actuarial computations are as follows:

- Actuarial cost method - The Unit Credit Actuarial Cost Method was used to determine the actuarial present value of accumulated plan benefits (both vested and nonvested).
- Assumed rate of return on investments - 7.5% - This rate is a net rate in combination with a normal cost expense loading of the average of the last two years actual administrative expenses rounded up to the nearest hundred thousand.
- Mortality rates:
  - Preretirement mortality - The 1971 Group Annuity Mortality Table for males, with a three-year setback for females.
  - Postretirement mortality:
    - Pensioners - The rates for male pensioners are based on the 1971 Group Annuity Mortality Table. The rates for female pensioners are based on the 1971 Group Annuity Mortality Table for males, with a three-year age setback.
  - Disability rates - Rates of disability vary by age.
  - Termination rates - Rates of termination were assumed to vary among employer groups according to age and length of services.
  - Retirement rates - The rate of retirement for active members eligible to retire was assumed to vary by age and service.

The actuarial assumptions are based on the presumption that the Fund will continue. Were the Fund to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

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## NOTES TO FINANCIAL STATEMENTS

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### NOTE 4: INCOME TAX STATUS

The Fund has received a determination letter from the Internal Revenue Service dated October 28, 2003, stating that the Fund is qualified under Section 401(a) of the Internal Revenue Code (the Code), and therefore, the related trust is exempt from taxation. Subsequent to this determination by the Internal Revenue Service, the Fund was amended and/or restated. Once qualified, the Fund is required to operate in conformity with the Code to maintain its qualification. The Plan Administrator believes the Fund is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Fund, as amended, is qualified and the related trust is tax-exempt. Therefore, no provision for income taxes has been made in these financial statements.

### NOTE 5: INVESTMENTS

During 2007 and 2006, the Fund's investments, including investments bought, sold as well as held during the year, appreciated (depreciated) in value as follows:

	<u>2007</u>	<u>2006</u>
Investments at fair value as determined by quoted market prices or net asset value of mutual funds		
U.S. government securities	\$ 1,305,393	\$ 36,155
Other bonds - principally corporate	(62,343)	753,584
Mutual funds	17,063,622	90,048,474
Corporate stocks	21,092,022	56,916,401
Derivative financial instruments	(3,677,126)	-
Investments at estimated fair value		
Real estate and real estate equity funds	17,797,195	4,644,307
Hedge funds	3,182,001	3,989,785
	<u>\$ 56,700,764</u>	<u>\$ 156,388,706</u>

The fair value of individual investments that represent 5% or more of the Fund's net assets are as follows:

SEI Large Capital Disciplined Equity Fund	\$ 238,445,259	\$ 246,194,815
SEI Core Fixed Income Fund	\$ 160,769,112	\$ 146,030,751
SEI Small Capital Fund	\$ -	\$ 107,544,454
Sprucegrove Group Trust International	\$ 91,077,103	\$ 147,909,973

The Fund invests in mutual funds managed by SEI and Sprucegrove, the custodians. Transactions in such investments qualify as party-in-interest transactions that are exempt from prohibited transaction rules.

### NOTE 6: RISKS AND UNCERTAINTIES

The Fund invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

Fund contributions are determined and the actuarial present values of benefit obligations are reported based on certain assumptions pertaining to interest rates and employees demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term could materially affect the amounts reported and disclosed in the financial statements.

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**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 7: RELATED PARTY TRANSACTIONS**

Effective April 10, 2006, the Fund and the Teamsters Health and Welfare Fund of Philadelphia and Vicinity (the Health and Welfare Fund) established a corporation known as Administrative Services Professionals, Inc. (ASP). The Fund owns twenty-eight percent of ASP. ASP provides administrative services to the Fund based on a rate, per member, per month. During 2007 and 2006, the Fund paid ASP \$1,515,440 and \$1,152,500, respectively. As of December 31, 2007 and 2006, the Fund did not have any outstanding liabilities to ASP.

During 2006, the Fund transferred fixed assets with a book value of \$43,269 to ASP. The amounts were recorded as investments in ASP and included in other assets in the statements of net assets available for benefits.

**NOTE 8: SECURITIES LENDING PROGRAM**

The Trustees of the Fund have entered into an agreement with the bank that acts as custodian for the Fund's investments, which authorizes the bank to lend securities held in the Fund's accounts to third parties.

The bank must obtain collateral from the borrower in the form of cash, letters of credit issued by an entity other than the borrower, or acceptable securities. Both the collateral and the securities loaned are marked-to-market on a daily basis so that all loaned securities are fully collateralized at all times. In the event that the loaned securities are not returned by the borrower, the bank will, at its own expense, either replace the loaned securities or, if unable to purchase those securities on the open market, credit the Fund's accounts with cash equal to the market value of the loaned securities.

Although the Fund's securities lending activities are collateralized as described above, and although the terms of the securities lending agreement with the custodial bank require the bank to comply with government rules and regulations related to the lending of securities held by ERISA plans, the securities lending program involves both market and credit risks. In this context, market risk refers to the possibility that the borrowers of securities will be unable to collateralize their loan upon a sudden material change in the fair value of the loaned securities or the collateral, or that the bank's investment of cash collateral received from the borrowers of the Fund's securities may be subject to unfavorable market fluctuations. Credit risk refers to the possibility that counter-parties involved in the securities lending program may fail to perform in accordance with the terms of their contracts. To date, the Fund has experienced no losses in connection with the securities lending program.

At December 31, 2007 and 2006, respectively, the collateral received for loaned securities was as follows:

	<u>2007</u>	<u>2006</u>
Cash	<u>\$ 925,600</u>	<u>\$ -</u>

In order to present the statements of net assets available for benefits in accordance with accounting principles generally accepted in the United States of America, the fair value of loaned securities is separately identified, cash received as collateral is reflected as an asset and the obligation to refund the cash collateral is reflected as a liability.

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**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 8: SECURITIES LENDING PROGRAM - continued**

The Fund and the bank receive 65% and 35% of the net income derived from all security lending activities, respectively. Income earned by the Fund during 2007 and 2006 reported in the statements of changes in net assets available for benefits was \$15,056 and \$0, respectively, in connection with the securities lending program. The income earned was determined as follows:

	<u>2007</u>	<u>2006</u>
Gross earnings on collateral	\$ 92,578	\$ -
Rebate to securities borrower	<u>69,415</u>	<u>-</u>
Net earnings on collateral	23,163	-
Fees paid to custodial bank	<u>8,107</u>	<u>-</u>
Net earnings by the Fund	<u>\$ 15,056</u>	<u>\$ -</u>

**NOTE 9: COMMITMENTS**

The Fund has committed to fund various real estate investments. As of December 31, 2007 and 2006, the total amount committed was \$98,290,911 and \$66,610,558, of which \$31,943,871 and \$18,730,720 were still outstanding, respectively.

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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTAL INFORMATION

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Board of Trustees  
Teamsters Pension Trust Fund of Philadelphia  
and Vicinity  
6981 North Park Drive, Suite 400  
Pennsauken, NJ 08109

Our audits of the financial statements of Teamsters Pension Trust Fund of Philadelphia and Vicinity for the years ended December 31, 2007 and 2006 were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of administrative expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**A Professional Corporation**  
Bethesda, MD  
April 28, 2008

**TEAMSTERS PENSION TRUST FUND OF PHILADELPHIA AND VICINITY  
SCHEDULES OF ADMINISTRATIVE EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

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<b>ADMINISTRATIVE EXPENSES</b>	<u>2007</u>	<u>2006</u>
Salaries	\$ -	\$ 208,832
Payroll taxes	-	17,250
Employment verification	36,058	17,875
Actuarial and consulting	250,705	108,956
Administrator fee - ASP	1,515,440	1,152,500
Auditing and accounting	36,646	50,277
Bank service charges	-	1,690
Data processing equipment rental and supplies	-	38,009
Depreciation and amortization	-	20,380
Dues and subscriptions	875	996
Educational conferences and trustees' meetings	21,940	17,041
Employee benefits	-	183,798
General office	-	41,774
Insurance	268,941	278,867
Legal	179,401	137,839
Payroll audit - legal services	275,815	389,878
Payroll audit - other	-	648
Postage	21,275	13,698
Printing	7,188	4,428
Rent	-	43,644
	<u>\$ 2,614,284</u>	<u>\$ 2,728,380</u>