



# Teamsters Pension Trust Fund *of Philadelphia and Vicinity*

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TO: Participants and Employers  
FROM: Board of Trustees  
DATE: April 30, 2011  
RE: **Important Information about Your Pension Plan**

This packet contains important information about the financial status of the Teamsters Pension Plan of Philadelphia & Vicinity, including three legally-required notices:

- Notice of Endangered Status for the 2011 Plan Year
- Notice of Election of Funding Relief
- Annual Funding Notice for the 2010 Plan Year

We know that these technical, required notices about benefits can be difficult to understand. This cover letter is intended to explain what the enclosed notices mean to you in easy-to-understand terms.

## **Background**

Pension plans like the Teamsters Pension Plan of Philadelphia & Vicinity are designed to accumulate contributions and invest them so that sufficient assets are available to pay participant pensions at retirement. It is critical that the plan be funded properly to continue providing benefits for participants. The Trustees of the plan engage consultants, including actuaries, who certify that the plan is properly funded under federal law using a series of commonly-used assumptions such as mortality rates and long-term interest rates that predict future investment performance.

As you know, during 2008 and the beginning of 2009, the US stock market and other global financial markets declined more sharply than for any time period we have experienced since the Great Depression. While the plan had diversified its assets among various types of investments, it could not avoid being affected by the severe economic downturn. Like other pension plans, the plan experienced a significant loss of assets. Even the recovery of the market in the past year and a half has not been enough to overcome these financial losses.

As a result, the status of the plan became what is called “seriously endangered” for 2010. With the improvement in the market in 2010 and the adoption on funding relief as described below, the plan has become “endangered” for 2011. It is important to note that the plan changes that were announced in December, 2010 as a result of the plan becoming seriously endangered remain in place.

## **What It Means to Be Endangered or Seriously Endangered**

Under the Pension Protection Act of 2006 (PPA), within the first 90 days of each plan year, the plan’s actuary must certify whether the plan is in one of the following categories: endangered, seriously endangered, or critical status.

In general, to perform this calculation, the actuary must determine if a plan's funded ratio is at least 80% and whether the plan will be unable to meet the minimum required funding standards in any of the next 7 years. The actuary must also project the plan's assets, benefit costs, contributions, and unfunded liability to determine if the plan will have enough money to pay benefits when due, or if the plan is expected to run out of assets.

There are two tests that indicate whether a plan is in endangered status. If a plan fails either test, it is considered endangered. If it fails both tests it is considered seriously endangered.

- The first test is based on the plan's funded percentage at the beginning of the year. In this test, the plan's assets on January 1, 2010 are divided by the value of all plan participants' benefits earned as of that date. If this ratio is over 80%, the test is passed. **As of January 1, 2010, the plan's PPA funded percentage was 71.4% and as of January 1, 2011 the funded percentage is about 74%.**
- The second test looks at the future of the plan. A projection is made to determine whether the level of expected contributions over the next seven years is enough to prevent the plan from having a minimum funding shortfall during that period. **For the 2010 actuarial certification the plan's actuary had projected an accumulated funding deficiency for the plan year ending December 31, 2015; for the 2011 actuarial certification the actuary has projected that the plan will be able to meet the minimum required funding standards over the next seven years.**

Since the Plan failed both tests for 2010, it was considered seriously endangered; since the plan fails only one of the tests for 2011, the plan is now considered endangered.

### **What It Means for You**

Because the actuaries have certified the plan was seriously endangered for the plan year beginning January 1, 2010, the Board of Trustees needed to take action late last year to help ensure the plan's long-term financial health. Since the Trustees determined that benefit reductions were necessary, you received a separate notice identifying and explaining the effect of those reductions. **Please note that only benefits going forward were affected – benefits currently being paid could not be reduced.**

Another rule the plan must follow is to provide participants and beneficiaries, bargaining parties, the Pension Benefit Guaranty Corporation, and the Secretary of Labor with the enclosed Notice of Endangered Status. You are receiving this notice within the 30-day requirement set forth by PPA.

### **Funding Relief**

Congress determined the 2008 losses were so unusual and extraordinary that they required special handling. Accordingly, the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010 (PRA 2010) was signed into law on June 25, 2010, giving pension plans the latitude to adopt special funding rules when reporting Plan status to Federal agencies. In December, 2010, the Board of Trustees elected to apply the special funding rules permitted by that legislation. The Plan did not receive any money from the government - this is not a bail-out. Rather, the special rules utilize modified actuarial calculations to smooth the 2008 losses over a longer period of time, giving the Trustees a chance to define and manage a recovery process.

Under PRA 2010, there is a decrease in the minimum amounts that Employers are required by law to contribute to the Plan each year. In addition, the Plan is not allowed to improve benefits for what appears (based on informal IRS guidance and current methods) to be up to eight years. However, if circumstances

change with regard to the Plan's financial health, the Plan could opt out of funding relief and the restrictions on benefit improvements would be lifted in the third plan year thereafter. Please note that with or without funding relief, the Plan is not in a position to improve benefits at this time unless additional contributions sufficiently cover the amount of the benefit increase.

One of the provisions of PRA 2010 is the requirement for the Plan to notify participants of the Trustees' election to use the special rules in the actuarial calculations for 2009 and the impact of doing so. Enclosed you will find this notice for the Plan. The content of the notice is largely required by the government, so we are attempting in this letter to provide a synopsis of what was done and what it all means.

In the enclosed notice, it shows that the Trustees have elected to apply the Special Amortization Rule and the Special Asset Valuation Rule provided under PRA 2010. Both special funding rules are designed to minimize the immediate impact of the 2008 losses and decrease in the short-term the minimum funding requirements specified by law.

This election does not change the financial status of the Plan, but changes the 2011 zone status reported in compliance with the Pension Protection Act of 2006 (PPA 2006). Prior to PRA 2010, the Plan had been projected to be seriously endangered in 2011. With the PRA 2010 special funding rules, the Plan is now considered endangered.

### **About the Annual Funding Notice**

The enclosed Annual Funding Notice provides detailed information about the status of the plan for the year beginning January 1, 2010. Federal law requires pension plans to share this financial information with participants every year. However, this notice reflects the status of the plan for 2010 when the plan was considered seriously endangered but **before** it entered endangered status for 2011.

### **Our Continuing Commitment**

The Teamsters Pension Plan of Philadelphia & Vicinity has been providing benefits for plan participants without interruption for well over 50 years. In 2010, benefit payments totaling more than \$157 million were paid to over 13,000 retired participants and beneficiaries. The Trustees understand this is a time of uncertainty and concern due to the economic environment, and continue to work with the plan's professional advisers to carefully monitor the plan's investments and benefit structure in an effort to provide benefits for years to come. The Trustees are committed to operating the plan on a financially sound basis and meeting applicable federal funding requirements.

### **Where to Get More Information**

Please submit any questions in writing addressed to the Teamsters Pension Plan of Philadelphia & Vicinity at 6981 North Park Drive, Suite 400, Pennsauken, NJ 08109. The Administrative Office may refer technical questions to the plan's actuary, but will reply to all questions received in writing.

## ANNUAL FUNDING NOTICE

### For Teamsters Pension Plan of Philadelphia & Vicinity

#### Introduction

This notice includes important information about the funding status of your pension plan (“the Plan”) and general information about the benefit payments guaranteed by the Pension Benefit Guaranty Corporation (“PBGC”), a federal insurance agency. All traditional pension plans (called “defined benefit pension plans”) must provide this notice every year regardless of their funding status. This notice does not mean that the Plan is terminating. It is provided for informational purposes and you are not required to respond in any way. This notice is for the plan year beginning January 1, 2010 and ending December 31, 2010 (“Plan Year”).

#### How Well Funded Is Your Plan

Under federal law, the plan must report how well it is funded by using a measure called the “funded percentage.” This percentage is obtained by dividing the Plan’s assets by its liabilities on the Valuation Date for the plan year. In general, the higher the percentage, the better funded the plan. Your Plan’s funded percentage for the Plan Year and each of the two preceding plan years is set forth in the chart below, along with a statement of the value of the Plan’s assets and liabilities for the same period.

<b>Funded Percentage</b>			
	2010 Plan Year	2009 Plan Year	2008 Plan Year
Valuation Date	January 1, 2010	January 1, 2009	January 1, 2008
Funded Percentage	77.0%	70.2%	82.2%
Value of Assets	\$1,642,623,646	\$1,465,749,736	\$1,627,527,188
Value of Liabilities	\$2,132,249,012	\$2,088,323,665	\$1,979,723,061

#### Year-End Fair Market Value of Assets

The asset values in the chart above are measured as of the Valuation Date for the plan year and are actuarial values. Because market values can fluctuate daily based on factors in the marketplace, such as changes in the stock market, pension law allows plans to use actuarial values that are designed to smooth out those fluctuations for funding purposes. The asset values below are market values and are measured as of the last day of the plan year, rather than as of the Valuation Date. Substituting the market value of assets for the actuarial value used in the above chart would show a clearer picture of a plan’s funded status as of the Valuation Date. The fair market value of the Plan’s assets as of the last day of the Plan Year and each of the two preceding plan years is shown in the following table:

	December 31 2010	December 31, 2009	December 31, 2008
Fair Market Value of Assets	\$1,330,126,882	\$1,263,556,651	\$1,127,626,502

### Critical or Endangered Status

Under federal pension law a plan generally will be considered to be in “endangered” status if, at the beginning of the plan year, the funded percentage of the plan is less than 80 percent or in “critical” status if the percentage is less than 65 percent (other factors may also apply). If a pension plan enters endangered status, the Trustees of the plan are required to adopt a funding improvement plan. Similarly, if a pension plan enters critical status, the trustees of the plan are required to adopt a rehabilitation plan. Rehabilitation and funding improvement plans establish steps and benchmarks for pension plans to improve their funding status over a specified period of time.

The Plan was in “seriously endangered” status in the Plan Year ending December 31, 2010 because the January 1, 2010 funded percentage (plan assets as a percentage of liabilities) is less than 80% and the Plan will have an accumulated funding deficiency within the next seven years. In an effort to improve the Plan’s funding situation, the Trustees adopted a funding improvement plan at their November 2, 2010 meeting. The plan that was adopted is expected to help the Plan emerge from seriously endangered status by the end of its funding improvement period through various benefit reductions and supplemental contribution increases. You may obtain a copy of the Plan’s funding improvement plan and the actuarial and financial data that demonstrate any action taken by the plan toward fiscal improvement by contacting the plan administrator.

Since the Plan is in endangered status for the plan year ending December 31, 2011, separate notification of that status has been provided in this packet of information.

### Participant Information

The total number of participants in the Plan as of the Plan’s valuation date was 27,034. Of this number, 9,024 were active participants, 13,264 were retired or separated from service and receiving benefits, and 4,746 were retired or separated from service and entitled to future benefits.

### Funding & Investment Policies

Every pension plan must have a procedure for establishing a funding policy to carry out plan objectives. A funding policy relates to the level of assets needed to pay for benefits promised under the plan currently and over the years. The funding policy of the Plan is to maintain a balance such that plan resources will fund plan obligations. Plan resources include accumulated plan assets plus expected future contributions and investment income. Plan obligations are benefit payments to current and future retirees and beneficiaries, including benefits earned to date as well as benefits expected to be earned in the future. Plan obligations also include expected expenses paid from plan assets. In implementing this funding policy, the plan Trustees will work with professional advisors to adopt a prudent investment policy and to determine the actuarial value of plan obligations. Over time, the Trustees may adjust plan benefits in response to investment returns and other plan experience, or seek additional contributions from the bargaining units.

Once money is contributed to the Plan, the money is invested by plan officials called fiduciaries, who make specific investments in accordance with the Plan's investment policy. Generally speaking, an investment policy is a written statement that provides the fiduciaries who are responsible for plan investments with guidelines or general instructions concerning investment management decisions. The investment policy of the Plan has a target allocation among asset categories of 45% domestic equity, 10% international equity, 15% fixed income, 10% real estate and 20% in hedge funds and private equity.

Under the Plan's investment policy, the Plan's assets were allocated among the following categories of investments, as of the end of the Plan Year. These allocations are percentages of total assets:

<b>Asset Allocations</b>	<b>Percentage</b>
1. Cash (Interest bearing and non-interest bearing)	1.5%
2. U.S. Government securities	6.1%
3. Corporate debt instruments (other than employer securities):	
Preferred	
All other	8.4%
4. Corporate stocks (other than employer securities):	
Preferred	
Common	28.9%
5. Partnership/joint venture interests	6.5%
6. Real estate (other than employer real property)	5.8%
7. Loans (other than to participants)	
8. Participant loans	
9. Value of interest in common/collective trusts	
10. Value of interest in pooled separate accounts	
11. Value of interest in master trust investment accounts	
12. Value of interest in 103-12 investment entities	
13. Value of interest in registered investment companies (e.g., mutual funds)	28.8%
14. Value of funds held in insurance co. general account (unallocated contracts)	
15. Employer-related investments:	
Employer Securities	
Employer real property	
16. Buildings and other property used in plan operation	
17. Other	14.0%

For information about the plan's investment in any of the following types of investments as described in the chart above - common/collective trusts, pooled separate accounts, master trust investment accounts, or 103-12 investment entities - contact Teamsters Pension Plan of Philadelphia & Vicinity at either (800) 523-2846 or (856) 382-2400, 6981 North Park Drive, Suite 400, Pennsauken, NJ 08109.

Events Having a Material Effect on Assets or Liabilities

Federal law requires the plan administrator to provide in this notice a written explanation of events, taking effect in the current plan year, which are expected to have a material effect on plan liabilities or assets. Material effect events are occurrences that tend to have a significant impact on a plan's funding condition. An event is material if it, for example, is expected to increase or decrease Total Plan Assets or Plan Liabilities by five percent or more. For the plan year beginning on January 1, 2011 and ending on December 31, 2011, the following events are expected to have such an effect: a reduction in the multiplier from 1.35% to 1.0% for contributions made on a Participant's behalf commencing on and after January 1, 2011 and modifications to the eligibility for subsidized early

retirement benefits have been made. These events are described in greater detail in our Notice pursuant to ERISA Section 204(h) dated December 8, 2010.

#### Right to Request a Copy of the Annual Report

A pension plan is required to file with the US Department of Labor an annual report called the Form 5500 that contains financial and other information about the plan. Copies of the annual report are available from the US Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1513, Washington, DC 20210, or by calling 202.693.8673. For 2009 and subsequent plan years, you may obtain an electronic copy of the plan's annual report by going to [www.efast.dol.gov](http://www.efast.dol.gov) and using the Form 5500 search function. Or you may obtain a copy of the Plan's annual report via [www.teamsterfunds.com](http://www.teamsterfunds.com) (click the "For Members" button, then "Pension" and then "Annual Report (SAR)") or by making a written request to the plan administrator, William J. Einhorn, 6981 North Park Drive, Suite 400, Pennsauken, NJ 08109. Individual information, such as the amount of your accrued benefit under the plan, is not contained in the annual report. If you are seeking information regarding your benefits under the plan, contact the plan administrator identified below under "Where To Get More Information."

#### Summary of Rules Governing Plans in Reorganization and Insolvent Plans

Federal law has a number of special rules that apply to financially troubled multiemployer plans. The plan administrator is required by law to include a summary of these rules in the annual funding notice. Under so-called "plan reorganization rules," a plan with adverse financial experience may need to increase required contributions and may, under certain circumstances, reduce benefits that are not eligible for the PBGC's guarantee (generally, benefits that have been in effect for less than 60 months). If a plan is in reorganization status, it must provide notification that the plan is in reorganization status and that, if contributions are not increased, accrued benefits under the plan may be reduced or an excise tax may be imposed (or both). The plan is required to furnish this notification to each contributing employer and the labor organization.

Despite these special plan reorganization rules, a plan in reorganization could become insolvent. A plan is insolvent for a plan year if its available financial resources are not sufficient to pay benefits when due for that plan year. An insolvent plan must reduce benefit payments to the highest level that can be paid from the plan's available resources. If such resources are not enough to pay benefits at the level specified by law (see Benefit Payments Guaranteed by the PBGC, below), the plan must apply to the PBGC for financial assistance. The PBGC will loan the plan the amount necessary to pay benefits at the guaranteed level. Reduced benefits may be restored if the plan's financial condition improves.

A plan that becomes insolvent must provide prompt notice of its status to participants and beneficiaries, contributing employers, labor unions representing participants, and PBGC. In addition, participants and beneficiaries also must receive information regarding whether, and how, their benefits will be reduced or affected, including loss of a lump sum option. This information will be provided for each year the plan is insolvent.

### Benefit Payments Guaranteed by the PBGC

The maximum benefit that the PBGC guarantees is set by law. Only benefits that you have earned a right to receive and that cannot be forfeited (called vested benefits) are guaranteed. Specifically, the PBGC guarantees a monthly benefit payment equal to 100 percent of the first \$11 of the Plan's monthly benefit accrual rate, plus 75 percent of the next \$33 of the accrual rate, times each year of credited service. The PBGC's maximum guarantee, therefore, is \$35.75 per month times a participant's years of credited service.

*Example 1:* If a participant with 10 years of credited service has an accrued monthly benefit of \$500, the accrual rate for purposes of determining the PBGC guarantee would be determined by dividing the monthly benefit by the participant's years of service ( $\$500/10$ ), which equals \$50. The guaranteed amount for a \$50 monthly accrual rate is equal to the sum of \$11 plus \$24.75 ( $.75 \times \$33$ ), or \$35.75. Thus, the participant's guaranteed monthly benefit is \$357.50 ( $\$35.75 \times 10$ ).

*Example 2:* If the participant in Example 1 has an accrued monthly benefit of \$200, the accrual rate for purposes of determining the guarantee would be \$20 (or  $\$200/10$ ). The guaranteed amount for a \$20 monthly accrual rate is equal to the sum of \$11 plus \$6.75 ( $.75 \times \$9$ ), or \$17.75. Thus, the participant's guaranteed monthly benefit would be \$177.50 ( $\$17.75 \times 10$ ).

The PBGC guarantees pension benefits payable at normal retirement age and some early retirement benefits. In calculating a person's monthly payment, the PBGC will disregard any benefit increases that were made under the plan within 60 months before the earlier of the plan's termination or insolvency (or benefits that were in effect for less than 60 months at the time of termination or insolvency). Similarly, the PBGC does not guarantee pre-retirement death benefits to a spouse or beneficiary (e.g., a qualified pre-retirement survivor annuity) if the participant dies after the plan terminates, benefits above the normal retirement benefit, disability benefits not in pay status, or non-pension benefits, such as health insurance, life insurance, death benefits, vacation pay, or severance pay.

### Where to Get More Information

For more information about this notice, you may contact Teamsters Pension Plan of Philadelphia & Vicinity at either (800) 523-2846 or (856) 382-2400, 6981 North Park Drive, Suite 400, Pennsauken, NJ 08109. For identification purposes, the plan sponsor's name is Board of Trustees of the Teamsters Pension Trust Fund of Philadelphia and Vicinity, the official plan number is 001 and the plan sponsor's employer identification number or "EIN" is 23-1511735. For more information about the PBGC, go to PBGC's website, [www.pbgc.gov](http://www.pbgc.gov).

# TEAMSTERS PENSION PLAN OF PHILADELPHIA & VICINITY

## Notification of Application of Special Funding Rules

The Board of Trustees of the Teamsters Pension Trust Fund of Philadelphia and Vicinity (the "Plan"), the plan sponsor of the Teamsters Pension Plan of Philadelphia and Vicinity, elected to apply special funding rules permitted by the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010 (PRA 2010) signed into law on June 25, 2010. This legislation was passed in an effort to help fundamentally sound plans that have become financially challenged by the current economic climate. Plans that adopt the special funding rules are required to provide this notice to participants, beneficiaries, and the Pension Benefit Guaranty Corporation (PBGC). This notice is provided for informational purposes and you are not required to respond in any way.

### 1. Plan Information

Plan Name: Teamsters Pension Plan of Philadelphia & Vicinity  
Employer Identification Number: 23-1511735  
Plan Number: 001

### 2. Special Funding Rules

The Plan has elected to apply both the special amortization rule and the special asset valuation rule for Plan Years beginning January 1, 2009 and later:

- The special amortization rule allows that portion of the plan's experience loss attributable to net investment losses incurred in the year ended December 31, 2008 to be amortized over a 30-year period rather than a 15-year period.
- The special asset valuation rule allows the recognition of investment losses in the year ended December 31, 2008 to be spread over a 10-year period rather than a 5-year period. In addition, the actuarial valuations for January 1, 2009 and January 1, 2010 may reflect a smoothed asset value up to 130 percent of the fair market value of assets rather than 120 percent of the fair market value of assets.

### 3. Effect of Special Funding Rules

These special funding rules decrease the minimum funding requirements specified by law and may also impact the Plan's "funding" status for the next several plan years. As you are aware, the Plan has been certified as being in "seriously endangered" status under the funding rules of Section 432 of the Internal Revenue Code of 1986, as amended. By electing the special funding rules, the Trustees will be able to minimize the immediate impact of investment losses incurred by the Plan during the 2008 plan year, which will help the Trustees maintain a greater funding percentage for the Plan in the short-term.

### 4. Restrictions on Benefit Increases

The Plan is not permitted to increase benefits during the two plan years immediately following any plan year for which either or both of the special funding rules apply unless certain conditions are met.

### 5. Contact for Further Information

For more information about this notice, you may contact:

Teamsters Pension Fund of Philadelphia & Vicinity  
6981 North Park Drive, Suite 400  
Pennsauken, NJ 08109  
(856) 382-2400 or (800) 523-2846

## **Notice of Endangered Status for the 2011 Plan Year for Teamsters Pension Plan of Philadelphia & Vicinity**

This is to inform you that on March 31, 2011 the Plan actuary certified to the U.S. Department of the Treasury and to the Plan sponsor that the Plan is deemed to be in endangered status for the Plan year beginning January 1, 2011. Federal law requires that you receive this notice.

### **Endangered Status**

The Plan is considered to be in endangered status because the January 1, 2011 funded percentage (plan assets as a percentage of liabilities) is less than 80%. More specifically, the Plan's actuary has determined that the January 1, 2011 funded percentage is 73.8%. An accumulated funding deficiency is not projected to occur at the end of the 2011 Plan year or at the end of any of the next following six Plan years.

### **Funding Improvement Plan and Reduction in Future Benefits**

Federal law requires that pension plans in endangered status adopt a funding improvement plan aimed at improving the financial health of the plan. The law also requires the Plan to furnish the bargaining parties with proposed schedules that modify future contributions and/or benefit accrual rates in order to meet certain benchmarks for improving the Plan's financial condition over a period of years. The Trustees adopted a funding improvement plan at their November 2, 2010 meeting. The plan that was adopted is expected to help the Plan emerge from endangered status by the end of the funding improvement period through various benefit reductions and supplemental contribution increases.

### **Where to Get More Information**

For more information about this Notice, contact Teamsters Pension Plan of Philadelphia & Vicinity at (800) 523-2846 or (856) 382-2400, 6981 North Park Drive, Suite 400, Pennsauken, NJ 08109. You have a right to receive a copy of the funding improvement plan from the Plan.