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Update

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Pension Trustees Take Action to Protect/Safeguard Earned Benefits

Over the last two years, your Pension Fund's Board of Trustees has been monitoring, studying and continually reviewing your Plan's financial condition. During that period of time, the Trustees have received extensive reports from the Fund Actuary and other professional advisors.

While other pension plans, notably the Central States Plan, the Western Conference of Teamsters Plan and the Upstate New York Teamsters Plan made changes to their future benefit accruals over a year ago, your Plan and its Trustees opted to maintain existing benefit levels and accruals for as long as possible, despite bad investment markets. Unfortunately, because poor investment market performance during the 2000, 2001 and 2002 Plan Years, if action is not taken now, the Fund could be dangerously close to falling below the minimum funding standards required by federal law as early as the 2008 Plan Year.

During the years 2000, 2001 and 2002, we witnessed one of the largest declines in the history of the United States Stock Market. Every pension plan in this nation suffered because of this decline. Despite relatively good returns (compared to other funds) during these years, the investment returns realized by the Fund still fell below the 7.5% return assumption that the Fund needs in meeting its current benefit payments and future liabilities. The following chart illustrates the effect that these actual returns had on your Plan, despite excellent returns in the 2003 Plan Year:

	Actual Return	Return Assumption	Difference
2000	1.9%	7.5%	(5.60%)
2001	(0.04%)	7.5%	(7.54%)
2002	(5.98%)	7.5%	(13.48%)
2003	20.4%	7.5%	12.90%
4 yrs combined	16.28%	30.0%	(13.72%)

As you can see, despite a return of 12.9% in excess of the assumed return of 7.5% in 2003, it still was not enough to make up for the cumulative under performance realized during Plan Years 2000, 2001, and 2002.

Investment returns, at the levels assumed by the Fund actuary in making projections, are critical to the continued health of your plan. Keep in mind that, while there are some 11,500 active employees working in covered employment for whom the Fund receives contributions from contributing employers, there are approximately 12,900 retired employees who draw monthly benefit payments from the Fund. On a yearly basis, the Fund receives approximately $80 Million from employer contributions, but pays out nearly $110 Million to retirees and their beneficiaries. The difference is made up by the investment income realized by the Fund. The percentage of investment income utilized by the Fund each year to meet current benefit payments can be as high as 46% of all investment income realized during that Plan Year.

On the pages that follow, we have detailed the changes that will take effect for benefit service earned on and after January 1, 2005. These changes are needed to ensure that your Plan's historically strong funding levels are maintained and your earned benefits are protected. This action was the most prudent way to safeguard the benefits already earned by current participants and retirees - and those who retire in the future. It will slow down the rate at which future benefits build up until the required funding levels are restored.

The job of the Trustees is to protect future benefit security for all participants by ensuring the long term stability of the Fund. ***It is most important that you note, and we assure you, that no participant will lose any pension benefit that he or she has already earned as a result of these changes.*** Rather, the changes are aimed at slowing the rate at which benefits are earned in the future in order to allow the Fund's investments to grow and additional contributions to accumulate in the Plan.

The Trustees are committed to increase the rate at which participants earn pension benefits in the future after the financial state of the Fund has improved.

No one ever wants to make the difficult, but responsible, decision that your Plan Trustees have now made. The changes which are explained in detail in the following pages are absolutely necessary in order to preserve benefits for you and your family long into the future.

Important Notice... **This Newsletter is intended to provide you with notice of the Pension Plan Changes effective January 1, 2005, pursuant to ERISA Section 204(h).**

Summary of Pension Plan Changes Effective with Plan Years Beginning On and After January 1, 2005

At their November 2004 meeting, your Plan's Board of Trustees adopted several changes that will effect your ***future*** benefit accrual under the Plan. None of the changes adopted by the Trustees, and which are set forth below, will affect the benefits you have already earned. There are three major changes that will take effect which can be summarized as follows:

"None of the changes adopted by the Trustees ...will affect the benefits you have already earned."

1. Beginning with Covered Service earned on and after January 1, 2005, those participants whose Daily Contribution Rate as of December 31, 2004 was at a future service level (a contribution rate of $15 per day or greater) will accrue benefits with a multiplier percentage of 1.35% (rather than the existing 2.25%) calculated using the lower of (i) the contribution rate of his/her Employer in effect as of December 31, 2004 or (ii) the contribution rate in effect on and after January 1, 2005. Those participants whose Daily Contribution Rate as of December 31, 2004 was less than $15.00 per day will accrue benefits with reference to the lower of (i) the contribution rate of his/her Employer in effect as of December 31, 2004 or (ii) the contribution rate in effect on and after January 1, 2005.

"The "30-and-out" (Vesting Service) and "25-and-out" (Benefit Service) early retirement features remain in effect and have not been changed!"

2. The subsidized early retirement benefit at age 57, with 20 years of service, will be eliminated with respect to benefit service earned on and after January 1, 2005. The age 57/20 year early retirement benefit was calculated using Table ERF1 appearing in Appendix A of the Plan. All other early retirement calculations are computed using Table ERF2 appearing in that Appendix. For those participants who had earned some benefit service prior to this change and who eventually work in covered employment after age 50 and accrue at least 20 years of Benefit Service, their early retirement benefit will equal the higher of (i) their accrued benefit as of December 31, 2004 multiplied by the applicable ERF1 factor, or (ii) all benefit service (pre- and post-January1, 2005), multiplied by the appropriate ERF2 factor. ***Please Note: The "30-and-out" (Vesting Service) and "25-and-out" (Benefit Service) early retirement features remain in effect and have not been changed!***

3. With respect to the Special Minimum Benefit and Contributory Service Minimum Benefit set forth in Article III, Section A(d) and (e) of the Plan, the amount of an Employee's benefit under these Plan provisions will be measured using the contribution rate of that Employee's Employer as of December 31, 2004. As in the past, an Employee will receive the higher of the Contributory Service Minimum Benefit he/she has earned, or the accrued benefit calculated as set forth above.

Remember:

You can check your pension service and earned accrued benefit "24 hours/day, 7"days/week at www.teamsterfunds.com. Click on and register for this valuable service.

Frequently Asked Questions About These Pension Changes

1. Are the Pension benefits I've already earned being cut?

No. The benefits you've already earned, up to December 31, 2004, have not been cut or reduced in any way. The January 1 changes will affect the rate at which you earn benefits going forward. Future benefits will build up slower because the accrual rate will be lowered. Your accrued monthly pension will still continue to build while you work for a Contributing Employer. Retirees and terminated vested employees will see no reduction whatsoever in the amounts that they are being paid or have already accrued.

2. Why did the Trustees take this action?

The Board of Trustees did not have a choice but to make these changes in order to stabilize the Fund's funding status. If these changes were not made, the future pension benefits of participants and retirees would be at risk.

During the cumulative period of January 1, 2000 through December 31, 2003, the Fund earned 26.5% ***less*** in its investments than it needed to earn to maintain the careful balance between employer contributions, investment income on the one hand, and the benefits paid and future liabilities accruing, on the other. Although the Fund's investments have performed well during 2003 and continue to perform along assumed rates in 2004, 2003 and 2004 returns will not make up for the three earlier consecutive years of poor returns. The Fund must make these changes to help stabilize its funding status and to avoid what is known at an ERISA Funding Standard Account Deficit.

3. Aren't there sufficient assets in the Plan such that the Plan is fully funded?

Although the Plan has always far exceeded the minimum funding standards set by federal law to meet all of its benefit obligations, without the immediate benefit percentage change, the Fund could fall below ERISA's minimum funding standards by 2008, or even sooner if investment returns continue to go down.

Although it may seem like the Fund has more than enough money already, considerable assets are needed to protect each participant's lifetime pension. In the average year, employer contributions provide only a little bit more that two thirds of what is needed to pay monthly benefits to existing retirees.

A significant part of what your Plan pays out comes from investment earnings. When investment earnings fall below the minimum required level or go to negative for even a few years, the balance must be restored. If no action is taken, the Plan could be in violation of the laws Congress passed to ensure adequate funding of workers' pensions. More important, the Fund's ability to pay promised pensions to workers retiring in the future could be seriously jeopardized. No one, especially your Plan's Board of Trustees, ever wants to see that happen.

4. I recently received the Fund's latest Summary Annual Report. That report shows large investment gains. If the Fund has realized all of these investment gains, why must benefits to be earned in the future be reduced?

To support the high level of benefits in place up to now, the Fund has consistently relied on average investment returns of 7.5% and higher to generate the funding needed to protect the promised benefits. Through the 1990s, the Plan enjoyed returns well in excess of that benchmark, but any year in which the Plan's returns averaged less than the benchmark means a funding loss. So even though in Plan Year 2000 the Fund had a positive 2% investment return and in 2001 broke even (and lost nearly 6% in 2002), shortfalls against the benchmark in those years resulted in significant funding losses that were not made up by excess returns in the 2003 Plan Year.

5. Why did the Trustees wait until now to make these changes if the losses occurred back in 2002 and before?

The Trustees view future benefit reductions as a last resort. The Board relied on reserves built up from prior years in an effort to avoid cutting benefits and to allow more time for the investment markets to "turn around." Unfortunately, 2000, 2001 and 2002 represented the longest downturn in investment markets since the great depression of 1929; returns during 2003 weren't enough to make up the difference.

While the other big Teamsters pension plans in the country reduced their benefits well over a year ago, your Trustees held the line with the intent of minimizing any adverse impact on Fund participants.

6. How are the Plan's pension funds invested? Are the funds safe?

Yes. The Plan's assets are invested for the long term in diversified portfolios carefully and professionally managed by independent third party firms. The investment policies that have been set are designed to balance risk with investment returns. In fact, because the Fund's assets are so carefully diversified, the Philadelphia Fund has faired far better than many other pension funds during the market downturn. A number of large pension funds failed altogether during that period.

7. Can I keep track of the rate at which I continue to earn benefits?

Yes. This information is available to you on the Fund's secure web site. Go to www.teamsterfunds.com, click on "For Members," then click on "Secured Member Access." You will be prompted to register, and once registered, you can monitor your benefit accrual at any time, 24 hours a day, 7 days a week. Keep in mind that your accrued benefit will not change from the level that you see as of December 31, 2004 until you have worked at least 750 hours of covered employment (94 covered days) during the 2005 Plan Year. Also keep in mind that contributions are not reported by contributing employers until the end of the month following the month in which the hours were worked. (For example, time worked in January is not reported to the Fund until the end of February, and would not be available to view until early March.)

8. Why did the Trustees settle on these changes and not some others?

The Trustees consulted with independent actuaries and investment advisors and explored a wide number of changes. They settled on the changes being made because it was shown to be the most effective and sure way to promote the financial stability of the Fund and protect future benefits.

In fact, the changes adopted by the Trustees are, in some cases, not as severe as changes made by other Teamsters Plans. For example, the Central States Fund reduced its multiplier percentage last year from 2% to 1%; the Western Conference of Teamsters, last year, reduced its multiplier percentage from as high as 3.58% down to 1.2%; and the Upstate New York Fund reduced its multiplier percentage, again last year, not this year, from 2.6% to 1.3%.

In the end, the Trustees decided that 1.35% for all participants at multiplier benefit rates struck the fairest balance.

9. Will the future benefit ever be increased from the 1.35% rate?

No one can predict what will happen to the financial markets in the future. The Trustees are committed to the principle that if the Fund's investments perform well and the Fund's financial situation stabilizes, they would consider benefit improvements.

Important Information Regarding Changes to Your Pension Benefit Program Effective January 1, 2005

Please open immediately!

Save this important document for future reference!

Teamsters Pension Trust Fund
of Philadelphia and Vicinity
4th & Cherry Streets
Philadelphia, PA 19106

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