



PHILADELPHIA

Official Publication of
Teamsters Health & Welfare and
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of Philadelphia and Vicinity

Update

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September 2002

Health & Welfare Fund Faces Dramatic Increases In Health Care Costs

The last 18 months haven't been pretty! Modest increases in the health & welfare contribution rate, coupled with good investment returns, carried the Fund through the late 90's. However, investment returns and income virtually disappeared in 2001 and the first part of 2002, but spiraling increases in health care costs remained.

As is shown in the attached Summary Annual Report, net assets of the Health & Welfare Fund *declined by a staggering \$11.7 Million during the 2001 Plan Year*. Even worse is the fact that this trend has continued into 2002. *Just during the first six months of the current year, the Health & Welfare Fund paid out \$15 Million more that it received in contributions!*

Unfortunately, we are not alone. Virtually every other health plan finds itself in a deficit-spending situation. Prescription drug costs have increased, on average, 15% to 17% in *each* of the last several years. Medical costs, other than prescriptions, continue to rise 8% to 10% each year. Dental benefits and dental claims have shown similar escalations. At the same time, your Fund's *administrative expenses have steadily declined* to their lowest level in the last ten years. A breakdown of our Fund's experiences in these areas may be found on Pages 2 and 3.

All of these increases in benefit costs have far exceeded increases in the employer contribution rate. In the years prior to 2001, great investment returns kept things in balance. But now, there is a wide variance between the average monthly contribution received for each eligible employee and the average cost of providing the current benefit package to the thousands of plan members and their dependents.

The Fund's Trustees have undertaken a comprehensive study of the current situation and its problems. They continue to meet and discuss the matter to formulate solutions that will, in the words of the Trustees, "bring the benefit budget back into balance."

**Watch for further bulletins on
this very important issue!**

Pension Fund Losses in Bad Investment Market Minimized Thanks to Prudent Management

While other Pension plans and their participants have witnessed the truly horrible effects of recent declines in the stock and bond markets, you will be happy to learn that losses in your Pension Fund have been minimized thanks to diversification of the investment portfolio through multiple investment managers. In other words, the Trustees didn't "put all the eggs in one basket!"

During the year 2000, for example, while the Dow Industrial Average (a broad indicator of the overall market) declined by 6.2%, the S&P 500 declined by 10.1%, and the NASDAQ by a whopping 39.3%, the overall investment return of the Pension Fund for that year was a positive 1.9%. Despite further market declines in 2001 (the Dow off by 5.5%, the NASDAQ declined off an already low by another 20.1%, and the S&P 500 down another 11.9%), the Fund's investment return was at a near break-even point—it declined by an infinitesimal .04%.

Pleased that investment principal was being protected and preserved, Board Co-chairman Paul Cardullo commented that, "... the returns, while good compared to other plans, still fall short of the Plan's presumed and targeted rate of return of 7.5%. We must continue to carefully monitor our managers and their performance."

Attention Health & Welfare Fund Participants: Annual Notice Regarding Post-Mastectomy Reconstructive Surgery Benefits

As required by the Women's Health and Cancer Rights Act of 1998, the Health & Welfare Fund's Plan provides (as it always has) benefits for mastectomy-related services including reconstruction and surgery to achieve symmetry between the breasts, prostheses, and complications resulting from a mastectomy (including lymphedema). For more information, contact the Fund's Member Services Department at 1-800-523-2846, option 2.

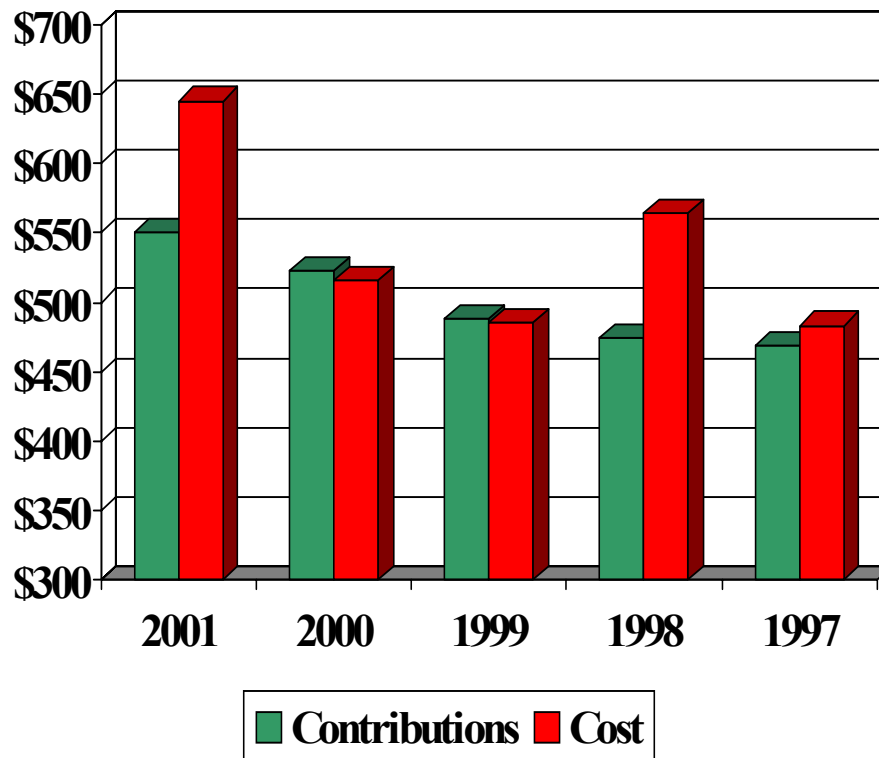
Important Pull-Out Section In This Issue...

- Summary Annual Reports for the Health & Welfare and Pension Funds


H&W Fund Contributions versus Cost

1997 – 2001

(Per Member Per Month Basis)



The wide variance between contributions received and the cost of the benefits provided by the Fund is at its widest point ever. Unfortunately, this trend has continued into 2002, prompting the Trustees to undertake an exhaustive study of the entire situation.



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<p>LABOR TRUSTEES</p> <p>Paul Cardullo Thomas P. Hummel William Hamilton, Jr.</p>	<p>MANAGEMENT TRUSTEES</p> <p>Arnold S. Rosenthal Kenneth F. Leedy Bob Schaeffer</p>
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William J. Einhorn
Administrator

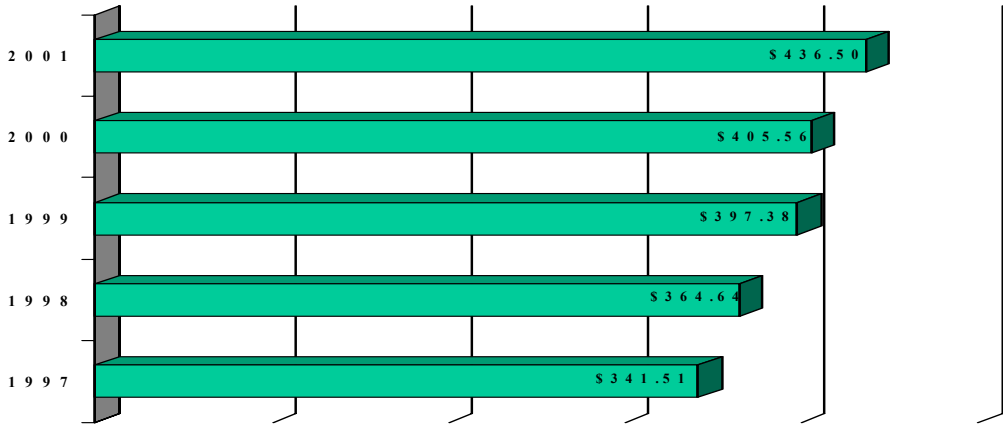
The Funds welcome your comments and suggestions.

Anything We Should Know About?

We need to keep our records up-to-date to better serve you. Please let us know of any changes we should have.

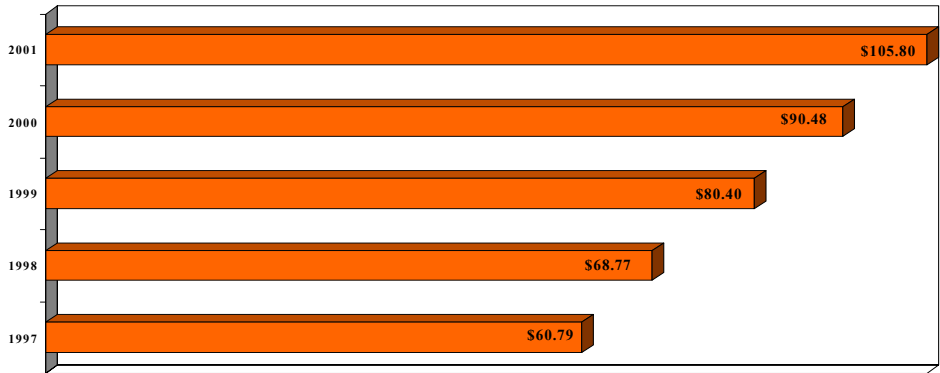
- A new address or telephone number.
- A name change.
- Adding a dependent child or spouse.
- A change in your death benefit beneficiary(ies).
- A change or correction of your social security number.

H & W Medical Benefit Costs (Per Member Per Month)



Prescription Drug Benefit Costs (Per Member Per Month)

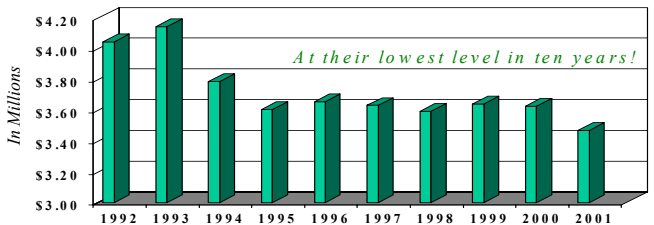
Benefit costs keep spiraling upward!



Dental Benefit Costs (Per Member Per Month)



But . . . Administrative Expenses Have Been Held in Check



Meet the Trustees . . . William Hamilton, Jr.

The newest Trustee of both the Health & Welfare and Pension Funds is William Hamilton, Jr., the President and Principal Officer of Teamsters Local 107.

Appointed to the Board of both Funds as of January 8, 2001 as one of the three union-designated Trustees, Bill brought with him a wealth of experience - as a person, a union member, a plan participant, a union steward, a union officer and a principal officer of a major labor organization. As you might expect, he has been extremely active in all matters affecting all Plan participants.

Bill joined the Teamsters organization in 1966 while working part-time at Spector Motor Freight and while he was still attending Cardinal Dougherty High School in Philadelphia. He interrupted his full-time service to Spector in 1968 through 1970, answering his country's call and serving in the 101st Airborne Division during the Vietnam War. After his military service, he returned to work at Spector Freight, then on to Pep Boys, then to McLean Trucking. While at McLean, he served as a union steward for 15 years.

In 1990, Bill began his service to all Local 107 members as an elected Business Agent. As of April 1, 2000, he was elected as Local 107's President and Principal Officer, a position he continues to hold through the present date. In addition, Bill serves as the IBT Eastern Regional Chairman for Airbourne Freight; he is a member of the National Master Freight Negotiating Committee, a Trustee of the Teamsters Joint Council No. 53 and its Benefit Trusts and a member of various Joint Area Committee Grievance Committees.

Married with 2 sons (William & Kevin) and a daughter (Caitlin), Teamster blood runs strong in the Hamilton family—his Dad, his sister, Cathy, and his two sons are all dedicated Teamster Union members.



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