



**CENTRAL STATES  
SOUTHEAST AND  
SOUTHWEST AREAS  
PENSION FUND**

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**EXECUTIVE DIRECTOR**  
THOMAS C. MYERS

**2007 - SPECIAL BULLETIN - 2007-5**

**DATE:           OCTOBER 4, 2007**

**TO:             ALL PARTICIPATING LOCAL UNIONS, OFFICERS,  
BUSINESS AGENTS AND OFFICE CLERICAL STAFF**

**RE:             QUESTIONS AND RUMORS**

There have been wide spread questions and rumors about the effect of a UPS withdrawal from Central States Pension Fund as well as the impact of the new pension law which becomes effective January 1, 2008. Specifically, one rumor speculates that participants who fail to retire by January 1, 2008 will have their pension benefit automatically reduced or subject to offset by any Social Security benefit they receive. An additional rumor has the Fund being taken over by the PBGC after January 1, 2008. I can assure you that these rumors are completely false and there are no plans to reduce benefits for any active or retired participant. You can be further assured that the Pension Fund is in no danger of being taken over by the PBGC or any other governmental agency.

As you know, the Trustees of the Pension Fund adopted a plan to improve funding in 2003, well ahead of the Pension Protection Act ("PPA") that becomes effective next year. The Fund's plan included steps to secure an amortization extension from the IRS, reductions in future pension liabilities by plan amendments effective January 1, 2004 and increases in future pension contributions from our employers. This plan does not contemplate any further benefit modifications and it is working. In fact, the Pension Fund is ahead of the funding requirements established by the IRS in connection with the amortization extension. And, if the recently announced agreement with UPS is ratified by UPS employees, the near-term funding status of the Pension Fund will further improve due to the receipt of \$6.1 billion in a lump sum withdrawal liability payment and the transfer of certain early retirement liabilities from the Central States Plan to the UPS Plan. Our actuaries estimate that after the transfer of liabilities and the UPS payment, the Pension Fund's funding ratio as of January 1, 2008 should exceed 70% and may reach 75% if we meet our actuarial assumptions.

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The new pension legislation does not require any automatic reduction in benefits. Although the new law permits limited reductions in certain circumstances, *they are certainly not mandated*. What is required is that the Trustees must establish a plan to improve funding and provide two alternatives to the bargaining parties to achieve that end. The first alternative must resolve underfunding through increased contributions without any further benefit modifications. This is the plan the Trustees have implemented by requiring contribution rate increases of 7% and 8% per annum for 2006 and 2007, respectively. This plan has been incorporated into the collective bargaining agreements by the vast majority of employers and local unions whose agreements have been renewed since its adoption. This plan avoids the need for any further cuts in current benefits for participants under those collective bargaining agreements. The second alternative must resolve the underfunding by a combination of benefit modifications and contribution increases. Which alternative applies depends upon the outcome of collective bargaining. To date the vast majority of collective bargaining agreement renewals have included the increased contribution rates. We fully expect that the vast majority of local unions and employers will continue to support the Fund's funding improvement plan without any reduction of benefits. As such, we also fully expect that the net pension accrual for the vast majority of our active participants will also continue to increase as contribution rates increase in the future.

In short, the rumors are false. The new pension legislation does not require any automatic reduction in benefits. There are no plans to reduce benefits for any active or retired participant and the Pension Fund will not be taken over by any governmental agency.

Later this year, the Fund will hold its annual update meeting for Local Unions to keep you informed on the issues of the PPA, the tentative UPS' withdrawal from the Pension Fund, and the Fund's financial status. The date and time for this meeting will be announced at a later date.

Sincerely,

BOARD OF TRUSTEES, CENTRAL STATES,  
SOUTHEAST AND SOUTHWEST AREAS  
PENSION FUND, BY:



Thomas C. Nyhan  
Executive Director