# Local 734 Welfare Fund / Pension Fund

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January 31, 2007

To: Pension Plan Participants

From: Local Union 734 Fund Office

Subject: Annual Funding Notice

Because we are concerned that much of the required information in the Annual Funding Notice may not present a total and accurate picture of our Pension Plan's financial health, we have prepared this memorandum to clarify and supplement the information in the Annual Funding Notice.

**A Word About the Plan's Financial Health**

The most important measure of a pension plan's financial health is the adequacy of the employer contributions to support the benefits promised by the Fund. Each year, the Plan's independent actuary evaluates the expected long term adequacy of the expected contributions and reports the results to the Trustees. The actuary has reported this year that the expected employer contributions will continue to support the Plan's benefits.

Other indications of the Plan's sound financial health are:

- The Plan's past contributions and the expected future contributions are well in excess of the contributions required under the law.

- The Plan has been able to maintain its benefit levels, even during the severe downturn in the stock market in 2000 through 2002. Many other pension plans have had to reduce their benefit levels in reaction to the market downturn.

The Trustees, the Plan Administrator, and the Plan's professional service providers work together and take care to ensure that the Plan remains well funded and that the Plan's benefits will continue to be supported by the negotiated contributions. In short, the Plan is in sound financial condition.

Below we provide specific comments regarding the required information in the Annual Funding Notice.

**Plan's Funding Level**

The Plan's "funded current liability percentage," as described in the Annual Funding Notice, is an annual financial measurement required by law. However, this measurement is not used by the Plan's Trustees and professionals because it does not take into account the expected investment return on the Plan's assets. When the assumed investment earnings of 7.75% are taken into account, the Plan's funded percentage is 82.34% as of May 1 2005.

**Plan's Financial Information**

The Annual Funding Notice divides the Plan's assets by the annual benefit payments to suggest how many years the Plan's assets may be able to pay benefits. This measurement is required by law but does not take into account the annual employer contributions to the Plan (currently approximately $7 million) and the expected annual investment earnings (currently estimated at $13 million). When these annual additions to the Plan's assets are taken into account and compared with the $13 million in annual benefit payments, it becomes clear that the Plan's assets can be expected to grow.

**Rules Governing Insolvent Plans**

This section of the Annual Funding Notice applies only to severely financially troubled pension plans.

As a result of the prudent financial management of our Pension Fund, we do not anticipate that these special rules regarding "plan reorganization" and plan insolvency will apply to our Plan.

**Benefit Payments Guaranteed by the PBGC**

Above, we explained that the Plan's assets can be expected to grow. As a result of this continued growth in the Plan's assets, we do not anticipate that the Plan would become insolvent and unable to pay benefits. Thus, the PBGC benefit guarantees are of no foreseeable concern.

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