NEW ENGLAND TEAMSTERS AND TRUCKING INDUSTRY PENSION FUND

535 Boylston Street · Boston, Massachusetts 02116-3770

To: All Active Plan Participants

From: Board of Trustees

Date: September 15, 2003

Re: Summary of Plan Changes

In response to disappointing investment results for Pension Fund Assets, we are embarking on a fiscal strategy that will protect our current pensioners, those who will become pensioners in the next few years, and those who will become pensioners many years out into the future.

As fiduciaries, our goal is to make this Pension Fund one of the best and strongest plans in the country. Throughout these troubled economic times, we remain committed to maintaining a retirement plan that will provide you with a sense of security that your pension benefits will continue to be paid for all of your retirement years. Accordingly, we have adopted the following multi-stage strategy, designed to address the current situation:

- Simplify the Pension Fund by eliminating seldom used forms of payment.
- May require a change in contributions to qualify for future Plan C Special Service Pensions.
- Changes in the early retirement pensions for those with less than 30 years of pension credit.
- Adopt a minimum funding target to control future plan improvements.

The changes are summarized on the succeeding pages. For members who have already qualified for retirement benefits, based on their current age, years of pension credit and contribution rate history, the current provisions will be grandfathered. In addition, protected benefit levels will be established as minimum benefits, based on benefits accrued to date.

We have also posted this information on our website *www.nettipf.com* for your convenience. If you have any questions or concerns about this notice, please feel free to contact the Fund Office.

204(h) NOTICE: This notice describes the changes approved by the Trustees. As required by federal law, it provides information that explains the impact of the change and the possible reduction in future accruals. Consequently, this brochure is being provided as a Section 204(h) Notice in accordance with Section 204(h) of the Employee Retirement Income Security Act of 1974 (ERISA).

Cost-Control Strategies

As previously noted the cost control strategies adopted by the trustees are intended to eliminate 3 rarely used types of pensions, to require a higher level of contributions for the existing Plan C Special Service Pension and to modify the reduction factors for early retirements. In order to protect those participants who are contemplating retirement in the next year or two, all of the changes are subject to the grandfathering provisions and timing requirements outlined below.

The Trustees recognize that some of our active participants are planning their retirements under the current schedule of benefits. We offer a generous transition arrangement for pension benefits that require specific contribution rates. We also offer an extended period for pension benefit eligibility that is not linked to contribution rates. Generally, the Cut-Off Date for the cost-control strategies is September 30, 2003. Contracts or contract renewals in effect on September 30, 2003 will qualify under the old rules through the end of the contract with respect to the contribution rates contained in these contracts. We believe this Cut-Off Date honors certain promises made when some of the current contracts were negotiated and provides a window for renegotiations.

1. Eliminate Special Service Schedules A, A1 and B

Few new participants are retiring under these three types of pensions, because of subsequent increases in the hourly contribution rates and higher monthly accrual values. When adopted, these types of pensions were not intended to be a permanent feature, rather a temporary benefit level for certain participants who elected to retire prior to the negotiation of higher contribution rates. Subject to the following grandfathering provisions, these three types of pensions are being eliminated.

Grandfathering Provisions and Timing Requirements

Plan A, A1 and B Special Service Pensions will be phased out for any participant who does not qualify for these types of pensions as of the Cut-Off Date (as explained above). Any participant who qualifies under these schedules as of the Cut-Off Date will always be eligible to retire under these types of pensions. This grandfathering provision will also allow an eligible participant to move up to higher benefit payments under the existing schedules based on future pension credit and age.

For example, if a participant is age 52 with 25 years of contributory pension credit and consistent contribution rates of $2.56, he would be eligible for a Plan A Special Service Pension of $720 per month. If he continues to earn another 10 years of contributory pension credit under a contribution rate of $2.56 after the Cut-Off Date, he would be entitled to a Plan A Special Service Pension of $2,200 per month.

A participant who does not have at least 25 years of contributory pension credit or whose contribution rates were not sufficient to qualify him for a Special Service Pension as of the Cut-Off date may only become eligible for a Special Service Pension after the Cut-Off date by being covered under a contract that meets the eligibility requirements for the higher-paying Plan C or Plan D Special Service Pension.

2. Increase the contribution rate requirements for Plan C Special Service

The current eligibility requirements for the Plan C Special Service Pension include working 320 hours at a contribution rate of $3.46, a contract promise of a $3.76 contribution rate within 24 months of the $3.46 contribution rate and satisfying a 5-year average rate test. After the Cut-Off Date (as described above) the new eligibility requirements for a Plan C Special Service Pension will include working 600 hours at the $4.21 contribution rate and satisfying a revised 5-year average rate test. Appendix A shows the current and revised 5-year average rate test by retirement year.

Grandfathering Provisions and Timing Requirements

Participants who have satisfied the eligibility requirements for a Plan C Special Service Pension with respect to contribution rate, age and contributory pension credit as of the Cut-Off Date will always be eligible to retire on a Plan C Special Service Pension. This grandfathering provision will allow an eligible participant to move up to the higher benefit payments under the existing Plan C schedule based on future pension credit and age.

For example, if a participant is age 52 with 25 years of contributory pension credit and consistent contribution rates up to $3.76 per hour, he would be eligible for a Plan C Special Service Pension of $2,000 per month. If he continues to earn another 5 years of contributory pension credit under a contribution rate of $3.76 per hour after the Cut-Off Date, he would be entitled to a Plan C Special Service Pension of $3,000 per month.

A participant who does not have at least 25 years of contributory pension credit or whose contribution rates were not sufficient to qualify him for a Special Service Pension as of the Cut-Off date may only become eligible for a Special Service Pension after the Cut-Off date by being covered under a contract that meets the eligibility requirements for the higher-paying Plan C or Plan D Special Service Pension.

3. Eliminate the Minimum 30-Year Service Pension

Few new participants are retiring under this type of pension, because other types of pensions provide much greater benefit values. Eligibility to this type of pension required years of past service credit as well as years of contributory credit. Subject to the following grandfathering provisions, the Minimum 30-Year Service Pension will be eliminated effective September 30, 2003.

Grandfathering Provisions and Timing Requirements

Participants who have satisfied the eligibility requirements for a Minimum 30-Year Special Service Pension as of September 30, 2003 will always qualify for such pension. Under ERISA rules, the Fund is required to protect each participant’s accrued pension benefit. As a result, a minimum early retirement pension will be established based on pensions accrued as of September 30, 2003. We do not envision any future pension to be paid under this type.

4. Increase the minimum Early Retirement age requirement for non-Special Service Pensions

Under the current rules, a participant who has at least 15 years of pension credit is eligible to retire on an Early Retirement or an Early Statutory Pension. Also, under the current rules, a participant with at least 30 years of pension credit or a participant with 25 years of contributory credit who qualifies for a Plan C Special Service Pension may retire at any age. The Fund will retain the retire-at-any-age feature for those participants who so qualify. However, subject to the following grandfathering provisions, the Fund will not pay an Early Retirement or an Early Statutory Pension before age 55 to participants who do not earn at least 30 years of pension credit <u>or</u> who are not eligible for a Plan C or Plan D Special Service Pension.

Grandfathering Provisions and Timing Requirements

The new eligibility requirements for an Early Retirement or an Early Statutory Pension become effective on October 1, 2003. Any participant who has satisfied the age and service requirements for either type of pension as of September 30, 2003 will always be entitled to retire on an Early Retirement or Early Statutory Pension based on the current rules and reduction tables.

5. **Modify the Early Retirement reduction factors for non-Special Service Pensions; 75% floor for 30-Year Full Service Pensions**

   Currently, the Fund uses two sets of Early Retirement reduction factors to adjust the pension amounts for those participants who elect to retire before age 64. One set of Early Retirement factors applies to participants who have at least 15 years of pension credit with 6 months of such credit after age 49 and elect early retirement between ages 52 and 64. The second set of Early Retirement factors applies to participants who have 15 years of credit but less than 6 months of such credit after age 49. The Early Retirement reduction factors are more generous to the participant than the Early Statutory reduction factors. In addition to these reduction factors, a participant with at least 30 years of contributory credit may retire under age 60 on a 30-Year Full Service Pension that pays a minimum of 83% of the pension value payable at age 64.

   Subject to the grandfathering provisions below and to simplify the communication and administration of the Fund, as well as introducing some cost control, the two sets of reduction factors have been combined into a new Early Retirement reduction table, which contains steeper reduction factors for Early Retirement Pensions. Also, the Fund will reset the 30-Year Full Service Pension minimum benefit amount to equal 75% of the pension value payable at age 64. Appendix A shows a comparison of the current and revised Early Retirement reduction factors.

   Grandfathering Provisions and Timing Requirements

   The revised Early Retirement reduction factors become effective on October 1, 2003. Any participant who has satisfied the eligibility requirements for an Early Retirement, Early Statutory or 30-Year Full Service Pension as of September 30, 2003 will always be subject to the current reduction factors. Under ERISA rules, the Fund will protect the accrued benefits of participants through September 30, 2003. As a result, a minimum Early Retirement Pension will be established based on pensions accrued as of September 30, 2003.

6. **Funding Target**

   The Trustees have set a Funding Target for the Fund, whereby any future benefit enhancements will not be considered unless the Funding Target is met. The Funding Target is the ratio of the Plan's actuarial value of assets to the actuarial accrued liability determined as of each October 1. The actuarial value of assets reflects a smoothing method employed to dampen year-to-year fluctuations in asset values. The Plan currently uses an actuarial technique that recognizes asset gains or losses, ratably, over a 5-year period, subject to a minimum of 80% and maximum of 120% of market value. This asset smoothing method is an approved IRS method. The actuarial accrued liability is determined under an approved IRS funding method for calculating the ongoing cost of the Plan. The Plan currently uses the Entry Age Normal actuarial cost method for this purpose and is an approved IRS funding method. The minimum Funding Target is 90%. The growth in the Funding Target up to the 90% level will be achieved through a combination of future investment performance, higher contribution rates and increased participation. This Funding Target is sound fiscal policy in a time of investment market madness.

To exhibit how the revised pension eligibility rules will affect future pension benefits, Appendix B contains a few examples. We have used real data in formulating the current and projected pension amounts. The examples also clarify how the ERISA protection on accrued benefits is implemented.

Appendix A

Current and Revised Plan C Special Service 5-Year Rate Test

Current 5-Year Average		Revised 5-Year Average	
Retirement Year	**Contribution Rate Average**	**Retirement Year**	**Contribution Rate Average**
2003	$3.06	2003	$3.11
2004	$3.11	2004	$3.46
2005	$3.18	2005	$3.76
2006	$3.25	2006	$3.91
2007	$3.32	2007	$4.06

Current and Revised Early Retirement Factors

Retirement Age	Current Early Statutory	Current Early Retirement	Revised Early Retirement	Current 30 Year Full Service	Revised 30 Year Full Service
64	100%	100%	100%	100%	100%
63	88%	96%	95%	96%	95%
62	78%	92%	90%	92%	90%
61	69%	88%	85%	88%	85%
60	62%	83%	80%	83%	80%
59	55%	74%	72%	83%	75%
58	49%	66%	64%	83%	75%
57	44%	60%	56%	83%	75%
56	40%	54%	48%	83%	75%
55	36%	48%	40%	83%	75%
54	32%	44%	N/A	83%	75%
53	29%	40%	N/A	83%	75%
52	27%	36%	N/A	83%	75%

Appendix B

Pension Benefit Examples

Example #1

Current Age	Current Credit	Value @ NRA	Current Special Service	Current + Future Contribution Rate
51	26yr 7mo	$3,406	$2,150	$4.21

Projected Years	Projected Age	Projected Credit	Value @ NRA	Projected Special Service	Projected Early Retirement	Protected Pension
4	55	30yr 7mo	$4,326	$3,000	$3,245	$2,827

Note: Projected Early Retirement Pension is the 30-Year Full Service Pension.

Example #2

Current Age	Current Credit	Value @ NRA	Current Special Service	Current + Future Contribution Rate
42	20yr 2mo	$3,058	N/A	$4.21

Projected Years	Projected Age	Projected Credit	Value @ NRA	Projected Special Service	Projected Early Retirement	Protected Pension
5	47	25yr 2mo	$4,208	$2,000	N/A	N/A

Example #3

Current Age	Current Credit	Value @ NRA	Current Special Service	Current + Future Contribution Rate
50	24yr 4mo	$2,798	N/A	$3.76

Projected Years	Projected Age	Projected Credit	Value @ NRA	Projected Special Service	Projected Early Retirement	Protected Pension
1	51	25yr 4mo	$3,010	N/A	N/A	N/A
Projected Years	**Projected Age**	**Projected Credit**	**Value @ NRA**	**Projected Special Service**	**Projected Early Retirement**	**Protected Pension**
6	56	30yr 4mo	$4,070	N/A	$3,053	$2,322

Note: *Projected Early Retirement Pension is the 30-Year Full Service Pension.*