

To: All Active and Retired Participants

From: Board of Trustees

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Management Trustees
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Date: April 13, 2009

The Board of Trustees understands that you may have concerns about how recent events in the stock market and economy will affect your pension benefits under the Western States Office and Professional Employees Pension Fund (Fund). The Fund, like all other pension plans and individual who invested in the stock market, lost money in 2008. The consequences of this loss is that the Fund, according to law, is in the “Red Zone” for the year 2009. The purpose of this notice is to (a) advise you of the Fund’s financial condition; (b) advise you of the action taken by the Fund’s trustees; (c) announce regional meetings to discuss the Fund; (c) furnish you with questions and answers which help explain the current situation and other official federal documents about the Fund.

FINANCIAL CONDITION

The Pension Protection Act, a federal law amending ERISA, assigns to multiemployer pension plans a color based on how well the plan is funded. A “green” funded status is the best and a “red” funded status is the worst. The Fund was in the “green” category in 2008 but fell to the “red” or “critical” category in 2009. The reason for the fall was the Fund had an investment loss of 32.5% in 2008.

TRUSTEES ACTION

The Pension Protection Act requires that the Fund must take action to get out of the Red Zone. The rules are established by the federal government. The action is similar to paying a mortgage debt. Paying the mortgage will cause pain for both employers and employees. The Fund is like a family with a big debt or mortgage. The family must both (a) pay the mortgage and (b) pull in its belt on living expenses.

One of the first things the trustees must do is adopt a “Rehabilitation Plan.” A Rehabilitation Plan consists of two parts. The first part is a reduction of pension benefits which will be discussed below. The second part imposes a “surcharge” on contributing employers. The Rehabilitation Plan must be adopted by the trustees no later than November 26, 2009. The trustees already determined future pension benefits which will be elaborated on below. The Fund’s actuary is in the process of

calculating the employer “surcharge.” The calculations are complex and possibly will be presented to the trustees for their consideration at the regularly scheduled June trustees’ meeting. You will receive written notification within 30 days of the trustee’s adoption of the complete Rehabilitation Plan.

One aspect of having a mortgage is that the debt must be paid. The federal government requires that employers pay a 5% charge on all pension contributions for hours worked from June 1, 2009 through December 31, 2009. The charge increases to 10% for hours worked commencing January 2010. The 10% charge continues until an employer enters into a collective bargaining agreement that complies with the Rehabilitation Plan adopted by the trustees.

Another aspect of having a mortgage is that cost must be reduced. This is where the employees feel the pain. According to the Pension Protection Act, the trustees amended the Fund to:

- a. reduce future benefit accruals;
- b. increase the normal retirement age to 65
- c. eliminate the early retirement subsidy;
- d. eliminate death benefits except for the joint and survivor benefit for a married participant; and
- e. eliminate disability benefits except for disabled retirees in pay status prior to November 1, 2009.

You must submit your application for retirement on or before September 15, 2009, if you want to receive the current Fund benefit, i.e. the benefits before the effective date of these changes.

Current retirees are not affected by these changes. In addition, the Fund currently has sufficient assets to pay retirees all earned benefits.

REGIONAL MEETINGS

Regional meetings are currently scheduled to meet with you to answer any and all questions. Trustees and the Fund’s professional advisers will be present at all meetings. The meetings will be held in:

- a. Tacoma – April 29 at the IBEW, 3049 S. 36 Street at 6:30 p.m.
- b. Seattle – April 30 at the Seattle Labor Temple, 2800 1st Ave # 140 at 5:30 p.m.
- c. San Leandro – May 9 at Sheet Metal 104 Hall, 1720 Marina Boulevard at 11:30 a.m.
- d. Portland – May 6 at Willamette Carpenters Training Center, Main Floor Meeting Hall, 4222 NE 158 Avenue at 6:00 p.m.

Enclosed for your information are:

- a. Question and Answers which help explain the current fund position;
- b. Notice of Critical Status filed with the federal government;
- c. Notice of Surcharge to be sent to all participating employer;
- d. The 2008 PPA Notice required to be furnished to all plan participants, retirees and federal agencies; and
- e. Summary of Material Modifications.