RAEL & LETSON
CONSULTANTS AND ACTUARIES

ACTUARIAL VALUATION

WESTERN STATES OFFICE & PROFESSIONAL EMPLOYEES PENSION PLAN

AS OF JANUARY 1, 2008

November 2008

November 25, 2008

Board of Trustees
Western States Office & Professional Employees Pension Plan

Dear Trustees:

We are pleased to present our actuarial valuation of the Pension Plan as of January 1, 2008. Included in this report is an analysis of the actuarial experience for the 2007 Plan Year.

In the report we present the following:

- An actuarial balance sheet which states the financial position of the Trust as of January 1, 2008. The Plan's Unfunded Accrued Actuarial Liability is $55 million.
- An analysis of the Plan's actuarial experience during 2007. Net investment income was $51 million for an annual rate of return of 10.76% (based on the actuarial value of assets). The market value rate of return was 4.62%.
- A projection of the funding status of the Plan. Projected annual Employer contributions exceed the estimated annual cost of benefits to be earned by $1.3 million. However, this excess is not sufficient to offset the annual interest accrual of $4.0 million on the Unfunded Accrued Actuarial Liability.
- As of December 31, 2007 there is an unfunded vested liability for withdrawal liability purposes of $12.4 million.
- As of December 31, 2007 the credit balance in the Funding Standard Account was $45.7 million, a decrease of $4.2 million from the prior year. As of December 31, 2008, the credit balance in the Funding Standard Account is expected to be $43.7 million, a decrease of $2.0 million.
- Contributions for 2008 are projected to be fully deductible as they will fall within the limits allowed under the Internal Revenue Code (IRC).
- The Pension Funding Equity Act of 2004 mandates certain funding notice requirements for multiemployer plans, beginning with the 2005 Plan Year. The funded ratio for the 2007 Plan Year to be provided in notices to be distributed during 2008 is 78.5% using an interest rate of 5.78%. The Pension Protection Act of 2006 (PPA) modifies the funding notice contents and accelerates the time when the notice must be provided, effective for Plan Years beginning in 2008. Based on the PPA and the Plan interest assumption of 7.25%, the funded ratio for the 2008 Plan Year to be provided in notices to be distributed during 2009 is 93.4%.

We look forward to discussing this report at the next Board meeting.

Sincerely,

Michael R. Clark   Lisa M. Vu

cc: Peter Marana
Mort Zalutsky, Esq.
Alex Miller

INTRODUCTION

The Western States Office and Professional Employees Pension Plan became effective in 1959 as a result of collective bargaining between Locals 29 and 11 of OPEIU and Pacific Intermountain Express.

The purpose of the actuarial valuation is to assist the Trustees in determining whether the assets of the Trust and the Employer contributions are sufficient to meet the accruing liability for benefits under the Plan. The actuarial balance sheet on page 3, the analysis of Employer contributions on page 5, and the comparison of actual experience with expected experience beginning on page 6 provide the tests by which we measure the actuarial position of the Trust. A brief summary comparison of some of the important figures included in our two most recent valuations is set forth to the right:

VALUATION HIGHLIGHTS

	January 1, 2008	January 1, 2007
Number of Participants:[1]		
Active	2,278	2,408
Vested Inactive	2,635	2,684
Retired	3,144	3,076
Total Participants	8,057	8,168
Assets	$ 507,372,247	$ 485,106,037
Accrued Actuarial Liability	561,884,044	551,165,594
Employer Contributions During Year	$ 7,678,247	$ 7,399,605

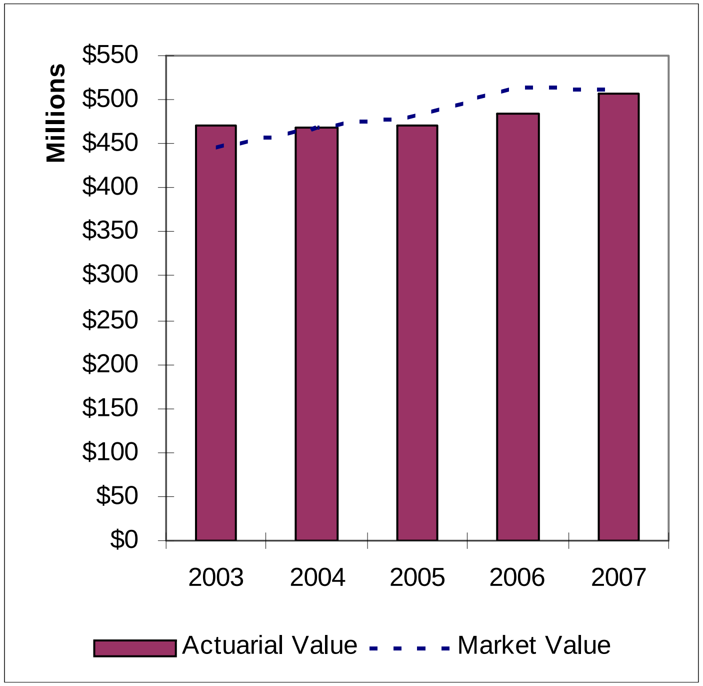
[1] Does not include 689 and 730 non-vested inactive participants in 2007 and 2006, respectively, who have not had a permanent break-in-service.

INTRODUCTION (CONTINUED)

Our report is divided into four sections:

SECTION I	**-**	**BALANCE SHEET AND DISCUSSION**
SECTION II	**-**	**METHOD AND ASSUMPTIONS**
SECTION III	**-**	**COMMENTS, RECOMMENDATIONS AND CERTIFICATION**
SECTION IV	**-**	**APPENDICES**

SECTION I BALANCE SHEET



As of December 31, 2007 the unfunded vested liability is $12,371,963.

ASSETS	
Cash	$ 3,191,349
Marketable Securities	509,042,725
Net of Receivables and Payables	(606,810)
Assets At Market Value	511,627,264
Market Value Adjustment (Appendix C)	(4,255,017)
Assets At Actuarial Value	$ 507,372,247
LIABILITIES	
Reserves Required for Benefits Earned to Date	
Vested Benefits:	
Retired Participants	$ 311,315,406
Active Participants	93,482,413
Inactive Participants	119,201,408
Subtotal Vested Benefits	$ 523,999,227
Non-Vested Benefits	19,453,500
Reserves for Benefits to be Earned in the Future	53,165,109
Total Reserves	$ 596,617,836
Less Present Value of Future Contributions	34,733,792
Accrued Actuarial Liability	$ 561,884,044
Less Unfunded Accrued Actuarial Liability	54,511,797
Total Liabilities	$ 507,372,247

SECTION I DISCUSSION OF BALANCE SHEET

ASSETS

The total net assets of the Trust as of January 1, 2008 are \$507,372,247. The audit as of December 31, 2007 shows net assets at market value equal to \$511,627,264. The difference of \$4,255,017 is due to the application of the actuarial smoothing method for determining the actuarial value of assets.

We have utilized a smoothing method for recognizing excess investment income on assets. The smoothing method is intended to dampen the volatility associated with year to year changes in the market value of Trust assets while at the same time systematically recognizing longer term overall investment performance.

The actuarial value of total net assets on January 1, 2008 equals 99.2% of the market value.

LIABILITIES

Plan liabilities on the balance sheet have been valued assuming an interest discount rate of 7¼%.

In the liability section of the balance sheet, we have listed separately the reserves required for pensioners, vested participants, and nonvested participants. The value of benefits projected to be earned in the future is added and the value of future normal costs is deducted. The accrued actuarial liability is \$561,884,044. The amount by which the Plan assets is less than the accrued actuarial liability, the Unfunded Accrued Actuarial Liability, is \$54,511,797. Plan assets at market value exceeded the Vested Reserves by \$12,371,963.

SECTION II METHOD AND ASSUMPTIONS

ACTUARIAL VALUATION

As a regular part of our actuarial valuation, we have analyzed expected Employer contributions and Plan costs for 2008 and we have determined the extent of deviations in actual Plan experience from that expected during 2007.

Actuarial Cost Method - Entry Age Normal with replacement

Under the cost method, liabilities for benefits earned to date plus those projected to be earned in the future by current participants are reduced by the present value of future entry age normal costs. The difference, referred to as the accrued actuarial liability, is compared to the assets to determine the unfunded accrued actuarial liability (or actuarial surplus). This method requires that each year's contributions are first applied to pay for the benefits earned in the year. The balance of the contributions is available to amortize the Unfunded Accrued Actuarial Liability or to add to the Actuarial Surplus.

Employer Contributions

Following is a summary of the expected application of Employer contributions during 2008. This projection is based on 2007 contribution levels, relates to 1,750 hours of work annually (on average) for each active participant as of January 1, 2008:

Estimated Employer Contributions	$	7,417,000
Less Annual Cost of Benefits		6,081,900
Available to Reduce the Unfunded Accrued Actuarial Liability	$	1,335,100

The interest on the current Unfunded Accrued Actuarial Liability at 7.25% amounts to $4.0 million so the available payment is insufficient to amortize the Unfunded Accrued Actuarial Liability.

The estimated Employer contribution exceeds the minimum required by ERISA. It is also fully deductible under the IRC.

SECTION II METHOD AND ASSUMPTIONS (CONTINUED)

ACTUARIAL ASSUMPTIONS

If all actuarial assumptions were met for the 2007 Plan Year, the Unfunded Accrued Actuarial Liability (UAAL) as of January 1, 2008 would have been $72,064,932. The actual UAAL is $54,511,797, resulting in a **gain** of **$17,553,135**.

Net Investment Yield - 7.25% per annum

The net investment yield of the invested funds during the year ending December 31, 2007 was 10.76%.

INCOME	DOLLAR AMOUNT	YIELD
Investment Income	$ 50,822,753	10.76 %
Investment Expenses	(2,532,462)	(0.54)
Operational Expenses	(843,981)	(0.18)
Net Investment Income (Appendix C)	$ 47,446,310	10.04 %
Expected Investment Income (at Actuarial Value)	34,257,410	7.25
Investment Gain for Year	$ 13,188,900	2.79 %

INVESTMENT YIELDS

YEAR	ACTUARIAL GAIN/(LOSS)	NET YIELD ACTUARIAL	NET YIELD MARKET
2003	$(22,636,758)	2.41%	16.55%
2004	(16,387,343)	3.70	9.66
2005	(9,580,176)	5.16	7.82
2006	2,581,843	7.81	11.36
2007	13,188,900	10.04	4.62

The net investment yield assumption relates to the long-term yield on the Trust assets. Based on the actuarial value of assets we had anticipated that 2007 investment income would be $34,257,410. Actual investment income, net of investment and operational expenses, was $47,446,310, resulting in an actuarial **gain** of **$13,188,900**.

SECTION II METHOD AND ASSUMPTIONS (CONTINUED)

Mortality - 1983 GAMF Mortality Table (17 year set forward for disability retirees until age 62).

Based on the assumptions used in the valuation we compared the reserves which were expected to be released on account of death to the actual amount released. The reserves that were released were more than expected. The difference, **$609,792**, is an actuarial **gain**.

YEAR	GAIN/(LOSS)
2003	$ 461,318
2004	(725,771)
2005	1,469,747
2006	(514,432)
2007	609,792

Turnover and Vesting - Table T-4 of the Actuary's Pension Handbook (Crocker-Sarason-Straight).

Reserves for non-vested participants are discounted for turnover according to Table T-4 of the Actuary's Pension Handbook. During 2007, reserves released on account of non-vested terminations were greater than those anticipated, resulting in a **gain** to the Trust of **$3,496,820**.

YEAR	GAIN/(LOSS)
2003	$ (201,735)
2004	1,791,405
2005	1,959,904
2006	1,491,827
2007	3,496,820

SECTION II METHOD AND ASSUMPTIONS (CONTINUED)

Cost of Benefits

The cost of benefits earned during the year amounted to $6,437,604 compared to the expected $6,524,398. The difference, **$86,794**, is an actuarial **gain** to the Trust.

YEAR	GAIN/(LOSS)
2003	$ 28,371
2004	(132,434)
2005	(39,481)
2006	(87,313)
2007	86,794

Retirement Age and Disability Costs

Participants are assumed to retire in accordance with an explicit set of retirement rates and to become disabled in accordance with an explicit set of disablement rates. During 2007 the actuarial **gain** attributable to the assumptions relating to the rates of retirement was **$129,454**.

YEAR	GAIN/(LOSS)
2003	$ (1,080,919)
2004	(773,215)
2005	(261,263)
2006	(965,456)
2007	129,454

SECTION II METHOD AND ASSUMPTIONS (CONTINUED)

Data and Miscellaneous

Data corrections and miscellaneous items resulted in a net **gain** of **$41,375** to the Trust during 2007.

YEAR	GAIN/(LOSS)
2003	$ 320,267
2004	2,757,369
2005	(34,175)
2006	75,995
2007	41,375

SUMMARY OF GAINS OR LOSSES

Following is a summary of the gains or losses from the various sources:

SUMMARY OF GAINS AND LOSSES

SOURCE	GAIN/(LOSS)
Investment Income	$ 13,188,900
Mortality	609,792
Turnover	3,496,820
Cost of Benefits	86,794
Retirement and Disability Costs	129,454
Data and Miscellaneous	41,375
Total Gain	$ 17,553,135

SECTION II METHOD AND ASSUMPTIONS (CONTINUED)

ADDITIONAL LIABILITIES

Average hourly contribution rates during the 2007 plan year were generally higher than during 2006 (going from $1.73 an hour to $1.86 an hour). Higher average contribution rates directly increase the amount of benefits projected to be earned in the future. These increases together with a continuation of the higher than expected average hours worked by active participants (1,852 hours on average compared to the assumed 1,750) resulted in a **$1,383,243** increase in accrued liabilities as of January 1, 2008.

BENEFIT IMPROVEMENT

Retired participants as of December 1, 2007 who are in pay status were paid a bonus check equal to their regular monthly benefit or $250, if greater, but not more than $500. The bonus check added **$1,265,000** to the cost of benefits earned during 2007.

SECTION III COMMENTS, RECOMMENDATIONS AND CERTIFICATION

This is to certify that we have completed an actuarial valuation of the Plan as of January 1, 2008 in accordance with generally accepted actuarial principles and practices.

This report on the results of the valuation was based on the assumption that the Plan is qualified under the Internal Revenue Code and on information supplied by the Plan Administrator with respect to contributions and assets and with respect to participant data. We have not verified, and customarily would not verify such information, but we have no reason to doubt its substantial accuracy.

The Pension Protection Act of 2006 (PPA) became effective for this Plan on January 1, 2008. We will prepare projections and provide the impact of the PPA on this Plan in a separate memorandum. We will also explore changing the funding method and actuarial assumptions in light of the PPA requirements.

To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate and, in our opinion, the individual assumptions used: (a) are reasonably related to the experience of the Plan and to reasonable expectations; and (b) represent our best estimate of anticipated experience under the Plan.

I, Michael R. Clark, am an actuary for Rael & Letson. I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Certified By: Michael R. Clark M.A.A.A.

Michael R. Clark

Enrolled Actuary No. 08-00044

SECTION IV APPENDICES

APPENDIX A

DISTRIBUTION OF ACTIVE AND VESTED INACTIVE PARICIPANTS BY AGE

	ACTIVE PARTICIPANTS			
AGE GROUP	VESTED	NON-VESTED	TOTAL	INACTIVE VESTED PARTICIPANTS
Under 20	0	3	3	0
20 - 24	2	50	52	0
25 - 29	46	80	126	16
30 - 34	96	80	176	107
35 - 39	173	57	230	276
40 - 44	210	38	248	377
45 - 49	304	51	355	490
50 - 54	354	49	403	580
55 - 59	309	36	345	465
60 - 62	139	9	148	230
63 - 69	74	6	80	54
70 and Over	6	2	8	28
No Birthdates	4	100	104	12
Total	1,717	561	2,278	2,635
Average Age This Year	48.8	38.2	46.6	49.0
Average Age Last Year	48.6	39.0	46.4	49.1

Grand Total: 4,913

APPENDIX A (CONTINUED)

DISTRIBUTION OF ACTIVE PLAN PARTICIPANTS BY AGE AND SERVICE

	YEARS OF CREDITED SERVICE								
AGE GROUP	**0 - 4**	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30 - 34**	**35+**	**TOTAL**
Under 20	3	0	0	0	0	0	0	0	3
20 - 24	50	2	0	0	0	0	0	0	52
25 - 29	80	43	3	0	0	0	0	0	126
30 - 34	80	79	17	0	0	0	0	0	176
35 - 39	57	98	58	16	1	0	0	0	230
40 - 44	38	85	55	52	18	0	0	0	248
45 - 49	51	99	76	75	35	15	4	0	355
50 - 54	49	73	52	77	50	57	45	0	403
55 - 59	36	71	59	50	31	46	33	19	345
60 - 62	9	23	18	19	23	19	19	18	148
63 - 69	6	24	7	5	7	11	9	11	80
70 and Over	2	2	3	0	0	0	0	1	8
Unknown	100	3	1	0	0	0	0	0	104
TOTAL	561	602	349	294	165	148	110	49	2,278
Average Hours	1,525	1,859	1,968	2,038	2,011	2,039	2,061	2,005	1,852

APPENDIX B

DISTRIBUTION OF PENSIONERS BY AGE

AGE GROUP	PRIOR	NEW	TOTAL
Under 50	12	4	16
50 - 54	20	6	26
55 - 59	239	68	307
60 - 64	559	62	621
65 - 69	585	19	604
70 - 74	464	2	466
75 - 79	347	2	349
80 - 84	324	0	324
85 and Over	296	2	298
TOTAL	2,846	165	3,011
Average Age	71	60	70
Average Monthly Benefit	$ 859.95	$ 925.41	$ 863.54
Beneficiaries (not included above)	118	15	133
GRAND TOTAL	2,964	180	3,144

APPENDIX C

PARTICIPANT RECONCILIATION AT JANUARY 1, 2008

	ACTIVES	NON-VESTED INACTIVES	VESTED INACTIVES	RETIREES AND BENEFICIARIES	TOTAL
Total as of January 1, 2007	2,408	730	2,684	3,076	8,898
New Entrants	267	0	0	0	267
Rehired	14	(1)	(13)	0	0
Terminated Vested	(94)	0	94	0	0
Terminated Non-Vested	(277)	277	0	0	0
Permanent Break in Service	0	(317)	0	0	(317)
Retired	(40)	0	(120)	160	0
Deaths	0	0	(10)	(107)	(117)
Expired Period Certains	0	0	0	(5)	(5)
New Beneficiaries and QDROs	0	0	0	20	20
Correction	0	0	0	0	0
Total as of January 1, 2008	2,278	689	2,635	3,144	8,746

APPENDIX D

DETERMINATION OF 2007 RECOGNIZED INCOME			
a.	Market Value January 1	$ 513,639,847	
b.	Employer Contributions	7,678,247	
c.	Rollovers	112,610	
d.	Benefit Payments	32,970,957	
e.	Average Assets = a + 1/2 (b + c - d)	501,049,797	
f.	Expected Income = 7.25% x e		$ 36,326,110
g.	Net Income (4.62% based on the average market value of assets)	23,167,517	
h.	Excess Income over Expected = g - f	(13,158,593)	
i.	20% of Excess Income for current year		(2,631,719)
j.	Recognized Income from previous four years		13,751,919
k.	Total Recognized Income = f + I + j		$ 47,446,310

CURRENT AND FUTURE YEARS EXCESS INCOME RECOGNITION SCHEDULE

YEAR	EXCESS INCOME	2007 PORTION	2008 PORTION	2009 PORTION	2010 PORTION	2011 PORTION
2003	$ 36,139,994	$ 7,227,998				
2004	10,680,584	2,136,117	2,136,116			
2005	2,588,179	517,636	517,636	517,635		
2006	19,350,840	3,870,168	3,870,168	3,870,168	3,870,168	
2003-2006	$ 68,759,597	$ 13,751,919				
2007	(13,158,593)	(2,631,719)	(2,631,719)	(2,631,719)	(2,631,719)	(2,631,717)
Total	$ 55,601,004	$ 11,120,200	$ 3,892,201 *	$ 1,756,084 *	$ 1,238,449 *	$ (2,631,717)*

* Total Market Value Adjustment as of December 31, 2007 = $4,255,017 .

APPENDIX E

RECEIPTS AND DISBURSEMENTS			
Fund as of December 31, 2006			$ 485,106,037
RECEIPTS:			
Employer Contributions		$ 7,678,247	
Rollover		112,610	
Investment Income:			
Gross Income	$ 50,822,753		
Investment Expenses	(2,532,462)		
Operational Expenses	(843,981)		
Net Investment Income (Appendix C)		47,446,310	
TOTAL RECEIPTS			55,237,167
DISBURSEMENTS:			
Benefits Paid in Year		32,970,957	
TOTAL DISBURSEMENTS			(32,970,957)
Fund as of December 31, 2007			$ 507,372,247

APPENDIX F SUMMARY OF PRINCIPAL PLAN PROVISION

Effective since 1959	As amended through January 1, 2008.
REQUIREMENTS	
Eligibility:	200 hours in one year.
Vesting:	5 years (including at least 2 years future service).
Normal Retirement:	Age 62 and vested (or, if earlier, age 65 with at least 2 years future service).
Early Retirement	Age 55 and vested or any age where age plus service total 80 or more.
Disability Retirement:	Vested with at least 200 hours in year prior to onset of Total and Permanent Disability.
Alternate Disability:	Same as Disability Retirement but without 200 hour recency requirement.
BENEFITS	
Normal Retirement (Life with 5 Years Certain):	Service after 2003: 1.8% of Employer Contributions. 2003 Service: 2.2% of Employer Contributions; up to $6,240; 1.8% of excess. 2001 - 2002 Service: 3.2% of Employer Contributions; up to $6,240 each year; 1.8% of excess. 1997 - 2000 Service: 3.65% of Employer Contributions; up to $6,240 each year, 1.8% of excess. Prior to 1997: 3.65% of Employer Contributions. Past Service: $8.20 per year of past service (maximum 15 years).
Early Retirement:	Normal Retirement benefit reduced 2% per year (1/6% per month) early.
Delayed Retirement:	Normal Retirement benefit increased 6% per year (½% per month) late.
Disability Retirement:	Unreduced Normal Retirement benefit.
Alternate Disability:	Early Retirement Benefit (Actuarially reduced if less than age 55).
Pre-Retirement Death:	
Married, Vested	50% Joint Marital Annuity (reduced for Early Retirement and for joint lives), or
All Others, Vested	60 monthly payments of Normal Retirement benefit reduced for Early Retirement.

APPENDIX G SUMMARY OF ACTUARIAL ASSUMPTIONS AND COST METHOD

Interest Discount Rate:	7.25% compounded annually. (Prior to January 1, 1988: 7% per annum).
Investment Yield:	7.25% per annum net of investment expenses and 0.20% for operational expenses. (Prior to January 1, 2005: 0.25% for operational expenses).
Mortality:	1983 GAMF Mortality Table (the table is set forward 17 years for disability retirees until age 62). (Prior to January 1, 1990: UP 1984 setback 6 years).
Turnover:	Table T-4, The Actuary's Pension Handbook. Non-Vested Participants have been assumed to earn one year of vesting credit annually until vested. (Prior to January 1, 1980: Table T-2).

Retirement Rates:

Age	Rate	Age	Rate
55	20%	61	20%
56	15%	62	40%
57-59	12%	63-70	35%
60	15%	71+	100%

(Prior to January 1, 2000: Lower rate structure).

Disablement:	1952 Society of Actuaries Table, Period 2, Benefit 5. (Prior to January 1, 1990: Part of non-retiree load).
Projected Employment Hours:	1,750 hours per year per active participant. (Prior to January 1, 2005: 1,650 hours).
Marital Status:	It is assumed, for purposes of the Qualified Pre-Retirement Survivor Annuity, that 80% of those vested participants who die prior to retirement will be married. Spouses are assumed to be the same age as participants. (Prior to January 1, 1991: None assumed – value of QPSA was part of non-retiree load).
Assets:	20% method for recognizing net investment income in excess of 7.25% of the average market value of assets (80% - 120% of market value). (Prior to January 1, 1999: Adjusted Book Value Method)
ACTUARIAL COST METHOD	Entry Age Normal with replacement. (Prior to January 1, 2000: Unit Credit).

APPENDIX H

FUNDING STANDARD ACCOUNT FOR THE YEAR	2007	Estimated 2008
Credit Balance on January 1	$ 49,879,988	$ 45,671,311
Charges		
a. Normal Cost	$ 7,262,842	$ 5,876,335
b. Amortization Charges	24,670,337	24,814,187
c. Interest on a and b	2,315,155	2,225,063
Subtotal Charges	$ 34,248,334	$ 32,915,585
Credits		
a. Employer Contributions for Year	$ 7,678,247	$ 7,417,000
b. Amortization Credits	17,218,433	18,598,085
c. Interest on a, b, and Beginning of Year Credit Balance	5,142,977	4,928,397
Subtotal Credits	$ 30,039,657	$ 30,943,482
Credit Balance on December 31	$ 45,671,311	$ 43,699,208

APPENDIX I

RECONCILIATION OF ACTUARIAL VALUE OF ACCUMULATED BENEFITS		
Actuarial present value of accumulated Plan benefits at beginning of year (January 1, 2007)		$ 532,641,566
Benefits accumulated and actuarial experience during the year	$ 4,977,559	
Plan Amendments	1,383,243	
Increase due to Assumption Change	0	
Increase for interest	37,421,316	
Benefits paid	(32,970,957)	
Net increase/(decrease)		10,811,161
Actuarial present value of accumulated Plan benefits at end of year (December 31, 2007)		$ 543,452,727

ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS	
Actuarial present value of accrued benefits:	
Vested benefits	
Participants currently receiving benefits	$ 311,315,406
Other participants	214,653,404
	$ 525,968,810
Nonvested benefits	17,483,917
Actuarial present value of accumulated Plan benefits at end of year (December 31, 2007)	$ 543,452,727