

Pension Plan of Plumbers and Steamfitters Local Union No. 422

Dear Participant:

In 2004, the Federal Government enacted legislation that requires pension plans such as ours to provide participants and others related to the Plan with funding information about their plans. You will receive this annual funding notice in the mail shortly. This letter is an explanation of what some of the information in the notice means to you.

How Our Plan Works

To help you understand the Fund's current funded status, it's helpful to understand how the Plan works.

- Participants working today are earning benefits. Benefits accrue based on the number of pension credits you earn before retirement and the rate(s) for each period of accrual. Some of those benefits will not be paid until many years in the future. Other participants are already collecting benefits, and may continue collecting benefits for many years.
- Employers contribute to the Fund on your behalf based on your collective bargaining agreement. Contributions are "pooled" and invested. Contributions and investment earnings accumulate; these are the assets of the plan. These assets are then used to pay benefits to participants and other beneficiaries as well as pay administrative costs.
- Since some of the benefits being accrued today will not be paid for many years, it is not necessary to have all of the money today. However, the goal is for the fund to have enough money to pay retirement benefits both now and in the future.

Funded Percentage

The "*Funded Percentage*" is one measure of the Plan's progress towards the goal of having enough money to pay retirement benefits both now and in the future. It measures the assets the plan has now against the current value of benefits already accrued. It does not take into account benefits that will accrue in the future, nor does it take into account income from future contributions.

Funding a pension plan is like buying a home. You likely take out a mortgage loan to pay for the home. As you make mortgage payments, your equity in your home (the portion of the home that is "yours") grows.

The "*Funded Percentage*" is like your equity in the home. While the goal is to ultimately own your home (a *Funded Percentage* of 100% or more), the amount of equity you have in your home today does not indicate your ability to meet that goal in the future.

The Effect of Interest Rates

Whenever you save money to pay a debt in the future, the interest rate that you earn on your savings is very important, and it becomes more important the longer you have to save. The higher the return on your savings, the less money you will need today to accumulate the same amount in the future. This is also true for a pension plan that invests money today to pay benefits in the future.

The Pension Fund's actuary assumes (and federal law allows the actuary to make this assumption) that, over the long-term, the Plan's investments will return 7.5% per year. The Pension Fund uses professional investment managers to invest Plan assets. These professionals consider the Pension Fund to be a long-term investor and they have advised the Trustees accordingly. Using this long-term interest return assumption of 7.5%, the Plan's funded percentage is 115.87%.

The "funded current liability percentage" that will be disclosed in the funding notice you will be receiving shortly, is required by statute to be valued at a current market rate of return. This rate will be different each year, since it is based on recent bond rates. The required interest rate is currently 4.99%. On this basis, the Plan's funded percentage is 74.56%.

In making this comparison, we are not suggesting that the Plan actuary's 7.5% interest rate assumption is right and the 4.99% interest rate imposed by the statute is wrong. We are simply showing that, in calculating the cost of paying pensions in the future, the amount of earnings on the Plan's investments is critically important.

PLEASE NOTE!

- The Plan continues to meet minimum government funding regulations. As the Trustees of your Fund, we work with professional advisors (i.e., actuaries, consultants, investment advisors, and legal advisors) to develop and implement a sound funding policy, in accordance with government funding standards.
- We are committed to the financial stability of our Fund now, and in the future. We will continue to monitor the Fund's financial condition carefully to maintain the Fund's future stability.

In Closing

The Pension Plan of Plumbers and Steamfitters Local Union No. 422 is designed to provide you with retirement income to reward you for your service. Along with Social Security and personal savings, the Plan's pension benefits are an important part of helping you realize your retirement goals. We are committed to protecting the long-term financial stability of the Fund and the payment of pension benefits to all current and future pensioners.

If you have questions about this letter or the annual funding notice upon receipt, you can call or write to the Fund Administrator who will present your question to the Board of Trustees.

Sincerely,



Thomas Nixon, Chairman
Board of Trustees

**PENSION PLAN OF PLUMBERS AND STEAMFITTERS
LOCAL UNION NO. 422
ANNUAL FUNDING NOTICE**

Introduction

This notice, which federal law requires all multiemployer plans to send annually, includes important information about the funding level of the Pension Plan of Plumbers and Steamfitters Local Union No. 422 (the "Plan"), E.I.N. 36-2942793, Plan Number 001. This notice also includes information about rules governing insolvent plans and benefit payments guaranteed by the Pension Benefit Guaranty Corporation (the "PBGC"), a federal agency. This notice is for the period beginning June 1, 2007 and ending May 31, 2008 (the "Plan Year").

Plan's Funding Level

The Plan's "funded current liability percentage" for the Plan Year was 74.56%. In general, the higher the percentage, the better funded the Plan. The funded current liability percentage, however, is not indicative of how well a plan will be funded in the future or if it terminates. Whether this percentage will increase or decrease over time depends on a number of factors, including how the plan's investments perform, what assumptions the plan makes about rates of return, whether employer contributions to the fund increase or decline, and whether benefits payments from the fund increase or decline.

Plan's Financial Information

The market value of the Plan's assets as of June 1, 2007 was \$99,810,448. The total amount of benefit payments for the Plan Year was \$3,135,846. The ratio of assets to benefit payments is 31.8 to 1. This ratio suggests that the Plan's assets could provide for approximately 31.8 years of benefit payments in annual amounts equal to what was paid out in the Plan Year. However, the ratio does not take into account future changes in total benefit payments or Plan assets.

Rules Governing Insolvent Plans

Federal law has a number of special rules that apply to financially troubled multiemployer plans. Under so-called "plan reorganization rules," a plan with adverse financial experience may need to increase required contributions and may, under certain circumstances, reduce benefits that are not eligible for the PBGC's guarantee (generally, benefits that have been in effect for less than 60 months). If a plan is in reorganization status, it must provide notification that the plan is in reorganization status and that, if contributions are not increased, accrued benefits under the plan may be reduced or an excise tax may be imposed (or both). The law requires the plan to furnish this notification to each contributing employer and the labor organization.

Despite the special plan reorganization rules, a plan in reorganization nevertheless could become insolvent. A plan is insolvent for a plan year if its available financial resources are not sufficient to pay benefits when due for the plan year. An insolvent plan must reduce benefit payments to the highest level that can be paid from the plan's available financial resources. If such resources are not enough to pay benefits at a level specified by law (see Benefit Payments Guaranteed by the PBGC below), the plan must apply to the PBGC for financial assistance. The PBGC, by law, will loan the plan the amount necessary to pay benefits at the guaranteed level. Reduced benefits may be restored if the plan's financial condition improves.

A plan that becomes insolvent must provide prompt notification of the insolvency to participants and beneficiaries, contributing employers, labor unions representing participants, and the PBGC. In addition, participants and beneficiaries also must receive information regarding whether, and how, their benefits will be reduced or affected as a result of the insolvency, including loss of a lump sum option. This information will be provided for each year the plan is insolvent.

Benefit Payments Guaranteed by the PBGC

The maximum benefit that the PBGC guarantees is set by law. Only vested benefits are guaranteed. Specifically, the PBGC guarantees a monthly benefit payment equal to 100% of the first \$11 of the Plan's monthly benefit accrual rate, plus 75% of the next \$33 of the accrual rate, times each year of credited service. The PBGC's maximum guarantee, therefore, is \$35.75 per month times a participant's years of credited service.

Example 1: If a participant with 10 years of credited service has an accrued monthly benefit of \$500, the accrual rate for purposes of determining the PBGC guarantee would be determined by dividing the monthly benefit by the participant's years of service ($\$500/10$), which equals \$50. The guaranteed amount for a \$50 monthly accrual rate is equal to the sum of \$11 plus \$24.75 ($.75 \times \$33$), or \$35.75. Thus, the participant's guaranteed monthly benefit is \$357.50 ($\35.75×10).

Example 2: If the participant in Example 1 has an accrued monthly benefit of \$200, the accrual rate for purposes of determining the guarantee would be \$20 (or $\$200/10$). The guaranteed amount for a \$20 monthly accrual rate is equal to the sum of \$11 plus \$6.75 ($.75 \times \$9$), or \$17.75. Thus, the participant's guaranteed monthly benefit would be \$177.50 ($\17.75×10).

In calculating a person's monthly payment, the PBGC will disregard any benefit increases that were made under the Plan within 60 months before the earlier of the plan's termination or insolvency. Similarly, the PBGC does not guarantee pre-retirement death benefits to a spouse or beneficiary (e.g., a qualified pre-retirement survivor annuity) if the participant dies after the plan terminates, benefits above the normal retirement benefit, disability benefits not in pay status, or non-pension benefits, such as health insurance, life insurance, death benefits, vacation pay or severance pay.

Where to Get More Information

For more information about this notice, you may contact the following individual:

Mr. Thomas L. Nixon, Chairman
Pension Plan of Plumbers and Steamfitters
Local Union No. 422
2114 I-80 South Frontage Road
Joliet, Illinois 60436
Telephone: 1-815-725-0278

For more information about the PBGC and multiemployer benefit guarantees, go to PBGC's web site, www.pbgc.gov or call the PBGC toll-free at 1-800-400-7242 (TTY/TDD users may call the Federal relay service toll free at 1-800-877-8339 and ask to be connected to 1-800-400-7242).