

January 19, 2005

Trustees
Local 804 IBT & Local 447 IAM
UPS Multi-employer Retirement Plan
55 Glenlake Parkway, N.E.
Atlanta, Georgia 30328

Re: *Funding Projections*

Dear Trustees:

At the last Trustees' meeting we were asked to develop projections of the funding status of the Plan through the 2010 Plan Year. We were asked to provide this information on two bases:

1. What portion of the negotiated contribution increases for 2005, 2006, and 2007 would be required to satisfy minimum funding requirements through 2010; and,
2. What prospective benefit reduction would be required, assuming no additional contribution increases in 2005, 2006, and 2007, to satisfy minimum funding requirements through 2010.

Additionally, we analyzed what combination of contribution increases and benefit reduction would satisfy minimum funding requirements through 2010. For all of these projections we were to use a 30-cent contribution increase effective August 1, 2004. The total available contribution increases for 2005, 2006, and 2007 are 60 cents, 60 cents, and 70 cents, respectively. Finally, for the latter projections, the benefit should not be reduced below \$2,500 per month for 25 years of service.

The attached details the results of these projections. We have also included, as an appendix, a brief description of the methods and assumptions used for these projections.

We will be available to discuss this analysis in detail at the next Trustees' meeting.

Sincerely,

Frank Katz

I. Basis of the Projections

These projections are based upon demographic data provided by the Plan Administrator for the January 1, 2004 actuarial valuation. In addition to the assumptions used for that valuation, we have used the following assumptions:

A. Demographic Assumptions

The active portion of the group will be essentially the same for all years in the projection, that is, the average age and service for the active portion of the group will not change.

B. Economic Assumptions

We have used as a starting point the assets of the Plan as of September 30, 2004. We have assumed that the assets will earn an 8% annual yield on Market Value for the balance of 2004. For the years 2005 through 2009, we have projected the assets on three bases: 4%, 8%, and 12% per annum.

We were provided with contributions to the fund through October, 2004. We projected contributions for November and December at the same rate as those in October.

C. Benefit Assumptions

Benefit reductions are prospective only. We have assumed that accruals for 2005 will remain unchanged, and that the reductions will take place effective January 1, 2006. The accrued benefit at December 31, 2005 under the old schedule will serve as a grandfathered accrual, that is, no further benefits will accrue until the benefit under the new schedule exceeds the grandfathered accrual.

D. Trustee Provided Parameters

1. Contributions

The contribution increase as of August 1, 2004 will be 30 cents. The maximum available increases are: 60 cents at August 1, 2005, 60 cents at August 1, 2006, and 70 cents at August 1, 2007. There will be no further increases.

2. Benefits

Benefits will not be reduced below \$2,500 per month for 25 years of service at Normal Retirement Age.

II. Results

A. Contribution Increases Only

1. 4% Return on Market Value

Contribution increases will only meet minimum funding requirements through 2007 (Exhibit A-1). To do so will require 59.3 cent increases in 2005, 2006, and 2007.

2. 8% Return on Market Value

Contribution increases will only meet minimum funding requirements through 2007 (Exhibit A-2). To do so will require 53.1 cent increases in 2005, 2006, and 2007.

3. 12% Return on Market Value

Contribution increases will only meet minimum funding requirements through 2007 (Exhibit A-3). To do so will require 47.0 cent increases in 2005, 2006, and 2007.

B. Prospective Benefit Reductions Only

1. 4% Return on Market Value

A benefit reduction to \$2,500 per month for 25 years of service at Normal Retirement Age will only meet minimum funding requirements through 2008 (Exhibit B-1).

2. 8% Return on Market Value

A benefit reduction to \$2,500 per month for 25 years of service at Normal Retirement Age will only meet minimum funding requirements through 2009 (Exhibit B-2).

3. 12% Return on Market Value

A benefit reduction to \$2,500 per month for 25 years of service at Normal Retirement Age will meet minimum funding requirements through 2010 (Exhibit B-3).

C. Contribution Increases and Prospective Benefit Reductions

1. Benefits Reduced to \$3,000 per month for 25 years of service

a. 4% Return on Market Value

46.5 cent contribution increases in 2005, 2006, and 2007 will enable the Plan to meet minimum funding requirements through 2010 (Exhibit C-1a).

b. 8% Return on Market Value

28.4 cent contribution increases in 2005, 2006, and 2007 will enable the Plan to meet minimum funding requirements through 2010 (Exhibit C-1b).

c. 12% Return on Market Value

9.0 cent contribution increases in 2005, 2006, and 2007 will enable the Plan to meet minimum funding requirements through 2010 (Exhibit C-1c).

2. Benefits Reduced to \$2,500 per month for 25 years of service

a. 4% Return on Market Value

20.2 cent contribution increases in 2005, 2006, and 2007 will enable the Plan to meet minimum funding requirements through 2010 (Exhibit C-2a).

b. 8% Return on Market Value

2.2 cent contribution increases in 2005, 2006, and 2007 will enable the Plan to meet minimum funding requirements through 2010 (Exhibit C-2b).

c. 12% Return on Market Value

As stated in B-3 above, a 12% return on Market Value will enable the Plan to meet minimum funding requirements through 2010.

Appendix – Actuarial Assumptions and Methods

Mortality rates -- 1971 Group Annuity Mortality Table

Disability mortality -- 1965 RRB All Disabled Ultimate Mortality Table

Termination rates before retirement:

<u>Age</u>	<u>Male (Rate %)</u>			
	<u>Death</u>	<u>Disability</u>	<u>Withdrawal</u>	<u>Total</u>
20	0.05	0.05	21.20	21.30
25	0.06	0.05	15.80	15.91
30	0.08	0.05	11.60	11.73
35	0.11	0.06	8.40	8.57
40	0.16	0.09	6.20	6.45
45	0.29	0.18	4.20	4.67
50	0.53	0.40	2.60	3.53
55	0.85	0.85	0.00	1.70
60	1.31	1.74	0.00	3.05

In addition, 50% of employees with less than one year of pension credit not funded for.

Withdrawal rates cut out at first eligibility for an immediate pension.

Retirement age --

<u>Age at Entry</u>	<u>Retirement Age</u>
20-29	54
30 and later	55

Unknown characteristics of employees --

Same as those exhibited by employees with similar known characteristics

Percent married --

Social Security awards during 1972; For those assumed married, female (male) spouse assumed to be three years younger (older) than participant if actual age unknown

Net investment return --

8%

Administration expenses --

Expenses in prior plan year

Actuarial value of assets --

Actuarial Value of Assets (AVA), a 5 year smoothed market value, equal to the Market Value (MV) less a decreasing fraction (i.e. 4/5, 3/5, etc.) of the gain or loss for each of the preceding 4 years. The gain or loss for a year is determined by calculating the difference between the expected value of the assets for the year and the MV of the assets at the valuation date. The expected value of the assets for the year is the MV of the assets at the valuation date for the prior year brought forward with interest at the valuation rate to the valuation date for the current year plus contributions minus disbursements (i.e. benefits and expenses), all adjusted with interest at the valuation rate to the valuation date for the current year. If the expected value is less than the MV there is a gain, if greater, there is a loss. The resulting AVA is subject to limitations required by IRS Regulations.

Actuarial cost method --

Unit Credit Actuarial Cost Method

D. Tabular Results

The results in A, and C above are summarized in Table 1 below.

Table 1

Contribution Increases in 2005, 2006, and 2007 Required for
Minimum Funding through 2010 (Year through which
Minimum Funding Requirement will be met if not 2010)

<u>Benefit Level</u>	<u>4% Return</u>	<u>8% Return</u>	<u>12% Return</u>
\$3,600 (Current)	59.3 cents (2007)	53.1 cents (2007)	47 cents (2007)
\$3,000	46.5 cents	28.4 cents	9.0 cents
\$2,500	20.2 cents	2.2 cents	None Required

The results in B are summarized in Table 2 below.

Table 2

Year through which Minimum Funding Requirement will be
met

<u>Benefit Level</u>	<u>4% Return</u>	<u>8% Return</u>	<u>12% Return</u>
\$2,500	2008	2009	2010