



CARPENTERS' FRINGE BENEFIT FUNDS

3800 Woodward Ave., Suite 1120 / Detroit, MI 48201
Telephone (313) 832-8049 / Toll Free (888) 252-0345

August 27, 2008

To: All Participants, Beneficiaries, Michigan Regional Council of Carpenters, Local Unions, Contributing Employers and Employer Associations, Pension Benefit Guaranty Corporation and Secretary of Labor.

Enclosed you will find two notices from the Carpenters Pension Trust Fund-Detroit and Vicinity ("the Pension Plan") – (1) Notice of Pension Plan Status and (2) Notice of Extension of Amortization Period. These notices are required by law, for the Pension Plan to meet certain legal requirements.

1) **Pension Status Notice.** For the first time this year, the Pension Plan is required to conduct an annual study to compare the value of its assets to the benefits it will have to pay out in future years and establish a funding ratio. If the resulting funding ratio is below the level set by law, the enclosed notice and subsequent rehabilitation plan are required to be issued by the Pension Plan. This does not mean that the Pension Plan is in financial trouble, but only that it has to meet these new funding levels on an expedited basis. The enclosed notice, along with the Frequently Asked Questions section in back, should answer your questions about this process.

2) **Amortization Extension Notice.** The Notice of Extension of Amortization Period is a somewhat technical notice (mandated by the IRS), which goes hand-in-hand with the first notice. The purpose of this notice is to allow the Plan to maximize its opportunity to satisfy current and future funding requirements. Again, the "FAQ" section at the end of the notice should address the most frequently asked questions about this process.

Should you have any additional questions that are not answered by the notices, you can contact the Pension Plan's administrator at (313) 832-8049 or (888) 252-0345.

Very truly yours,

Trustees of the Carpenters Pension Trust Fund – Detroit & Vicinity



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August 27, 2008

NOTICE OF APPLICATION FOR EXTENSION OF AMORTIZATION PERIOD (FOR THE PLAN YEAR BEGINNING MAY 1, 2008)

To: All Participants, Beneficiaries, Michigan Regional Council of Carpenters, Local Unions, Contributing Employers and Employer Associations, Pension Benefit Guaranty Corporation and Secretary of Labor.

This notice is intended to inform you that an application for an extension of an amortization period for unfunded liability under Section 431(d) of the Internal Revenue Code (Code) and Section 304(d) of the Employee Retirement Income Security Act of 1974 (ERISA) will be submitted by the Carpenters Pension Trust Fund-Detroit and Vicinity ("the Plan") on or before September 28, 2008 to the Internal Revenue Service (IRS) for the plan year beginning May 1, 2008.

The amortization period relates to the Plan's funding standard account, which is a hypothetical account charged with the cost of providing future benefits earned each year and credited with employer contributions to the Plan each year. The account is required to stay above zero, which did not present a problem in prior years because the cost of providing future benefits for each year was not immediately allocated to the account, but was able to be paid off over a period of 30 years. New laws require the Plan to shorten this period to 15 years, unless the Plan applies for an extension, which it did.

Under Section 431(d)(3) of the Code and Section 304(d)(3) of ERISA, the Service will consider any relevant information submitted concerning the Plan's application for an extension of the amortization period for unfunded liability. You may send this information to the following address:

Director, Employee Plans
Internal Revenue Service
Attn: SE:T:EP:RA:T:A
1111 Constitution Avenue, N.W.
Washington, D.C. 20224

Any such information should be submitted as soon as possible after you have received this notice. Due to the disclosure restrictions of Section 6103 of the Code, the Service can not provide any information with respect to the extension request itself.

In accordance with Section 104 of ERISA and Section 2520.104b-10 of the Department of Labor Regulations (29 C.F.R. Part 2520), annual financial reports for this Plan, which include employer contributions made to the Plan for any Plan Year, are available for inspection at the Department of Labor in Washington, D.C. Copies of such reports may be obtained upon request and upon payment of copying costs from the following address:

Public Disclosure Room
Room N-5507
Employee Benefits Security Administration
U.S. Department of Labor
200 Constitution Avenue, N.W.
Washington, D.C. 20210

As required by Section 104(b)(2) of ERISA, copies of the latest annual plan report are available for inspection at the principal office of the Plan administrator, who is located at BeneSys, Inc., 700 Tower Drive, Suite 300, Troy, MI 48098-2808. Copies of the annual report may be obtained upon request by writing to the plan administrator at the above address.

The following information is provided pursuant to Section 431(d)(3) of the Code and Section 304(d)(3) of ERISA as of May 1, 2007:

Present Value of Vested Benefits	\$1,611,741,457
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Fair Market Value of Plan Assets	\$1,084,686,212
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Present Value of Benefits Guaranteed by Pension Benefit Guaranty Corporation ("PBGC")	\$664,141,074
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Actuarial Value of Fund Assets	\$1,050,682,726
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Percent Funded for PBGC Guaranteed Benefits 158%

The above present values were calculated using an interest rate of 8.00%.

Frequently Asked Questions

Q1 Why am I getting this notice?

The Plan is required by law to send you this notice so that you have an opportunity to send comments regarding the extension application to the Internal Revenue Service.

Q2 What is the funding standard account

The funding standard account is an account that the Plan keeps on its books and is credited with employer contributions and certain earnings each year, and is charged with the cost of providing benefits earned that year. It has to stay positive each year. Certain factors that go into this calculation can be amortized – previously over a longer period than under the new law, hence the request for an extension of that period.

Q3 How does the IRS decide whether to allow the extension?

A five year extension is automatically granted upon request. After that, additional periods can be approved by the IRS, based on the merits of the application.

Q4 What is the impact of the waiver?

Receiving the requested waiver allows the Plan more leeway to meet certain funding requirements, especially as the PPA rehabilitation process is concluded.

Q5 Does the waiver request mean that the Plan is in trouble?

No. The waiver request does not impact the Plan's benefit structure, nor its asset base, for that matter. It simply places the Plan in the best position possible to meet government imposed rules on future funding.

For more information about this Notice, you may contact the Plan at (313) 832-8049 or (888) 252-0345.

Carpenters Pension Trust Fund-Detroit and Vicinity



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August 27, 2008

NOTICE OF PENSION PLAN STATUS (FOR THE PLAN YEAR BEGINNING MAY 1, 2008)

To: All Participants, Beneficiaries, Michigan Regional Council of Carpenters, Local Unions, Contributing Employers and Employer Associations, Pension Benefit Guaranty Corporation and Secretary of Labor.

This notice is being provided pursuant to the Pension Protection Act ("PPA"). It is intended to inform you of the funding status of the Carpenters Pension Trust Fund-Detroit and Vicinity's ("the Plan"). The Plan's actuary has certified that the Plan is in "critical" status for the plan year beginning May 1, 2008, as explained below.

- **Plan Status**

The PPA imposes new funding requirements upon multiemployer pension plans to ensure that they are well-funded in future years. Each plan is required to conduct an annual study to determine the plan's funding level. Unless the plan is extremely well-funded, it is required to adopt a process to improve its funding level – so-called rehabilitation plan.

The Plan is considered to be in critical status because its funding and liquidity levels are below certain mandates set by the PPA. More specifically, the Plan's actuary determined that the funded percentage for the year 2008 is less than 65% (level set by the PPA), and that the Plan is projected to have an "accumulated funding deficiency" for the 2010 plan year, if no remedial steps are taken. The existence of an accumulated funding deficiency is determined by examining the status of the Plan's "funding standard account". A funding standard account, in turn, is a hypothetical account that, for each year, is charged with the cost of future benefits for that year, and credited with employer contributions and certain investment income. If the charges to the funding standard account exceed credits, an accumulated funding deficiency exists for that year and affects the Plan's PPA status.

As indicated, the determination that the Plan is in critical status was made by the actuary, based on the ratio of the value of the Plan's assets to the present value of all accrued benefit liabilities to participants and beneficiaries, as of May 1, 2008. Such valuations of the Plan's benefit liabilities are made, using various actuarial assumptions, developed by the actuary and are done on an annual basis. For comparison purposes, plans that are 80% or better funded are generally deemed to be in the "green" zone, or are considered well funded. Plans that are below 80% funded, but above 65% funded are considered to be in the "yellow" zone (or endangered). Those below 65% are in the "red" zone, or in critical status.

- **Adoption of Rehabilitation Plan**

The PPA requires pension plans in critical status to adopt a rehabilitation plan; designed to restore the financial health of the plan. The law permits pension plans to reduce, or even eliminate certain



benefits called “adjustable benefits,” as part of a rehabilitation plan. Should the trustees of the Plan determine that benefit reductions are necessary, you will receive a separate notice in the future identifying and explaining the effect of those reductions. No such reductions are under consideration now. Additionally, if such reductions were to be considered, they would generally apply to prospective (not retroactive) benefits – that is those benefits accrued on or after August 28, 2008. But you should know that whether or not the Plan considers reducing adjustable benefits in the future, the Plan is not permitted to pay any lump sum benefits (or any other payment in excess of the monthly amount paid under a single life annuity) while it is in critical status. Again, no benefit reductions are contemplated in the rehabilitation plan.

- **Adjustable Benefits**

The Plan offers the following adjustable benefits which could be reduced or eliminated as part of any rehabilitation plan, if it becomes necessary:

- Post-retirement death benefits;
- Disability benefits (if not yet in pay status);
- Early retirement benefit or retirement-type subsidy; and
- Benefit payment options other than a qualified joint-and survivor annuity (QJSA);

As indicated, no benefit reductions are contemplated by the current rehabilitation plan.

- **Employer Surcharge**

The PPA also provides that, unless the bargaining parties agree to make contributions in accordance with the terms of the rehabilitation plan, any contributing employer not making the required contributions must pay a surcharge to the Plan to help correct its financial condition. The amount of the surcharge is equal to a percentage of the amount an employer is otherwise required to contribute to the plan under the applicable collective bargaining agreement. With some exceptions, a 5% surcharge is applicable in the first year of the rehabilitation plan and a 10% surcharge is applicable for each succeeding plan year thereafter, in which the Plan is in critical status. The surcharge is effective 30 days after the date of this notice, unless a rehabilitation plan is adopted and the contributing employers agree to make contributions in accordance with that plan.

- **Where to Get More Information**

For more information about this Notice, you may contact the Plan at (313) 832-8049 or (888) 252-0345. You have a right to receive a copy of the rehabilitation plan from the administrator. The Department of Labor also publishes information regarding this process at: <http://www.dol.gov/ebsa/criticalstatusnotices.html>.

- **Frequently Asked Questions**

Q1 Why did I receive this notice?

A new law, the PPA, became effective this year and requires you to receive this notice. The PPA also requires that the Plan adopt certain procedures to improve its funding condition (as described in the rehabilitation plan) to ensure that the financial health of the plan is restored over the next ten years.

Q2 What does funded percentage mean?

The calculations mentioned in this notice compare the cost of providing promised pension benefits versus the current value of the assets held by the Plan. Based on past experience, the Plan estimates the amount it will earn on its assets and compares that amount to the amount it estimates it will be required to pay in future retirement benefits. The result is the funded percentage that is used for compliance with this new law.

Q3 Will my benefits be reduced?

The amount of your normal retirement benefit will **not** change. No benefit reductions are contemplated by the rehabilitation plan! In fact, the very reason that the Plan is required to adopt a rehabilitation plan is to prevent that from happening.

Q4 Why is this process necessary?

Even though the Plan has been proactive in addressing its funding level, the PPA established new rules that now require faster funding of plans than under prior law. Like most pension plans, the Plan suffered losses during the downturn in the stock market between 2000 and 2002. In something of a perfect storm, the funding level was further eroded due to the downturn in Michigan's economy, which adversely affecting the Plan's work hours

Q5 What has the Plan done to improve the situation?

While it was not required to take such action until this year, the Plan has decreased the **future** benefit multiplier over the course of the last few years and has been able to avoid a further decline in the Plan's funded percentage. The Plan, as always, is also working with its investment advisors to place Plan assets in investment vehicles with good returns, at the lowest risk. Uncredited contributions (those for which no benefit is provided) are also being used to shore up the Plan.

Q6 What is the Rehabilitation Plan?

The Rehabilitation Plan contains schedules designed to improve the funded percentage of the Plan. Ideally, improvements will be made by using a combination of "uncredited" contributions, i.e. those for which no benefit is provided, and Plan earnings.

Q7 Will the Rehabilitation Plan work?

The Plan has a number of professional advisors that have been working on the Rehabilitation Plan. Although there are no guaranties, the rehabilitation plan is designed to place the Plan in the "green zone" by 2019. It will be reviewed each year, to make sure it stays on track.