



# Carpenters Southwest Administrative Corporation

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April 2009

## SOUTHWEST CARPENTERS PENSION TRUST

### ANNUAL FUNDING NOTICE

#### Introduction

This notice includes important funding information about the Southwest Carpenters Pension Plan and Trust (“the Plan”). Although not applicable to the Plan, to meet legal requirements, this notice also provides a summary of federal rules governing multiemployer plans in reorganization and insolvent plans and benefit payments guaranteed by the Pension Benefit Guaranty Corporation (PBGC), a federal agency.

This notice is for the plan year beginning January 1, 2008 and ending December 31, 2008 (“Plan Year”).

#### Funded Percentage

The funded percentage of a plan is a measure of how well that plan is funded. This percentage is obtained by dividing the Plan’s assets by its liabilities on the valuation date for the plan year. In general, the higher the percentage, the better funded the plan. The Plan’s funded percentage for the Plan Year and 2 preceding plan years is set forth in the chart below, along with a statement of the value of the Plan’s assets and liabilities for the same period.

	2008 Plan Year	2007 Plan Year	2006 Plan Year
Valuation Date	January 1, 2008	NA	NA
Funded Percentage	91.2%	NA	NA
Value of Assets	\$2,860,341,079	NA	NA
Value of Liabilities	\$3,136,898,382	NA	NA

#### Transition Data

For a brief transition period, the Plan is not required by law to report certain funding related information because such information may not exist for plan years before 2008. The plan has entered “not applicable” in the chart above to identify the information it does not have. In lieu of that information, however, the Plan is providing you with comparable information that reflects the funding status of the Plan under the law then in effect. For the 2007 Plan Year, the Plan’s “funded current liability percentage” was 70.3%, the Plan’s assets were \$2,703,059,330, and Plan liabilities were \$3,844,557,576. For the 2006 Plan Year, the Plan’s “funded current liability percentage” was 77.4%, the Plan’s assets were \$2,578,562,820, and the Plan’s liabilities were \$3,332,715,142.

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### Fair Market Value of Assets

Asset values in the charts above are actuarial values, not market values. Market values tend to show a clearer picture of a plan's funded status as of a given point in time. However, because market values can fluctuate daily based on factors in the marketplace, such as changes in the stock market, pension law allows plans to use actuarial values for funding purposes, and this has been considered sound actuarial practice for decades. While actuarial values fluctuate less than market values, they are a form of estimate having validity over time. As of December 31, 2008, the fair market value of the Plan's assets was \$2,317,386,434 (preliminary figure, subject to change). As of December 31, 2007, the fair market value of the Plan's assets was \$2,887,734,262. As of December 31, 2006, the fair market value of the Plan's assets was \$2,735,910,635.

### Participant Information

The total number of participants in the plan as of the Plan's valuation date was 59,289. Of this number, 33,895 were active participants, 17,272 were retired or separated from service and receiving benefits, and 8,122 were retired or separated from service and entitled to future benefits.

### Funding & Investment Policies

The law requires that every pension plan have a procedure for establishing a funding policy to carry out the plan objectives. A funding policy relates to the level of contributions needed to pay for benefits promised under the plan currently and over the years. The plan is funded by contributions made by employers pursuant to collective bargaining agreements with the unions that represent the plan's participants.

Once money is contributed to the Plan, the money is invested by plan officials called fiduciaries. Specific investments are made in accordance with the Plan's investment policy. Generally speaking, an investment policy is a written statement that provides the fiduciaries who are responsible for plan investments with guidelines or general instructions concerning various types or categories of investment management decisions. The investment policy of the Plan states that investments shall be made solely in the interest of the participants and beneficiaries and for the exclusive purposes of providing their benefits and defraying the reasonable expenses of administering the Plan. Plan assets shall be invested with the care, skill, prudence and diligence under the circumstances prevailing from time to time that a prudent man acting in a like capacity and familiar with such matters would use in the investment of a Plan of like character and with like aims. Investments shall be diversified so as to minimize the risk of large losses, unless under particular circumstances it is clearly prudent not to do so. Investment decisions shall be made taking into consideration both risk and return, where risk is measured on an overall basis and not how it relates to each particular investment. The Plan shall maintain adequate liquidity to service its obligations.

The Trustees have adopted the following guidelines for asset allocation targets and ranges:

	<b>Minimum</b>	<b>Target</b>	<b>Maximum</b>
Domestic Public Equity	25.0%	30.0%	35.0%
Domestic Fixed Income	12.5%	17.5%	22.5%
Global Fixed Income	12.5%	17.5%	22.5%
International Equity	5.0%	10.0%	15.0%
Private Equity	5.0%	10.0%	15.0%
Real Estate	5.0%	10.0%	15.0%
Infrastructure	0.0%	5.0%	10.0%

In accordance with the Plan's investment policy, the Plan's assets were allocated among the following categories of investments, as of the end of the Plan Year. These allocations are percentages of total assets:

<b>Asset Allocations</b>		<b>Percentage</b>
1. Interest-bearing cash	\$109,073,040	4.71
2. U.S. government securities	320,706,447	13.84
3. Corporate debt instruments (other than employer securities):		
Preferred		
All other	535,012,935	23.08
4. Corporate stocks (other than employer securities):		
Preferred		
Common	613,905,637	26.49
5. Partnership/joint venture interests	304,914,676	13.16
6. Real estate (other than employer real property)	314,569,266	13.57
7. Loans (other than to participants)	27,156	-
8. Value of interest in pooled separate accounts	84,926,021	3.67
9. Buildings and other property used in plan operation	33,936	-
10. Other	34,217,320	1.48
<b>TOTAL</b>	<b>\$2,317,386,434</b>	<b>100.00%</b>

Note: The fair market value of plan assets as of December 31, 2008 are preliminary and are subject to change upon completion of the audited financial statements.

#### Critical or Endangered Status

Under federal pension law a plan generally will be considered to be in "endangered" status if, at the beginning of the plan year, the funded percentage of the plan is less than 80 percent or in "critical" status if the percentage is less than 65 percent (other factors may also apply). If a pension plan enters endangered status, the trustees of the plan are required to adopt a funding improvement plan. Similarly, if a pension plan enters critical status, the trustees of the plan are required to adopt a rehabilitation plan. Rehabilitation and funding improvement plans establish steps and benchmarks for pension plans to improve their funding status over a specified period of time.

The Plan was not in endangered or critical status in the Plan Year.

#### Right to Request a Copy of the Annual Report

A pension plan is required to file with the US Department of Labor an annual report (i.e., Form 5500) containing financial and other information about the plan. Copies of the annual report are available from the US Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1513, Washington, DC 20210, or by calling 202.693.8673. Or you may obtain a copy of the Plan's annual report by making a written request to the plan administrator.

Please note that the Annual Report for the 2008 plan year will not be available until mid-October of 2009.

#### Summary of Rules Governing Plans in Reorganization and Insolvent Plans

*The rules applicable to this notice require that a description be provided of the law that is applicable to plans that are in serious financial difficulty. The Plan is not in financial difficulty and therefore the following explanation does not apply to the Plan.*

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 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 percent of the first \$11 of the Plan’s monthly benefit accrual rate, plus 75 percent 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. *Thus, the PBGC only guarantees a portion of the monthly benefit accrued under this Plan. The current monthly accrual rate under this Plan is \$100 per month if you worked 1,800 or more hours in covered employment in a calendar year.*

**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  $\$357.50 (\$35.75 \times 10)$ .

**Example 2:** If a participant with 15 years of credited service has an accrued monthly benefit of \$1,200, the accrual rate for purposes of determining the guarantee would be \$80 (or  $\$1,200/15$ ). The guaranteed amount for an \$80 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  $\$536.25 (\$35.75 \times 15)$ .

The PBGC guarantees pension benefits payable at normal retirement age and some early retirement benefits. 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 (or benefits that were in effect for less than 60 months at the time of 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

Southwest Carpenters Pension Trust  
533 S. Fremont Ave.  
Los Angeles, CA 90071  
(800) 293-1370  
[www.carpenterssw.org](http://www.carpenterssw.org)

For identification purposes, the official plan number is 001 and the plan sponsor's employer identification number or "EIN" is 95-6042875. For more information about the PBGC and benefit guarantees, go to PBGC's website, [www.pbgc.gov](http://www.pbgc.gov), or call 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).