Q & A IN RESPONSE TO

ADJUSTMENT TO FUTURE SERVICE BENEFIT SCHEDULE

February 4, 2011

1. Why the change to Schedule B if the National Pension Plan is in the "Green Zone" and is over 96% funded?

The funded percentage is but one of several different measurements used to evaluate the overall financial strength of a defined benefit pension plan under "The Pension Protection Act of 2006 (PPA)," a Federal law. Some measurements are performed on a current basis (like the funded percentage) and some measurements involve projections. Although the measurements on a current basis appear strong, the longer-term projections show that, over time, the Plan will not meet the law's requirements if those participants currently earning benefits under Schedule A continue to do so.

2. Have similar future service benefit schedule changes been made before?

Yes. There is precedent for the Trustees taking similar decisive action to preserve the Plan's ability to pay benefits to retirees and beneficiaries, and to current and future Plan participants. The first instance was in the 1970s and it involved a change from using a future service benefit value for all years of service based on the final contribution rate to a less costly schedule based on using the benefit value for the contribution rate applied only to the credit earned at that rate. This was done to meet the funding requirements as originally imposed by the Employee Retirement Income Security Act of 1974 (ERISA). In 2003, following poor market performance in the period 2000-2002 and following fallout from the events of September 11, the Trustees adopted Schedule B for employees working for contributing employers with initial contribution dates on or after April 1, 2003.

Since Schedule B was implemented, approximately **500 contributing employer locations with over *40,000 new participants*** have joined the Plan and began participating under Schedule B or a custom schedule derived from Schedule B. **This is the Schedule that over the three-year period of 2011 – 2013 will become the basis for newly earned benefit accruals for everyone. (NOTE: The schedule for employees of employers on custom schedules derived from Schedule B will not change.)**

3. Why was this change made now and what led up to it?

This change was made primarily to keep the Plan in Green Zone Status under the PPA (see response to Question 4 below.) It results in greater protection of the long-term funded status of the Plan and greater protection of the accrued benefits for all Plan participants. Many other factors affected the Trustees' decision to implement Schedule B, including investment losses following the severe market decline in 2008 and the worst economic downturn since the Great Depression. *See additional background information on events leading up to this change at the end of this document.

4. What is the Pension Protection Act (PPA) of 2006?

The PPA is extensive Federal legislation affecting both single-employer pension plans and multiemployer pension plans that imposes new disclosure rules and stricter funding requirements on these plans. For multiemployer plans, the PPA outlines three financial conditions of plans, called "zones." Being in the "Green Zone" is defined as being funded at 80% or more, along with other required measurements. A "Green Zone" plan is not required to take any corrective action. However plans that fall into the "Yellow Zone" or "Red Zone" *are* required to take corrective action, which for Red Zone plans could include the reduction or elimination of certain adjustable benefits such as "30 and Out" and "Age 62 with 20 years" unreduced early retirement benefits.

5. Why am I just learning about this change now?

The Trustees were legally required to send a “204(h) Notice” to you no later than 15 days before the earliest date that the change could take effect (in this case, the earliest date was January 1, 2011, so the Notice went out mid-December). This Notice was one of the communication elements you received. While the Trustees planned to release a plain language communication to notify you earlier, some of the details were not decided until just before the deadline for the 204(h) Notice. Those details included when and how this change would take effect. Originally, it appeared that the changes might have to take effect for everyone on January 1, 2011. Later, the situation improved enough that the Trustees finally decided that the change would be effective upon ratification of a new collective bargaining agreement. This gives you time and opportunity to negotiate contribution rate increases to help make up the difference between future service accrual rates under Schedule A and those provided under Schedule B.

6. How is this change going to affect the amount of my pension?

All benefits accrued under Schedule A will remain under Schedule A benefit values. In other words, previously accrued benefits (benefits you have already earned) **will not** change. Once a new Collective Bargaining Agreement (CBA) that replaces the CBA in effect on January 1, 2011 is ratified, your future benefit accruals will be under Schedule B. However, all Plan participants will accrue future service benefits under Schedule B (or a custom schedule derived from Schedule B) starting no later than January 1, 2014.

7. I am already receiving a benefit check from the National Pension Plan. Will my benefit change?

No. If you are already receiving a pension benefit, the schedule change will not affect the amount of your benefit.

8. Does the change affect any other provisions of the Plan, such as 30 and Out?

No. Only the amount of future benefit accruals are affected. All other provisions of the Plan will still be available such as Early Unreduced benefits (30 and Out, Age 62 with 20 years), Disability benefits, and Preretirement Death benefits.

9. What about the pension relief measures passed by Congress—won't these new laws help the Fund?

The two relief measures enacted by Congress since 2008, the amortization extension granted by the IRS early last year, and the change from Schedule A to Schedule B have all contributed to allow the Plan to remain in the "Green Zone." All three of these actions were needed to avoid having to take immediate, and even more severe corrective action.

10. Why have benefit accruals for future service been reduced by so much? Benefit accruals for future service under Schedule B are 40% lower than under Schedule A.

Under the rules of ERISA (Employee Retirement Income Security Act of 1974) as amended by PPA, if a plan is in the "Green Zone," adjustments cannot be made to the benefits that have already been earned by any participant. That means the action that had to be taken could only be on the benefits to be earned in the future. The already earned benefits that cannot be taken away make up almost ¾ of the Plan's liabilities. That left only a relatively small portion of the overall Plan benefits available for adjustment. Consequently, the best decision was to generally move to Schedule B (or a custom schedule derived from Schedule B) for all participants.

11. How did the Fund determine that Schedule B was the right future benefit accrual schedule to use?

At the Trustees request, the Fund's actuaries performed many detailed calculations and projections, which showed how the Plan's funding would be affected by changes in the benefit schedule. This included information about the projected impact of removing the old schedule (Schedule A) for credited service earned in the future. After reviewing and discussing the results of the actuaries' studies, the Trustees decided that the schedule introduced in 2003 for the Fund's new groups (Schedule B) should be the basis for future accruals for all Plan participants. The Trustees were legally permitted only to make changes that affect benefits to be earned in the future, and a significant enough change had to be made to make a material difference in the Fund's long-term status under the PPA.

12. What assurance do we have that more Plan changes will not be made?

Unfortunately, this assurance cannot be provided. While it is and has always been the Trustees' intent to manage the Plan to avoid reductions in benefit accruals for service earned in the future, there are certain risks that cannot be fully controlled or avoided that sometimes create the need for adjustments. These risks are the same ones that face all single-employer and multiemployer pension plans, including market volatility such as that seen in 2008 (which was combined with the worst economic conditions since the Great Depression) and Congressional legislative action, such as the Pension Protection Act of 2006 and subsequent related legislation. These risks are particularly important for a multiemployer defined benefit pension plan, such as ours, because these plans rely on employer contributions that are fixed based on the terms of negotiated collective bargaining agreements. Usually, these agreements cannot be easily reopened to provide for employers making additional contributions to the Plan.

The Trustees continue to monitor and evaluate the Fund's financial health and will take any action necessary to do what is needed to protect the Fund to assure the continued payment of benefits to current and future retirees and beneficiaries.

13. What alternatives did the Trustees consider before making the schedule change?

As with any potential change in the Plan, the Trustees consulted with the Plan's professional advisors to examine a wide range of options and alternatives before deciding on a course of action. An alternative would have been to let the Plan first fall into the Red Zone, which would have allowed cuts in already accrued benefits. The Trustees rejected this alternative.

14. When the economy improves, will we go back to Schedule A?

The Trustees' responsibility has always been to provide benefits under the National Pension Plan that are designed for and maintained in the best interests of Plan participants in accordance with legal requirements. The change to Schedule B is consistent with that obligation. The Trustees will continue to consult with their professional advisors and examine all applicable factors when considering the most appropriate plan design, including future benefit accruals.

15. Why shouldn't we negotiate out of the National Pension Plan and just put our money in a 401(k) savings plan?

Even under Schedule B, the National Pension Plan continues to provide a very valuable benefit (it provides a lifetime benefit that you cannot outlive) that puts participants far ahead of most U.S. employees in terms of the opportunity to build retirement income. Studies have shown that defined benefit pension plans, such as the National Pension Plan, are more efficient at providing retirement income than defined contribution savings plans, such as 401(k) savings plans. National Pension Plan benefits, along with Social Security benefits and supplemental savings (such as those derived from a companion 401(k) savings plan), make up the best retirement scenario available.

16. Is there anything I can do to offset the lower benefit values under Schedule B?

Through collective bargaining, you have the opportunity to negotiate employer contribution rate increases into your agreement. Negotiating increases into your agreement will increase your pension benefit in the future.

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*Following is additional background information describing events leading up to the change from Schedule A to Schedule B:

During the 1980's and 1990's the stock market had a long and historic upswing. This produced surpluses that were used to improve benefits. These improvements resulted in future benefit accruals that were 100% greater than they were when this era started. At times, the surplus was so large, the employers would have not been able to take a tax deduction for their contributions unless the benefits had been improved.

Unfortunately, the big stock market rally ended about ten years ago, and the Fund's invested assets had some negative years. Instead of increases in benefits, the Trustees were forced to consider other adjustments. At that time, the Trustees, based on calculations performed by the Fund's independent actuaries, adopted Schedule B for all employees of new employers that made initial contributions to the Plan effective on or after April 1, 2003.

The PPA set tighter funding rules for the Plan. This was followed in 2008 by another big drop in the investment markets. The combination of this new law and the 2008 decline in the stock market are the new circumstances that resulted in the decision to adjust future benefit accruals.

The PPA requires much tighter funding and much more participant disclosure, along with long-term projections to show that a plan can pay benefits far into the future. A new requirement under the PPA for multiemployer pension plans is "zone certifications." These zone certifications use an analogy similar to a traffic light. A plan that is green is considered safe. A plan that is yellow is considered endangered. A plan that is red is considered critical.

Yellow Zone plans are required to adopt a "Funding Improvement Plan." Red Zone plans are required to adopt a "Rehabilitation Plan." A Funding Improvement Plan or Rehabilitation Plan may involve additional employer contributions. A Rehabilitation Plan may mandate takeaways of certain types of benefits (e.g. early retirement subsidies such as "30 and Out," or "Age 62 with 20 years," and other, more severe corrective action).

While in the first year of the PPA the National Pension Plan (NPP) was 113% funded, after the 2008 investment year, the NPP was projected to be in the “Yellow Zone” as of January 1, 2009 and projected to most likely be in the “Red Zone” in 2010 if no action was taken.

At that time, Congress responded to requests from many plan sponsors for some relief from the application of PPA’s strict rules starting in a period of a major investment market drop. Congress passed the “Worker, Retiree, and Employer Recovery Act” (WRERA), which allowed multiemployer plans to freeze the prior year’s Zone status to provide more time to determine the best course of action to improve a plan’s funding. In addition, various changes to the legislation were proposed. The NPP Trustees took advantage of the Zone status freeze and notified participants of this action in April 2009.

In the meantime, Congress was still reviewing various relief measures but nothing had been resolved. The NPP Trustees, following advice from their professional advisors, applied for an amortization extension from the IRS under PPA rules. This allowed the Plan to “finance” its liabilities over a longer period of time (much like refinancing a house allows one to pay less money each month, though over a longer period of time). The Trustees notified Plan participants of this request for an extension in December 2009.

The amortization extension allowed the Plan to stay “Green” so that the Plan would not have to implement a Rehabilitation Plan with more severe cutbacks. However, approval by the IRS was contingent on the Trustees taking steps to fix the funding imbalance caused by the 2008 stock market losses and imposition of the new stricter funding requirements of the PPA.

At the request of the Trustees, the Fund’s independent actuaries performed many detailed and complex calculations to determine the best way to address the funding imbalance. One of the challenges faced by the Trustees was that under the PPA, the Trustees were only legally permitted to make changes that affect benefits earned in the future—that is, benefits already earned or already being paid cannot be taken away. Since 71% of the Plan’s liabilities are made up of benefits already earned or already being paid, this left only the remaining 29% of the Plan’s liabilities to which an adjustment could be made. Therefore, based on the work they asked the Fund's independent actuaries to do, the Trustees made the decision to move the 60,000 or so participants under Schedule A to Schedule B as the necessary and most prudent course of action.

In deciding on the action to be taken, the Trustees were concerned about the timing of the change and the concerns of the collective bargaining parties. The result was to provide a three-year transition period. Under this arrangement, the change from Schedule A to Schedule B does not take place for any group until ratification of the collective bargaining agreement that replaces the one in effect on January 1, 2011. In no event, however, will Schedule A remain in effect beyond December 31, 2013.