

**WESTERN CONFERENCE OF TEAMSTERS PENSION PLAN**

**SECTION I — ACTUARIAL ASSUMPTIONS: BASIS AND METHODOLOGY**

1. **Actuarial Basis**

For valuation purposes, age last birthday has been used to reference the tables of probabilities of death, termination, age retirement and disability retirement. The assumptions employed are described below.

a. **Investment Earnings Assumptions**

- i. **Fixed Dollar Account**: The assumed investment return for these assets, which is used to value the pension benefits\* for Pensioners and Beneficiaries whose benefits commenced on or before August 1, 1982 (as identified by Prudential Investments), is determined by a schedule of rates that varies by calendar year, starting at 7.1% in 2009 and decreasing gradually to 6.5% in 2015 and thereafter.
- ii. **1982/1984 Annuity Account**: The assumed rate of return for these assets, which is used to value the pension benefits\* for Pensioners and Beneficiaries whose benefits commenced from September, 1982 through December, 1984 (as identified by Prudential Investments), is 5.40%.
- iii. **Strategic Bond Account (SBA)**: The assumed rate of return for these assets is 6.25%. This assumption is used to value 85.2% of the pension benefits\* related to service through December 31, 1985, based on December 31, 1984 Plan provisions and not covered by the prior asset dedications.

- \* Single sum death benefits are not valued using the investment earnings assumptions described above. Instead, the "Remaining Assets" assumption described on the next page is used.

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1. **Actuarial Basis (Continued)**

iv. Remaining Assets/Benefits: The assumed rate of investment return which is used to value all benefits expected to be paid out of remaining assets and future contributions is 7%.

b. Mortality Rates

The assumed mortality rates for non-retired participants and for age retirees and beneficiaries are based on the various RP-2000 mortality tables and adjustment factors -- modified to reflect recent Plan experience and projected (using Scale AA) to provide a margin for mortality improvement. Special mortality tables, reflecting Plan experience, are used for disabled pensioners.

Examples of mortality rates used are shown in the table below:

<b>ANNUAL PROBABILITY OF DEATH</b>						
Age Last Birthday	Non-Retired Plan Participants		Age Retirees and Beneficiaries		Disabled Retirees	
	Male	Female	Male	Female	Male	Female
25	.0004	.0002	.0004	.0002	.0277	.0139
40	.0014	.0009	.0014	.0009	.0278	.0139
55	.0036	.0029	.0052	.0042	.0287	.0139
70	.0178	.0141	.0244	.0206	.0382	.0223
85	.1133	.0824	.1133	.0824	.1548	.1231

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1. **Actuarial Basis (Continued)**

c. Provision for Expenses

\$80 million of employer contributions per year.

d. Age Retirement Rates for Participants with fewer than 25 Years of Service

Age retirement rates apply only to retirement eligible participants.

Age Last Birthday	Non-PEER Actives	PEER Eligible Actives	Vested Terminated
49	.030	.150	N/A
50	.030	.150	N/A
51	.030	.150	N/A
52	.030	.150	N/A
53	.030	.150	N/A
54	.080	.160	.160
55	.060	.120	.120
56	.060	.120	.060
57	.060	.120	.060
58	.060	.120	.060
59	.100	.200	.100
60	.100	.200	.100
61	.350	.350	.300
62	.350	.350	.200
63	.150	.150	.150
64	.300	.300	.300
65	.300	.300	.200
66	.200	.200	.060
67	.200	.200	.060
68	.200	.200	.060
69	1.000	1.000	1.000

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**SECTION I — ACTUARIAL ASSUMPTIONS: BASIS AND METHODOLOGY**  
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1. **Actuarial Basis (Continued)**

e. **Age Retirement Rates for Participants with 25 or more Years of Service**

Age retirement rates apply only to retirement eligible participants.

Age Last Birthday	Non-PEER Actives	PEER Eligible Actives	Non-PEER Vested Terminated	PEER Eligible Vested Terminated
49	.030	.150	.150	.230
50	.030	.150	.150	.230
51	.030	.150	.150	.230
52	.030	.150	.150	.230
53	.030	.150	.150	.230
54	.080	.160	.160	.350
55	.060	.120	.120	.250
56	.060	.120	.090	.200
57	.060	.120	.090	.180
58	.060	.120	.090	.180
59	.100	.200	.150	.300
60	.100	.200	.150	.300
61	.350	.350	.350	.350
62	.350	.350	.350	.350
63	.150	.150	.150	.150
64	.300	.300	.300	.300
65	.300	.300	.300	.300
66	.200	.200	.200	.200
67	.200	.200	.200	.200
68	.200	.200	.200	.200
69	1.000	1.000	1.000	1.000

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f. Disability Retirement

Disability rates apply only to employees with 4 or more years of vesting service.

Age Last Birthday	Examples of Annual Probability of Retirement
32	.0006
37	.0008
42	.0011
47	.0017
52	.0030
57	.0052

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 (Continued)

1. **Actuarial Basis (Continued)**

g. **Employee Termination Rates**

The termination rates shown below exclude death, disability and retirement rates. Termination rates are not applied when an individual is eligible for age retirement. Below are examples of annual probabilities of employment termination for Active employees with less than 9 years of coverage.

<b>Non-Seasonal Employees</b>				
Age Last Birthday At First Covered Hour	Years Since First Covered Hour			
	0	1	2	8
22	.0945	.1795	.2272	.1120
32	.0844	.1478	.1914	.0896
42	.0776	.1214	.1674	.0784
52	.0641	.0898	.1435	.0784
62	.0574	.0686		
<b>Seasonal Employees</b>				
Age Last Birthday At First Covered Hour	Years Since First Covered Hour			
	0	1	2	8
22	.7004	.5443	.3039	.1600
32	.6254	.4482	.2559	.1280
42	.5754	.3682	.2240	.1120
52	.4753	.2721	.1920	.1120
62	.4253	.2081		

Examples of annual probabilities for termination are listed below for Non-Seasonal and Seasonal Active employees with 9 or more years of coverage.

<b>Non-Seasonal and Seasonal Employees</b>		
Age Last Birthday on Valuation Date	After 9 or more Years Since First Covered Hour	
	Non-Seasonal	Seasonal
32	.0734	.0978
42	.0435	.0790
52	.0422	.0562
62	.0077	.0102

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1. **Actuarial Basis (Continued)**

h. **Benefit Projection Assumptions**

Projected benefit amounts were calculated assuming that: (a) Non-Seasonal employees work an average of 1800 hours per year; (b) Seasonal employees work an average of 600 hours per year; and (c) contribution rates would continue at the December 31, 2008 levels.

i. **Expected Annual Employer Contributions**

The annual employer contributions expected during 2009 have been assumed to be \$1.353 billion. This amount is used to determine the expected amortization period (13.4 years) for the UAL (\$7,073,833,000).

j. **Actuarial Value of Assets**

The Prudential Investments Fixed Dollar Account (FDA), in general, was valued at book value. However, to the extent the FDA value was lower than the retired life liabilities that its value was required to support, certain bonds valued at amortized cost were assigned to the FDA so that all FDA liabilities were supported by dedicated assets. When book value is referenced, such value is equal to amounts deposited, plus interest credited, less amounts disbursed. The 1982/1984 Annuity Account and the SBA were valued on an amortized cost basis, running from cost at purchase to par value at maturity or earliest call date.

The remaining invested assets were valued by determining an investment gain or loss by comparing the actuarially expected investment results with the investment results based on the fair market value of assets for each of five years. Twenty percent of each year's investment gain or loss is added to the Actuarial Value of Assets at the beginning of the year. In no event is the actuarial value of the remaining assets allowed to be greater than 120% or less than 80% of the fair market value of those assets, pursuant to IRS regulations.

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2. **Other Assumptions and Funding Methodology**

a. **Sample Valuation Data**

We have relied on data supplied by Prudential Investments and Northwest Administrators. The actuarial values for non-retired participants are based on a sample of the employees covered under the Plan, as described in Section H. The actuarial values for records with valid data are adjusted for sampling and incomplete data, and the results are assumed to represent the values of the entire covered group.

b. **Past Employment**

Total past employment (continuous past employment plus special past employment) for each employee was calculated as the number of years from year of union membership until year of coverage, but not less than the known continuous past employment for the employee.

c. **Survivor Benefit Costs**

The family composition of covered employees was assumed to be similar to that tabulated in the 15th Actuarial Valuation published by the Railroad Retirement Board. This assumption was used to estimate the probability that an employee will be survived by a beneficiary eligible for a survivor benefit and to establish the probable duration of the benefit.

d. **Entry Age Distribution**

The entry age distribution used to determine the normal cost was based on the age-at-participation characteristics of employees who have recently become participants. New Non-Seasonal participants were assumed to have accrued 900 covered hours and new Seasonal participants 450 covered hours on their participation date.



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2. **Other Assumptions and Funding Methodology (Continued)**

e. **Actuarial Cost Method**

The entry age actuarial cost method was used. Under this method, the prospective pension benefits at retirement age are calculated for a cohort of new entrants with entry age characteristics as described above. Level cost factors payable from entry age to retirement are developed based upon the actuarial assumptions. The normal cost per participant is found by applying these level cost factors to the prospective benefits.

The present value of the expected future benefits payable to current Plan members is also calculated. The actuarial liability is the excess of the present value of the future benefits of current Plan members over the present value of future normal costs.