



Joint Plumbing Industry Board Plumbers Local Union No. 1 Trust Funds



Welfare Fund • Vacation and Holiday Fund • Trade Education Fund • Additional Security Benefit Fund • 401(k) Savings Plan
George W. Reilly, Co-Chairman - Labor Walter Saraceni, Administrator Vito Giachetti, Co-Chairman - Management

December 2008

Re: ASB Fund Recent Financial Market Impact (Revised)

Dear Plan Member:

As you may know, the Plumbers Local Union No. 1 Additional Security Benefit Fund (ASB) has been negatively impacted by the recent market downturn. The market impact on individual accounts has been moderate, not severe, following what some are saying is a once-in-a-lifetime full force market downturn.

The ASB Fund's investments are carefully monitored by the Trustees and are professionally managed. The Trustees recognize that down markets are normal and should be expected to happen from time to time. As such, the Trustees do not feel that the recent events should change the way the ASB Fund is invested. Rather, the Trustees believe that it's important to have a well thought-out investment plan that is built to weather occasional market turbulence, and to have the discipline to adhere to that plan during good markets and bad. Historically, investors who have stayed the course during challenging markets realized very strong long-term returns.

In the short term, the ASB Fund's market value has declined. To protect all Participants and the Fund, as recommended by the Fund's Investment Consultant and Fund Counsel, the Trustees have adopted many changes to the structure of the ASB Fund. These changes are effective December 18, 2008. The changes will take place in two phases while changes are made to the Fund's record keeping system. Below is an outline in a question and answer format to keep you informed of these changes.

Q1. Will ASB Benefits be paid during these turbulent financial markets? (Revised)

As stated above, the Plan is conservatively invested and well diversified. As such, benefits will continue to be paid on a weekly basis thru January 30, 2009. To facilitate monthly valuations, Benefits will be paid on a monthly basis Effective February 1, 2009. Therefore, for the extended weekly Benefit payments applications received by the Fund will be paid as follows:

Received thru:	Paid on or after:	Received thru:	Paid on or after:
January 6, 2009	January 8, 2009	January 20, 2009	January 23, 2009
January 13, 2009	January 15, 2009	January 27, 2009	January 29, 2009

For Monthly Benefit payments, application for Benefit Form are due in the Fund Office no later than the second Tuesday of each calendar month for the subsequent month's Benefit payment. Monthly Benefits will be paid as follows:

Received thru:	Paid the week of:	Received thru:	Paid the week of:
February 10, 2009	March 2, 2009	July 14, 2009	August 3, 2009
March 10, 2009	April 6, 2009	August 11, 2009	September 7, 2009
April 14, 2009	May 4, 2009	September 8, 2009	October 5, 2009
May 12, 2009	June 1, 2009	October 13, 2009	November 2, 2009
June 9, 2009	July 6, 2008	November 10, 2009	December 7, 2009

Q2. What is going to happen to the money I have in the Plan as a result of these changes?

During Phase 1, adjustments will not be made to your account balance(s) to reflect the current market value of the Plan's assets. Therefore your individual Account A balance and/or Account B balance will remain unchanged until a valuation mechanism is implemented in Phase 2.

Q3. Do I have an option to defer Benefit payments during this market downturn?

Historically, investors who have stayed the course during challenging markets have realized very strong long-term return. While Benefits will continue to be paid during this time of turbulent financial markets, you may realize a higher investment return by deferring Benefit payments from your individual account until such time as market conditions improve. Of course, this doesn't guarantee a profit, nor does it protect your account from losses if the markets continue to decline. You should make a decision on obtaining Benefits based on your individual financial circumstances.

Q4. Will any Benefit payment adjustments be made to compensate for any short-term market losses during Phase 1?

Benefits paid during Phase 1 may be reduced. Specifically, to cover the recent decrease in the value of the Plan's assets caused by the sudden downturn in the financial markets, a percentage of a Participant's Account will not be available for distribution. Therefore, the amount available for distribution will be the market value as of the end of the month prior to the distribution less an additional amount to be determined by the Plan Trustees to cover any market decline between the end of the prior month and the date of distribution. The Trustees have currently determined that the total amount of any individual account in the Fund available for distributions is limited to 75% of the individual account. This temporary distribution limit may be applied to any Benefit payments processed by the Fund on or after December 18, 2008 and may be adjusted by the Trustees to account for market changes before distributions, if any, are made to you.

Example 1: Participant has \$12,000 balance (Account A – B or Combined) and requests \$8,500 Supplemental Vacation Benefit. Fund pays \$8,500 the full amount requested, less any applicable withholdings, if any. In this example \$9,000 or 75% of \$12,000 is available for payment.

Example 2: Participant has a \$12,000 balance (Account A – B or Combined) and requests a \$12,000 Supplemental Vacation Benefit. Fund pays \$9,000 less any applicable withholdings, if any. In this example \$12,000 requested was reduced by \$3,000 (25% of \$12,000).

Example 3: Participant has a \$12,000 balance (Account A – B or Combined) and requests a \$12,000 Supplemental Vacation Benefit. Fund pays \$9,000 less any applicable withholdings, if any. Subsequent to the \$9,000 distribution Participant's account is credited \$1,000 increasing remaining account balance of \$3,000 to \$4,000. Participant requests a \$4,000 distribution. Fund pays \$750 less any applicable withholdings, if any. In this example \$4,000 requested was reduced by \$3,250 (25% of \$1,000 + \$3,000).

Q5. Does the Phase 1 payment adjustment apply to Account A balances and Account B balances?

Yes. All Benefits paid during Phase 1 from Account A and/or Account B are limited to 75% of the individual account as described above.

Q6. Will investment earnings or losses be allocated towards amounts distributed by the Fund? (Revised)

Investment earnings and/or losses will **not** be allocated to amounts distributed by the Fund on or after December 18, 2008. Therefore, a participant may want to review his or her financial circumstances and consider deferring a Benefit payment in order to give the individual account the opportunity to realize potential gains in the event that market conditions improve. There is no opportunity for gain (or for further losses) on amounts distributed.

Q7. Will any interest be credited for Plan year 2008?

Interest will not be credited to individual accounts for the 2008 Plan Year. Typically, the income of the Fund in excess of the amounts credited to Accounts is used to pay for the administration of the Fund and the Supplemental Death Benefits. Due to the decline in the value of investments, the income of the Fund will be less than amounts required to pay for the administration of the Fund and Supplemental Death Benefits. In past years, the amounts carried in reserve in the ASB Fund were used to offset the administrative expenses of the Plan as well as fund the Supplemental Death Benefits. The decline in the market has eroded this reserve and therefore the reserve is not available to support these expenses and benefits.

Q8. Will Supplemental Death Benefits continue to be paid?

Yes. The Trustees have determined to continue paying Supplemental Death Benefits that are in pay status thru March 31, 2009. At that time, the Trustees will review the continuance of this provision based on market conditions. The Trustees have also determined to suspend new claims for Supplemental Death Benefits for claims filed on or after January 1, 2009 until further notice.

Q9. Will administrative expenses be charge to individual accounts?

Yes. Administrative expenses will be charged to individual accounts. See Q&A Number 4 above concerning Phase 1 and Q&A Number 11 below during Phase 2.

Q10. What is going to happen to the money I have in the Plan as a result of the Phase 2 changes?

One of the main changes during Phase 2 will be valuation of individual account balances to reflect market value. Specifically, the Plan will allocate the investment gains and losses and the administration and investment costs directly to the accounts of Participants. To accomplish this, accounts will be initially valued as of December 31, 2008 and valued on a monthly basis based on market value thereafter. Please note that under the new rules, if the market value of assets does rise over time, Participants will enjoy the investment income as credited monthly to individual accounts. Of course, this doesn't guarantee a profit, nor does it protect from losses if the markets continue to decline.

Q11. Are there any changes to the plan fees with respect to investment changes to the plan?

There are two different types of expenses in the Plan, **Investment Expenses** (expense ratio) of investments and **Administrative Expenses** of the Plan.

The **Investment Expense** will be deducted from the "gross investment return" of the investment and the "net investment return" will be updated to your investment account. For example, beginning January 1, 2009, the expense ratio is 0.41%.

The **Administrative Expense** includes all "non-investment related expenses." These expenses include Recordkeeping, Administration, Collection, Accounting, Legal, Consulting and Custody fees. Effective January 1, 2009, an amount of \$180 per year (\$15 per month) will be deducted from your account to cover the Plan's Administrative Expenses. This amount will be adjusted as necessary.

Q12. How often is my account valued?

The Fund will compute the value of your accounts monthly as of the last day of each month. After the end of each year (December 31), you will receive a Statement of your ASB Fund benefits, showing your Individual Account as of the end of such year.

Q13. How will my account be valued?

As a Participant in the Plan, you will have an individual account (Account A and/or Account B) to which will be credited contributions on your behalf, if any, and your share of the earnings and expenses of the Fund.

Each Month, your account will be "valued" to show your share of any administrative expenses, Benefit payments, contributions, earnings (or losses) and investment expenses for the month. This "valuation" is a four-step process:

First, all administrative expenses (except investment expenses) incurred are charged against each account on an equal basis, regardless of the amount in the account;

Second, your account will be adjusted for any Benefit payments to you or on your behalf;

Third, your account will be credited with employer contributions received on your behalf for the month; and

Fourth, a proportionate share of investment earnings (or losses) and investment expenses will be allocated to your account (based on assets in your account).

Q14. Can my Account balances increase and/or decrease due to financial markets?

Yes. Your individual Account A and/or Account B balances may be affected on a monthly basis due to financial market conditions.

Q15. Will Benefit payments be adjusted to compensate for any short-term market losses during Phase 2?

Benefits paid during Phase 2 may be reduced depending on any investment gain or loss in the Fund. Specifically, a percentage of a Participant's Account may not be available for distribution to cover the decrease in the account value due to a decline in the value of investments and administrative fees. The amount available for distribution will be the market value as of the end of the month prior to the distribution less an additional amount to cover any market decline between the end of the prior month and the date of distribution plus administrative and investment expenses. Keep in mind, as described in Question 4, the additional amount withheld will vary as the Fund's asset value varies with market conditions. The Plan Trustees will determine this additional amount at the time in which benefit payment amounts are being determined.

Q16. Is a statement of the new valued account balance available?

A statement reflecting your valued account balance(s) will be available as soon as changes to the Fund's record keeping system are completed.

Q17. Will the Supplemental Vacation Benefit (fixed payment) be available in 2009?

Yes. Supplemental Vacation Benefits depend on when benefits are paid. Vacation Benefits paid in the last week of January each year (fixed payment) are subject to the special (often lower) income tax withholdings provided that you submit a valid Form W-4 with your application. In order for the tax withholdings for the fixed payment to apply, you must specify on your application that you are applying for this benefit to be paid as required in the last week of January and you must attach a Form W-4. If your application does not indicate that you are applying for the fixed payment or does not include a Form W-4, the tax withholdings that apply to all other Supplemental Vacation Benefits will be used. ***The Fund Office must receive an application for distribution and a valid Form W-4 no later than January 20, 2009.*** (A new Form W-4 is not required if one is on file with the Fund, unless you are making changes.)

Q18. Is a third Supplemental Vacation Benefit available effective January 1, 2009?

Yes. The Trustees amended the Plan's Supplemental Vacation Benefit effective January 1, 2009. As you know, the Benefit has a limit of \$12,000 per year; you may now apply for benefits three (3) times per year. Vacation Benefits not used in one year may be withdrawn in the following calendar year.

Q19. Who do I contact if I have questions regarding these changes?

For general information regarding these changes, please contact the Fund Office ASB Department at 718-835-2700.

Note from the Board of Trustees of the Plumbers Local Union No. 1 Additional Security Benefit Fund.

As a Reminder, Benefits will continue to be paid during this time of turbulent financial markets. You may realize a higher investment return by deferring Benefit payments from your individual account until such time as market conditions improve. Of course, this does not guarantee a profit, nor does it protect from losses if the markets continue to decline. You should make a decision on obtaining Benefits based on your individual financial circumstances. No action needs to be taken on your part with respect to the changes occurring in the Plan as of December 18, 2008. These changes will occur automatically.

We, the Board of Trustees thank you for your support during these turbulent financial markets. We are confident that the Plan is prepared for the short-term impact on our long-term investments!