



FUND

UPDATE

NEWS FROM ROAD CARRIERS LOCAL 707 WELFARE & PENSION FUND ~ JUNE 2003

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Please note that there is important information about your rights under the Plan in this issue. Please read and retain for future use.

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THE PERFECT STORM

Many of us have seen the movie "The Perfect Storm". The story describes a storm stronger than any other recorded in history when weather systems combined in a unique way. Lately, more and more people are using what happened in "The Perfect Storm" to describe what has happened to our economy.

The current economic storm is sending shock waves throughout our nation's and the world's economies. After ten years of unprecedented growth in the stock market, stock prices collapsed to a degree that rivals what happened in the great depression of the 1930's. Medical costs have risen at unprecedented rates. Bond yields have also dropped to 45 year lows. This combination has been devastating to pension and welfare funds throughout the country. Indeed, you only have to look at the list of what went wrong for the financial markets the past three years to realize we are living through unique times. Following the burst of the speculative technology stock bubble three years ago, we had Enron, WorldCom, 9/11, the wars in Afghanistan, Iraq and SARS. These events certainly add up to the ingredients for an economic "Perfect Storm".

And what a storm it has been. According to a recent survey performed by a company called The Wilshire Associates, 89 % of corporate pension plans are now under funded. Last year, the Pension Benefit Guarantee Corporation, a government corporation that takes over pension plans for bankrupt and failed companies and administers payments to retirees, lost \$11.1 billion. For the first time in the 28 year history of the PBGC, it suffered a deficit.

Inside this issue you will find the Summary Annual Reports for both the Welfare and the Pension Funds. The reports are for the plan year ended August 31, 2002. You will note that each fund has suffered a decline in plan assets, i.e., the money we have to invest in stocks and bonds. The decline is the result of the economic storm we lived through in 2002.

While the declines are significant, I can say that your funds' assets have weathered the storm better than other funds. What has enabled us to do as well as we have is the Trustees' commitment to broadly diversified investment funds in accordance with formal written guidelines and policies. The Trustees have, throughout this period, utilized professional money managers to make investments. In addition, these money managers are constantly monitored by a professional financial consultant retained by the Trustees to ensure that the managers are properly handling the investments.

Because of our policy of diversifying the investments, the funds were able to capitalize on positive market forces at work during these past few years. The funds were able to catch the rising bond market last year because a significant portion of assets was invested in bonds. At the same time, because the Trustees limited corporate bond investments to higher quality investment grade bonds, we were able to avoid significant losses caused by the corporate accounting scandals. While stocks declined in value during 2002, recent events, notably April 2003, saw a recovery in the equity markets with the S&P posting a 8.2 % gain. Again, because of our asset allocation strategy, our funds benefited from this gain.

In addition to employing professional investment advisors, the Trustees have also taken steps in other ways designed to preserve the stability of our funds. One aspect of this effort is shown by the fact that administrative expenses of the funds are closely watched. Indeed, in a number of categories, administrative expenses have actually been reduced.

Another area where the Trustees have made efforts to preserve our funds is in the area of restructuring benefit programs to produce significant savings. This was very important for the Welfare fund. At the same time that investment returns were declining, medical and other health care costs were rising off the charts. For example, the average cost of prescriptions in 2002 and this year was expected to grow by 17 to 20 % per year. Something had to be done to stabilize the fund. As you know, we restructured the co-pays to shift the use from high priced brand name to less expensive generic drugs. While no one likes to pay higher co-pays, this change allowed the Welfare Fund to save money without decreasing the quality of care provided to participants.

While all of these efforts have been important to stabilize the funds, please know that the Trustees will continue to closely monitor the funds' financial condition. Some economic reports being circulated are optimistic for a recovery in the financial markets this year. And, as noted, we witnessed a significant rally in the market in April 2003. Other reports raise the fear that the market will continue to under perform for the foreseeable future. What will happen in the future remains, of course, unclear. What is clear, however, is that the Trustees have demonstrated their determination and ability to do what is necessary during this "Perfect Storm".

Road Carriers Local 707

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Helpful Hints

Your attention to these matters can help to maximize the benefits available to you from your Welfare Fund!

PRESCRIPTION DRUGS

Ask your doctor to prescribe generic drugs when appropriate. Generic drugs have a lesser co-pay than brand name drugs and therefore save you money. Generic drugs cost 40% to 60% less than their brand name counterparts. The use of generic drugs helps to preserve the assets of your Fund. Please ask your doctor to prescribe generics when appropriate.

REFILLING PRESCRIPTION DRUGS

Wait until 75% of your prescription has been used before submitting for refills of mail order drugs. Requests for refills will be returned to you if submitted prematurely.

*FREQUENTLY ASKED QUESTIONS ABOUT GENERIC DRUGS

What are generic drugs? A generic drug is a copy that is the same as a brand-name drug in dosage, safety, strength, how it is taken, quality, performance and intended use.

Are generic drugs as safe as brand-name drugs? Yes. FDA requires that all drugs be safe and effective. Since generics use the same active ingredients and are shown to work the same way in the body, they have the same risks and benefits as their brand-name counterparts.

Are generic drugs as strong as brand-name drugs? Yes. FDA requires generic drugs to have the same quality, strength, purity and stability as brand-name drugs.

Do generic drugs take longer to work in the body? No. Generic drugs work in the same way and in the same amount of time as brand name drugs.

Why are generic drugs less expensive? Generic drugs are less expensive because generic manufacturers don't have the investment costs of the developer of a new drug. New drugs are developed under patent protection. The patent protects the investment - including research, development, marketing and promotion - by giving the company the sole right to the drug while it is in effect. As patent near expiration, manufacturers can apply to the FDA to sell generic versions. Because those manufacturers do not have the same development costs, they can sell their product at substantial discounts. Also, once generic drugs are approved, there is greater competition, which keeps the price down. Today, almost half of all prescriptions are filled with generic drugs.

Does every brand-name drug have a generic counterpart? No. Brand name drugs are generally given patent protection for 20 years from the date of submission of the patent. This provides protection for the innovator who lays out the initial costs (including research, development, and marketing expenses) to develop the new drug. However, when the patent expires, other drug companies can introduce competitive generic versions, but only after they have been thoroughly tested by the manufacturer and approved by the FDA.

What is the best source of information about generic drugs? Contact your physician or pharmacist for information on your generic drug. You can also visit the FDA website at <http://www.fda.gov/cder/ogd/index.htm> for more information.

POST MASTECTOMY RECONSTRUCTIVE SURGERY

You should be aware that the Road Carriers Local 707 Welfare Fund covers Post-Mastectomy Reconstructive Surgery.

The following is a brief description of this coverage update:

- Subject to the usual deductible and co-insurance, for any participant or dependent undergoing a mastectomy and who elects reconstructive surgery, the Fund covers reconstruction of the breast on which the mastectomy was performed.
- As part of this, the Fund also covers reconstruction of the breast on which the mastectomy was not performed in order to produce a symmetrical appearance.
- In addition, the Fund covers the cost of any prostheses and treatment of physical complications at all stages of the mastectomy including lymphedemas.
- To be covered, reconstructive surgery must be conducted in a manner determined in consultation with the attending physician and patient. The coverage for reconstructive surgery will be subject to the usual deductible and co-insurance consistent with the terms of the Fund's summary plan description.

REPORTING CHANGES IN ENROLLMENT INFORMATION

It is your responsibility to update your enrollment information. If there is a change in your family, such as a new child, a new marriage or a divorce, **you must notify the Fund immediately**. This information will allow us to change your eligibility profile to include or exclude dependents. Failure to do so can result in inaccurate eligibility information and may result in improper claim payment in the case of a divorce.

HANDLING OF CLAIMS DURING A DIVORCE PROCESS

It is no longer our policy to wait for a divorce decree in order to pend or deny claims. Effective immediately, all claims for spouses will be pended immediately upon written notice from a participant that a divorce is in progress. No spousal claims will be released thereafter without a divorce decree or written instructions from the participant acknowledging responsibility for claims subsequent to the effective date of a divorce.

NOTICE TO PARTICIPANTS

Each time the Fund Office pays a claim in your behalf, we mail you an Explanation of Benefits (EOB)

Check your EOB carefully and make sure the billing, services rendered, dates of service and other information are accurate. If not, call the Fund Office immediately and notify us of the discrepancies!



PARTICIPANT BEWARE!

Participants should be suspicious if a provider:

- > *Tells them the test is "free"*
- > *Claims they know how to get items paid for which would not normally be covered under insurance.*
- > *Claims the more tests they provide, the cheaper they are ... quantity discount.*
- > *Claim the equipment or service is "free". It won't cost you a thing.*

SUMMARY ANNUAL REPORT FOR ROAD CARRIERS LOCAL 707 WELFARE FUND

This is a summary of the annual report of the ROAD CARRIERS LOCAL 707 WELFARE FUND, EIN 11-2159859, Plan No. 501, for the period September 1, 2001 through August 31, 2002. The annual report has been filed with the Pension and Welfare Benefits Administration, U.S. Department of Labor, as required under the Employee Retirement Income Security Act of 1974 (ERISA).

Insurance Information

The plan has contracts with GHI HMO, AETNA/US HEALTHCARE, INC. AND SUBSIDIARIES, AMALGAMATED LIFE INSURANCE COMPANY, HIP HEALTH PLAN OF NEW YORK, GEISINGER HEALTH PLAN and MVP HEALTH PLAN to claims incurred under the terms of the plan. The total premiums paid for the plan year ending August 31, 2002 were \$3,795,281.

Basic Financial Statement

The value of plan assets, after subtracting liabilities of the plan, was \$21,850,021 as of August 31, 2002, compared to \$27,446,977 as of September 1, 2001. During the plan year the plan experienced a decrease in its net assets of \$5,596,956. This decrease includes unrealized appreciation and depreciation in the value of plan assets; that is, the difference between the value of the plan's assets at the end of the year and the value of the assets at the beginning of the year or the cost of assets acquired during the year. During the plan year, the plan had total income of \$19,022,550 including employer contributions of \$19,067,166, employee contributions of \$231,887, other income of \$10,231, realized losses of \$537,760 from the sale of assets, and earnings from investments of \$251,026.

Plan expenses were \$24,619,506. These expenses included \$1,830,796 in administrative expenses and \$22,788,710 in benefits paid to participants and beneficiaries.

Your Rights To Additional Information

You have the right to receive a copy of the full annual report, or any part thereof, on request. The items listed below are included in that report:

1. an accountant's report;
2. financial information and information on payments to service providers;
3. assets held for investment;
4. transactions in excess of 5% of the plan assets; and
5. insurance information, including sales commissions paid by insurance carriers.

To obtain a copy of the full annual report, or any part thereof, write BOARD OF TRUSTEES ROAD CARRIERS LOCAL 707 WELFARE FUND, 14 FRONT STREET, HEMPSTEAD, NY 11550, (516) 486-7100. The charge to cover copying costs will be \$16.50 for the full annual report, or 25 cents per page for any part thereof.

SUMMARY ANNUAL REPORT FOR ROAD CARRIERS LOCAL 707 PENSION FUND

This is a summary of the annual report for the ROAD CARRIERS LOCAL 707 PENSION FUND, EIN 51-6106510, Plan No. 001, for the period September 1, 2001 through August 31, 2002. The annual report has been filed with the Pension and Welfare Benefits Administration, U.S. Department of Labor, as required under the Employee Retirement Income Security Act of 1974 (ERISA).

Basic Financial Statement

Benefits under the plan are provided through a trust fund. Plan expenses were \$33,056,172. These expenses included \$2,854,006 in administrative expenses and \$30,202,166 in benefits paid to participants and beneficiaries. A total of 5,470 persons were participants in or beneficiaries of the plan at the end of the plan year, although not all of these persons had yet earned the right to receive benefits.

The value of plan assets, after subtracting liabilities of the plan, was \$319,745,591 as of August 31, 2002, compared to \$372,514,743 as of September 1, 2001. During the plan year the plan experienced a decrease in its net assets of \$52,769,152. This decrease includes unrealized appreciation and depreciation in the value of plan assets; that is, the difference between the value of the plan's assets at the end of the year and the value of the assets at the beginning of the year or the cost of assets acquired during the year. The plan had total income of \$(19,712,980) including employer contributions of \$12,791,824, realized losses of \$17,612,467 from the sale of assets, other income of \$2,101 and earnings from investments of \$(14,894,438).

Minimum Funding Standards

An actuary's statement shows that enough money was contributed to the plan to keep it funded in accordance with the minimum funding standards of ERISA.

Your Rights To Additional Information

You have the right to receive a copy of the full annual report, or any part thereof, on request. The items listed below are included in that report:

1. assets held for investment;
2. transactions in excess of 5% of the plan assets;
3. actuarial information regarding the funding of the plan;
4. financial information and information on payments to service providers; and
5. information regarding any common or collective trusts, pooled separate accounts, master trusts or 103-12 investment entities in which the plan participates.

To obtain a copy of the full annual report, or any part thereof, write or call BOARD OF TRUSTEES ROAD CARRIERS LOCAL 707 PENSION FUND, 14 FRONT STREET, HEMPSTEAD, NY 11550, (516) 486-7100. The charge to cover copying costs will be \$31.25 for the full annual report, or 25 cents per page for any part thereof.

You also have the right to receive from the plan administrator, on request and at no charge, a statement of the assets and liabilities of the plan and accompanying notes, or a statement of income and expenses of the plan and accompanying notes, or both. If you request a copy of the full annual report from the plan administrator, these two statements and accompanying notes will be included as part of that report. The charge to cover copying costs given above does not include a charge for the copying of these portions of the report because these portions are furnished without charge.

You also have the legally protected right to examine the annual report at the main office of the plan (BOARD OF TRUSTEES ROAD CARRIERS LOCAL 707 PENSION FUND, 14 FRONT STREET, HEMPSTEAD, NY 11550) and at the U.S. Department of Labor in Washington, D.C., or to obtain a copy from the U.S. Department of Labor upon payment of copying costs. Requests to the Department should be addressed to: Public Disclosure Room, Room N1513, Pension and Welfare Benefits Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington, D.C. 20210.



Dear Board of Trustees:

Just wanted to say a big Thank You. I really appreciated the Pension Credit Statement for all the reasons you mentioned in the letter that went with it. The information looks accurate.

Edward Calabrese



Dear Mr. Stewart:

Please permit me to take a few minutes of your time to compliment you on one of your employees. I have recently had the pleasure of dealing with Ms. Jayne Vitale. I was having a problem securing coverage for my daughter, but with Ms. Vitale's assistance and through her expertise and dedication, the problem was rectified. Ms. Vitale presented herself as a professional and she should be considered an asset to your organization.

Keith Stahl



Dear Mr. Stewart:

I want to tell you just how helpful Ms. Pinzon was in securing a widow's pension for me from Local 707. I know this was more involved than usual. Ms. Pinzon waded through all the paperwork, always keeping me informed and always ready to answer my questions. She was always bright and pleasant. I feel Ms. Pinzon is a definite asset to your Pension Department and to Local 707.

Ann Norton



Dear Sonia:

A short note to thank you and your Pension staff for taking my many phone calls during the past six weeks. I imagine that it was a very busy time for all. Have a wonderful holiday season.

Carol Perry



Dear Maria (DiMaria):

A big "thank you" to you for speeding things up for me to get me my first retirement check. You just were so helpful in explaining all the details to me. And then ... on the ball to get my money to me. Thanks!

Larry & Marion James

Dear Board of Trustees:

My sincerest thanks for the 13th check we received at the most opportune time. Needless to say, it sure came in handy at the most expensive time of the year. Again, many thanks.

Carmella Hollenback



Dear Mr. Stewart:

I am personally writing to you to bring to your attention of how wonderful of a staff you have. Especially a beautiful and helpful lady by the name of Maria Arroyo. My husband and I couldn't imagine what to do without her help. She went beyond the call of her work to make sure my husband was given the proper medical information. We depended on her information and kindness when we needed it the most. She is an angel that was brought to us in our most trying time. Thank you Mr. Stewart for taking the time to read this most appreciative letter towards Maria Arroyo!

God Bless you and all of the staff members.

Jose & Elizabeth Martinez



PROVISION ALLOWING CERTAIN PENSIONERS TO OPT OUT OF THE FUND'S RETIREE MEDICAL COVERAGE

The Board of Trustees of the Road Carriers Local 707 Welfare Fund ("Fund") has adopted a special provision that allows certain pensioners to opt out of their retiree medical coverage in the Fund and then return at a later date, provided they had other substantially comparable medical coverage at all times during the opt out period. By implementing this change, the Trustees hope to reduce the health care cost burden for pensioners who may have health coverage from other sources. The change will allow eligible pensioners to terminate benefits under the Fund without forfeiting their eligibility to return to the Fund's coverage.

Prior to April 1, 2003, the Fund's rules provided that pensioners who terminated their medical coverage in the Fund were not allowed to return to coverage under the Fund. A pensioner who may have had health coverage from another source was required to continue paying their monthly co-pay to the Fund or they would forever forfeit medical coverage from the Fund.

Effective April 1, 2003, eligible pensioners who terminate their medical coverage under the Fund may later return to participation in the Fund, provided they can submit written proof to the Fund that they were covered by other substantially comparable medical coverage during the period they were not covered by the Fund. During the period pensioners opt out of Fund coverage, they will not be required to make the monthly co-pay and will not be eligible for any coverage for any medical expenses. Upon return, eligible pensioners will be required to resume their co-pay at whatever amount is then currently in effect. Medical coverage will resume during the month following the Fund's receipt of the pensioner's written request to return and completion by the Fund of verification of the eligibility to return.

Nothing in this new opt out provision alters or in any way amends the Fund's eligibility provisions, or grants benefits or benefit eligibility beyond that provided for by the Fund. Pensioners who elect the \$2,500 life insurance benefit in lieu of retiree medical coverage at the time of retirement, however, are not eligible for this special provision. As always, the Trustees of the Fund, in their sole discretion, may change or discontinue benefits and/or may change co-pay amounts or eligibility requirements at any time.

**Road Carriers Local 707
Welfare & Pension Funds
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