



MEMORANDUM

DATE: DECEMBER 18, 2007

TO: THOMAS C. NYHAN

FROM: MARK F. ANGERAME

RE: RECEIPT OF \$6.1 BILLION UPS EWL PAYMENT AND
SUBSEQUENT INVESTMENT ASSET REALLOCATIONS

On Wednesday, December 26, 2007, the Pension Fund (“Fund”) is expected to receive a payment of \$6.1 billion from UPS as a result of their withdrawal from the Fund. In conjunction with the receipt of this payment, the Fund will commence a reallocation of investment assets between “accounts”. The reallocation of investment assets will include the initial funding of the new S&P 500 Index account and the transfer of assets from Goldman Sachs to Northern Trust. The reallocation will take place in two separate tranches. The first tranche will take place on December 26, 2007 and the second tranche is currently scheduled to take place on February 1, 2008. The following table illustrates the current allocation and the future allocation:

	<u>Current</u>	<u>Future</u>
S&P 500 Equity Index Account	0%	20%
Lehman Aggregated Fixed Income Index Account	20%	20%
Goldman Sachs	60%	30%
Northern Trust	20%	30%

The responsibility of allocating assets between investment classes will remain with the Named Fiduciaries. Each Named Fiduciary will consider their proportionate share of the Index accounts when setting their allocation.

Tranche 1

The first tranche of the reallocation will take place in concert with the UPS payment on December 26, 2007.

- The S&P 500 Equity Index Account (“SP500”) will be funded to a level which represents 20% of the Fund’s investment assets¹ (\$5.4 billion). The \$5.4 billion will be comprised of \$1.2 billion of S&P 500 like securities from Goldman Sachs and \$4.2 billion of the UPS payment. With the establishment of the SP500, Goldman Sachs will need to reduce the amount of equities they hold in their portfolios. As opposed to selling equity securities while the SP500 is buying equity securities, it is much more operationally and financially attractive to simply transfer the securities.

¹ The total value of investments assets was determined by adding the “audited” November 30, 2007 investment asset balance from the Fund’s custodian plus the \$6.1 billion UPS payment.

- The Lehman Aggregate Fixed Income Index Account (“Lehman Agg”) will receive \$900 million of the UPS payment to bring its balance to 20% of the Fund’s investment assets (\$5.4 billion).
- Northern Trust will receive the remaining \$1.0 billion of the UPS payment.

Both Northern Trust and Goldman Sachs are aware of the December 26, 2007 events and will take the necessary actions to keep their portfolios at the appropriate asset allocations.

The SP500 account will not be invested in the S&P 500 index on December 26, 2007. The \$4.2 billion of cash will be invested over a three day period via a combination of physical securities and S&P 500 futures. After the first of the year, the open futures contracts will be sold off and replaced with physical securities. This will maintain the appropriate amount of exposure during this time frame. The \$1.2 billion in S&P 500 like securities will be transitioned into the appropriate securities and weightings to match the S&P 500 by December 27, 2007².

Tranche 2

After Tranche 1 is completed, Goldman Sachs will possess approximately 40% of the investment assets and Northern Trust will possess approximately 20% of the investment assets; therefore, Goldman Sachs will need to transfer approximately \$2.5 billion to Northern Trust in order to bring both Goldman Sachs and Northern Trust’s investment assets to 30% of total Fund investment assets. This transfer is currently scheduled to take place on February 1, 2007. The transfer amounts will be based on the December 31, 2007 “audited” investment asset balance. The specifics of the breakdown of securities and/or cash to be transferred have yet to be determined.

Generally, the Named Fiduciaries set their asset allocations independently, but during the five-week period between Tranche 1 and Tranche 2, the Named Fiduciaries will coordinate the Fund’s overall asset allocation together. Once Tranche 2 is completed, the Named Fiduciaries will revert to setting their asset allocations independently. The reason for the coordinated asset allocation is both financial and operational. After Tranche 1 is completed, the Fund’s overall allocation will be approximately the same as it was prior to the completion of Tranche 1, but each Named Fiduciaries’ asset allocations will have changed. In order to avoid the cost and operational challenges of rebalancing each Named Fiduciaries’ portfolios after Tranche 1, then again after Tranche 2 the Fund will allow the Named Fiduciaries to coordinate the Fund’s overall asset allocation during this time period.

² The Fund will utilize the services of Mellon Transition Management Services an affiliate of Mellon Capital.

As the reallocation progresses, I will provide you with the updated status.



Mark F. Angerame

cc: William J. Nellis
Janice M. Jankowicz
Mark L. Vieu