

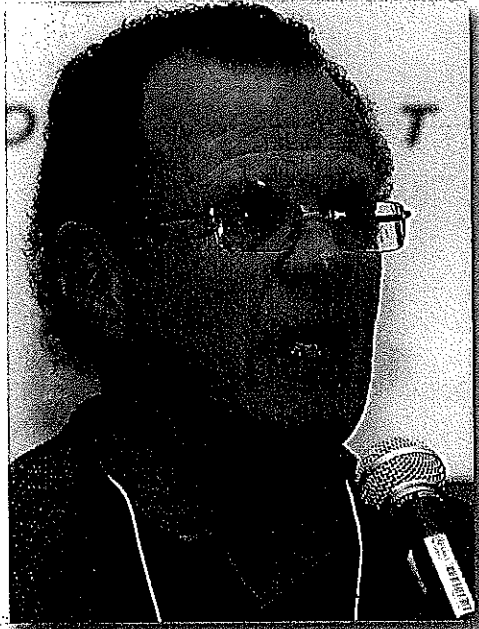
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Labor Capital Review

BLUE ROCK ADVISORS' NEWSLETTER FOR TAFT-HARTLEY TRUSTEES

SPRING 2010



Q&A

Chuck Mack

Veteran Teamsters leader focuses on solutions for the pension crisis

draws on his 25 years of experience as a trustee as well as his storied career as a leader of the Teamsters.

After joining the Teamsters in 1962, he quickly rose up the ranks and served as the principal officer of Local 70 in Oakland, Calif., for 37 years. In addition, he served as president of the 55,000-member Joint Council 7 in Northern California and held other prestigious posts.

Chuck Mack

Co-Chair, Western Conference of Teamsters Pension Trust

Since June 2009, Chuck Mack has served as co-chair of the Western Conference of Teamsters Pension Trust. The Trust, now entering its 55th year, serves more than half a million participants and, with assets of approximately \$27 billion, is the largest multi-employer plan in the country.

That's not a small ship to steer, but Mack welcomes the challenge. He

Q : Why are you confident you can guide the fund through these difficult times?

A : Having been a trustee for 25 years, I know the plan as well as anybody. That being said, since I

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2010 HAI TEAM

Q&A

Chuck Mack

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was a part-timer as a trustee and a full-time Teamster representative, I wasn't as knowledgeable about the plan as a full-time Trust employee like Tony Locke (Mack's predecessor as co-chair, who died in 2009).

There are difficult challenges facing our Trust that will require a lot of time and effort, but I feel I am up to the challenge.

Q : What have you learned since taking over?

A : It's been interesting. One positive is the change in direction of the market — since I started, it has gone up. Having said that, the losses we sustained in 2008 and the first half of 2009 were significant, approximately 20 percent. That loss is less than most plans have suffered, but it's larger than anything we've experienced. The market comeback in 2009 doesn't come close to offsetting the losses.

Our goal is to stay in the green zone. As healthy as we have been that could be difficult without amendments to the Pension Protection Act.

Q : Why does the Pension Protection Act need to be amended?

A : Losses as severe as those experienced in 2008 and 2009 weren't foreseen when the legislation was passed in 2006. It has become obvious that we need to amend the Act so plans have an opportunity to adjust to these losses over a longer period of time.

Our Trust proposes an amendment to amortize the losses from 2008 and 2009 over 30 years as opposed to 15. We also propose a 10-year (instead of the current five-year) smoothing of asset losses in 2008-2009 before amortization. These amendments wouldn't be a permanent change, just a temporary step to address these unprecedented losses.

Going forward, the multi-employer plan universe needs deeper and more profound changes. These could include amendments to facilitate plan mergers or alliances, partitioning and increasing the PBGC maximum.

Q : What can trustees do to make these amendments a reality?

A : A good first step is to become part of the National Coordinating Committee of Multi-Employer Plans. It lobbies



Chuck Mack confers with Secretary of Labor Hilda Solis during the 2009 Legislative Conference of the California Labor Federation.

Congress on the plans' behalf.

Q: What is your assessment of the investment landscape today?

A: I think it generally looks good. We are in a recovery, and I think we'll continue to see that in 2010.

It's extremely important for plans to be diversified in their investments. Many of the plans that are troubled were heavily invested in equities. We didn't suffer as much because we were diversified. We had bonds, stocks, real estate (ouch) and alternative investments — commodities and private equities. Real estate is a disaster at this point, but it should come back over time.

As 2010 begins, trustees can feel more optimistic than they did at this time last year. That was a really down period and I don't know if anyone had an idea of where we were going or where we would land. That's been identified and we're starting to return. It's not going to be a flash return, but steady over time.

Q: What is your personal philosophy for investing?

A: Diversification is a big part of my philosophy. We never, during the booms of the late '90s and early 2000s, put everything into equities and threw caution to the wind. We sought a

'Many of the plans that are troubled were heavily invested in equities. We didn't suffer as much because we were diversified.'

balance and at times didn't get the biggest returns, but we also didn't get the biggest losses later on. That was one of our strategies.

Also, we put into place a process to evaluate investment firms that want to do business with us. It's an objective process that has worked well.

□

Mack lives in Danville, Calif., and will celebrate his 50th anniversary with his wife, Marlene, in 2010. He enjoys spending time with his four children and eight grandchildren. ■

GLOSSARY

Amortization — systematic writing off of an asset or liability over a period of time. In the case of an asset, it involves expensing the item over the time period for which the asset is used. Intangible assets such as copyrights, patents and product development costs are commonly amortized. On the liability side, amortization is best known as the process used for installment loans and mortgages that are paid over a specified period of time. Amortized loan payments must be sufficient to cover both the amount borrowed (principal) and the interest.

Amortization of a liability is also used to defer revenue when payments are received in advance of delivery of goods or services, and must be recognized as income distributed over some future time period.

Commodity — basic good used in commerce that is interchangeable with other goods of the same type. Commodities are most often used as inputs in the production of other goods or services. The quality of a given commodity may differ slightly but is essentially uniform across producers. Agricultural goods such as beans, cocoa, coffee, sugar, corn, wheat, chickens and hogs are all considered commodities. So are natural resources and energy products (e.g., aluminum, copper, crude oil, electricity, natural gas, gold).

Partition — segregation of a portion of multi-employer plan assets and liabilities ordered by the Pension Benefit Guaranty Corporation to reduce the chance of plan insolvency. The segregated portion is treated as a separate plan after the partition.

Excerpted from *Benefits and Compensation Glossary*, 12th Edition, (c) 2010, International Foundation of Employee Benefit Plans, Brookfield, Wis. Copies of the book are available for purchase by calling (888) 334-3327, option 4.