

**Desert States Employers &
UFCW Unions Pension Plan**
c/o Southwest Service Administrators Inc.
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December 2008

Annual Funding Notice For Desert States Employers & UFCW Unions Pension Plan

Introduction

This notice, which federal law requires all multiemployer plans to send annually, includes important information about the funding level of Desert States Employers & UFCW Unions Pension Plan, Plan Number 001, EIN 84-6277982 (Plan). This notice also includes information about rules governing insolvent plans and benefit payments guaranteed by the Pension Benefit Guaranty Corporation (PBGC), a federal agency. This notice is for the plan year beginning January 1, 2007 and ending December 31, 2007 (Plan Year).

Plan's Funding Level

The Plan's "funded current liability percentage" for the Plan Year was 63.08%. In general, the higher the percentage, the better funded the plan. The funded current liability percentage, however, is not indicative of how well a plan will be funded in the future or if it terminates. Whether this percentage will increase or decrease over time depends on a number of factors, including how the plan's investments perform, what assumptions the plan makes about rates of return, whether employer contributions to the fund increase or decline, and whether benefits payments from the fund increase or decline.

Plan's Financial Information

The market value of the Plan's assets as of January 1, 2007 was \$600,568,617. The total amount of benefit payments for the Plan Year was \$26,794,385. The ratio of assets to benefit payments is 22.41. This ratio suggests that the Plan's assets could provide for approximately 22 years of benefit payments in annual amounts equal to what was paid out in the Plan Year. However, the ratio does not take into account future changes in total benefit payments or plan assets.

Rules Governing Insolvent Plans

Federal law has a number of special rules that apply to financially troubled multiemployer plans. Under so-called "plan reorganization rules," a plan with adverse financial experience may need to increase required contributions and may, under certain circumstances, reduce benefits that are not eligible for the PBGC's guarantee (generally, benefits that have been in effect for less than 60 months). If a plan is in reorganization status, it must provide notification that the plan is in reorganization status and that, if contributions are not increased, accrued benefits under the plan may be reduced or an excise tax may be imposed (or both). The law requires the plan to furnish this notification to each contributing employer and the labor organization.

Despite the special plan reorganization rules, a plan in reorganization nevertheless could become insolvent. A plan is insolvent for a plan year if its available financial resources are not sufficient to pay benefits when due for the plan year. An insolvent plan must reduce benefit payments to the highest level that can be paid from the plan's available financial resources. If such resources are not enough to pay benefits at a level specified by law

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(see Benefit Payments Guaranteed by the PBGC, below), the plan must apply to the PBGC for financial assistance. The PBGC, by law, will loan the plan the amount necessary to pay benefits at the guaranteed level. Reduced benefits may be restored if the plan's financial condition improves.

A plan that becomes insolvent must provide prompt notification of the insolvency to participants and beneficiaries, contributing employers, labor unions representing participants, and PBGC. In addition, participants and beneficiaries also must receive information regarding whether, and how, their benefits will be reduced or affected as a result of the insolvency, including loss of a lump sum option. This information will be provided for each year the plan is insolvent.

Benefit Payments Guaranteed by the PBGC

The maximum benefit that the PBGC guarantees is set by law. Only vested benefits are guaranteed. Specifically, the PBGC guarantees a monthly benefit payment equal to 100 percent of the first \$11 of the Plan's monthly benefit accrual rate, plus 75 percent of the next \$33 of the accrual rate, times each year of credited service. The PBGC's maximum guarantee, therefore, is \$35.75 per month times a participant's years of credited service.

Example 1: If a participant with 10 years of credited service has an accrued monthly benefit of \$500, the accrual rate for purposes of determining the PBGC guarantee would be determined by dividing the monthly benefit by the participant's years of service ($\$500/10$), which equals \$50. The guaranteed amount for a \$50 monthly accrual rate is equal to the sum of \$11 plus $\$24.75$ ($.75 \times \$33$), or \$35.75. Thus, the participant's guaranteed monthly benefit is \$357.50 ($\35.75×10).

Example 2: If the participant in Example 1 has an accrued monthly benefit of \$200, the accrual rate for purposes of determining the guarantee would be \$20 (or $\$200/10$). The guaranteed amount for a \$20 monthly accrual rate is equal to the sum of \$11 plus $\$6.75$ ($.75 \times \$9$), or \$17.75. Thus, the participant's guaranteed monthly benefit would be \$177.50 ($\17.75×10).

In calculating a person's monthly payment, the PBGC will disregard any benefit increases that were made under the plan within 60 months before the earlier of the plan's termination or insolvency. Similarly, the PBGC does not guarantee pre-retirement death benefits to a spouse or beneficiary (e.g., a qualified pre-retirement survivor annuity) if the participant dies after the plan terminates, benefits above the normal retirement benefit, disability benefits not in pay status, or non-pension benefits, such as health insurance, life insurance, death benefits, vacation pay, or severance pay.

Where to Get More Information

For more information about this notice, you may contact the Board of Trustees of the Desert States Employers & UFCW Unions Pension Plan at 2400 West Dunlap, Suite 250, Phoenix, AZ 85021-2811 at 602-249-3582. For more information about the PBGC and multiemployer benefit guarantees, go to PBGC's web site, www.pbgc.gov, or call PBGC toll-free at 1-800-400-7242 (TTY/TDD users may call the Federal relay service toll free at 1-800-877-8339 and ask to be connected to 1-800-400-7242).

Additional Information

There are several ways to value a retirement plan's liability and the one set out in this Annual Funding Notice is one such way. For this Notice, Federal law requires that we value the Plan's percentage of funded liability by using certain interest rate assumptions that are significantly below the interest rate that our actuaries expect the Plan to earn in the future. Another way to value the liability is to use actual interest rates earned by the Plan and realistic interest rate projections.

Our actuaries have advised us that the Plan's funded percentage is 86.5% based on their best estimate of expected future earnings. This is the figure we more commonly use in evaluating the health of the Plan and the ability to pay benefits. Your Trustees constantly monitor, with their advisors, the financial well being of this Plan and take all action that is appropriate to make sure that the Plan remains healthy and able to provide the benefits it has promised.

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**SUMMARY ANNUAL REPORT
FOR
DESERT STATES EMPLOYERS AND UNITED FOOD
& COMMERCIAL WORKERS UNIONS PENSION PLAN**

January 1, 2007 – December 31, 2007

This is a summary of the Annual Report of the Desert States Employers and United Food and Commercial Workers Unions Pension Plan, Employer Identification Number 84-6277982, for the year ended December 31, 2007. The Annual Report has been filed with the Employee Benefits Security Administration, as required under the Employee Retirement Income Security Act of 1974 (ERISA).

Basic Financial Statement

Benefits under the Plan are provided by the pension plan. Plan expenses were \$33,058,831. These expenses included \$6,264,446 in administrative expenses, and \$26,794,385 in benefits paid to participants and beneficiaries. A total of 32,508 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 \$647,928,886 as of December 31, 2007 compared to \$600,404,934 as of January 1, 2007. During the plan year, the Plan experienced an increase in its net assets of \$47,523,952. This increase 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 \$80,419,101, including employer contributions of \$22,855,699, earnings from investments of \$44,818,888, and gains of \$12,634,283 from the sale of assets.

Minimum Funding Standards

As of December 31, 2007, the market value of the Plan's assets was 66.07% of the current liability under the Plan. In addition, 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. an accountant's report;
2. assets held for investment;
3. transactions in excess of 5% of the Plan assets;

4. actuarial information regarding the funding of the Plan;
5. financial information and information on payments to service providers; and
6. 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 Southwest Service Administrators, Inc., who is the Plan administrator, 2400 W. Dunlap Ave., Suite 250, Phoenix, AZ 85021, telephone number (800) 474-3485. The charge to cover copying costs will be \$5.25 for the full Annual Report, or \$0.25 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, 2400 W. Dunlap, Suite 250, Phoenix, AZ 85021, 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 N-1513
Employee Benefits Security Administration
U.S. Department of Labor
200 Constitution Avenue, N.W.
Washington, D.C. 20210.

You can also examine the report at any employer establishment at which at least 50 participants covered by the Plan are customarily working.

