



AUGUST 31, 2007

Dear Sisters and Brothers:

We want to update you on the progress of negotiations with United Parcel Service as we prepare to return to the bargaining table on September 5. As you know, negotiations were suspended in July when UPS insisted that it needed time to discuss with the Central States Pension Fund how much a withdrawal from that fund would cost. The Company said it needed this information before it could bargain about economic items, including our demands for increases in wages and benefits. The Company indicates that it has the information it needs from Central States and is now prepared to place a comprehensive economic proposal on the table for consideration by the Union Negotiating Committee.

We will resume negotiations with the same pledge that we made to you when negotiations were started. Although we have agreed to discuss the Company's demand to withdraw from the Central States Pension Fund, we have not agreed to that demand. We will only consider a proposal that guarantees fair and secure health and retirement benefits for UPS employees without sacrificing the security of benefits provided by Central States and other jointly administered Teamster funds.

The most important measure of the financial health of a retirement fund is its "funding percentage" – a comparison of its assets to its liabilities. Many complicated calculations enter into determining this number. But a careful review by the independent actuaries hired by the International Union to evaluate the impact of a UPS withdrawal on the future of the Central States Pension Fund has advised that this basic measure of the health of the Fund will dramatically increase if UPS is required to make the proper lump sum payment to Central States upon withdrawing and assume responsibility through the operation of a separate jointly administered fund for the retirement benefits guaranteed to UPS employees. The actuaries continue to study all of the details of a UPS withdrawal from Central States. The Union will not recommend any proposal that fails to guarantee the continued security of retirement benefits earned by UPS members currently covered by Central States.

It is important to note that while the Central States Fund has been enjoying better than average earnings for the past several years, it is still burdened by the investment losses suffered when the stock market collapsed in 2000-2002. The Fund has also recently made certain changes relating to the way it measures its "funding percentage" as mentioned above. As a result, and despite its more recent investment successes, the Fund's current funding ratio is actually lower than it was at the start of this year. That is why a large cash payment in advance by UPS would be beneficial to the overall health of the Fund.

During the months that we have been negotiating, we have explored numerous options for putting enough new money into Central States to improve its funding ratio and to put the Fund on track to improve its current benefit structure. We have had the actuaries make projections based upon three possible scenarios to determine if the additional contributions would permit Central States to improve benefits over the next fifteen years.

They were: 1) adding part-timers currently covered by other plans, 2) increasing contribution levels to levels far greater than ever negotiated under any Teamster contract, and 3) adding the employees of other UPS companies to the Fund. But none of these options would provide better benefits for UPS employees any time soon.

The only option that will dramatically increase the funding ratio of Central States and permit us to improve pension benefits for UPS employees during the term of the next contract is to reach a new collective bargaining agreement that permits UPS to withdraw from the Fund and pay a significant amount of cash in exchange for being able to leave. The Company has proposed doing that and also establishing a fully funded plan for UPS employees. We have concluded that the only way to safeguard your retirement security, and that of Teamster members who will remain in the Central States Fund, is to reach a satisfactory agreement that includes ironclad funding requirements and joint Teamster-UPS administration of a new fund. We also intend to negotiate unprecedented contribution increases for the remaining benefit plans. We will obtain the biggest improvement for each dollar we get from the Company if we reach agreement this year, not next. And that is true not only for Central States, but for all of the Teamster benefit funds in which you participate.

Thus, we are returning to the bargaining table with major responsibilities, not only to you, our loyal UPS members, but also to our other members who depend upon the Central States Pension Plan and other Teamster funds for their retirement and other benefits. As we have repeatedly said, we owe an obligation to make sure that nothing we negotiate jeopardizes the benefits relied upon by those Teamsters whose employers remain in the Central States Fund.

We also return to the table with the realization that there are many other issues remaining that are important to you, both economic items and work conditions. We have and will continue to address those matters with the Company.

The end of the year is not far off. Because our contract ratification procedure takes considerable time, we will be working diligently during the next several weeks with the goal of reaching an agreement that can be recommended, presented and finalized before the New Year. As always, we depend on and appreciate the support you have given to your Local Unions and the Negotiating Committee. We urge each of you to attend the meetings, and participate in the events that your Local Union will be conducting in the coming months in order to keep you informed about the progress of negotiations and to send a message to the Company that you are watching and expect a settlement that will share its enormous profits with you, the men and women who made them possible.

Fraternally,

James P. Hoffa
General President

Ken Hall, Director
Parcel and Small Package
Trade Division



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October 1 or We're Done!