

**ANNUAL FUNDING NOTICE  
FOR  
ABX AIR, INC. RETIREMENT INCOME PLAN  
(EIN 91-1091619, PN 004)**

**Introduction**

This notice includes important information about the funding status of your pension plan ("the Plan") and general information about the benefit payments guaranteed by the Pension Benefit Guaranty Corporation ("PBGC"), a federal insurance agency. All traditional pension plans (called "defined benefit pension plans") must provide this notice every year regardless of their funding status. This notice does not mean that the Plan is terminating. It is provided for informational purposes and you are not required to respond in any way. This notice is for the plan year beginning January 1, 2011 and ending December 31, 2011 ("Plan Year").

**How Well Funded Is Your Plan**

Under federal law, the plan must report how well it is funded by using a measure called the "funding target attainment percentage." This percentage is obtained by dividing the Plan's Net Plan Assets by Plan Liabilities on the Valuation Date for the plan year. In general, the higher the percentage, the better funded the plan. Your Plan's funding target attainment percentage for the Plan Year and each of the two preceding plan years is shown in the chart below, along with a statement of the value of the Plan's assets and liabilities for the same period.

<b>Funding Target Attainment Percentage</b>			
	<u>2011</u>	<u>2010</u>	<u>2009</u>
1. Valuation Date	January 1, 2011	January 1, 2010	January 1, 2009
2. Plan Assets			
a. Total Plan Assets	\$271,181,429	\$239,694,563	\$184,380,574
b. Funding Standard Carryover Balance	\$25,772,380	\$22,963,896	\$19,014,570
c. Prefunding Balance	\$0	\$0	\$0
d. Net Plan Assets (a) – (b) – (c) = (d)	\$245,409,049	\$216,730,667	\$165,366,004
3. Plan Liabilities	\$271,057,264	\$249,673,470	\$192,683,241
4. At-Risk Liabilities	N/A	N/A	N/A
5. Funding Target Attainment Percentage (2d)/(3)	90.53%	86.80%	85.82%

**Plan Assets and Credit Balances**

Total Plan Assets is the value of the Plan's assets on the Valuation Date (see line 2 in the chart above). Credit balances were subtracted from Total Plan Assets to determine Net Plan Assets (line 2 d) used in the calculation of the funding target attainment percentage shown in the chart above. While pension plans are permitted to maintain credit balances (also called "funding standard carryover balances" or "prefunding balances" see 2 b & c in the chart above) for funding purposes, they may not be taken into account when calculating a plan's funding target attainment percentage. A plan might have a credit balance, for example, if in a prior year an employer made contributions to the plan above the minimum level required by law. Generally, the excess contributions are counted as "credits" and may be applied in future years toward the minimum level of contributions a plan sponsor is required to make by law.

**Plan Liabilities**

Plan Liabilities shown in line 3 of the chart above are the liabilities used to determine the Plan's Funding Target Attainment Percentage. This figure is an estimate of the amount of assets the Plan needs on the Valuation Date to pay for promised benefits under the plan.

**Year-End Assets and Liabilities**

The asset values in the chart above are measured as of the first day of the Plan Year. As of December 31, 2011, the fair market value of the Plan's assets was \$271,457,725. On this same date, the Plan's estimated liabilities were \$353,113,000. The estimated liabilities are different from those shown on page 1 because they are calculated as of the end of the year and are based on year-end assumptions mandated for purposes of this notice.

### **Participant Information**

The total number of participants in the Plan as of the Plan's valuation date was 6,040. Of this number, 662 were active participants, 875 were retired or separated from service and receiving benefits, and 4,503 were retired or separated from service and entitled to future benefits.

### **Funding & Investment Policies**

Every pension plan must have a procedure for establishing a funding policy to carry out plan objectives. A funding policy relates to the level of assets needed to pay for promised benefits. The funding policy of the Plan is for the plan sponsor to make contributions when needed, over time, to ensure the Plan has sufficient assets to pay benefits when due and to satisfy the legal minimum (and maximum) contribution requirements.

Once money is contributed to the Plan, the money is invested by plan officials called fiduciaries, who make specific investments in accordance with the Plan's investment policy. Generally speaking, an investment policy is a written statement that provides the fiduciaries who are responsible for plan investments with guidelines or general instructions concerning investment management decisions. The investment policy of the Plan requires, in part, that the fiduciaries:

- Maintain a diversified portfolio among various asset classes and investment managers.
- Invest in a prudent manner for the exclusive benefit of plan participants.
- Balance between acceptable level of risk and maximizing returns.
- Maintain adequate control over administrative costs.
- Maintain adequate liquidity to meet expected benefit payments.

Other responsibilities of the fiduciaries include:

- Selecting investment managers.
- Setting long-term and short-term target asset allocations.
- Periodically reviewing the target allocations, and making necessary adjustments based on changing economic and market conditions.
- Monitoring actual asset allocations and rebalancing as necessary based on market conditions.

The target investment allocation percentages (by asset class) are as follows:

<u>Asset Class</u>		<u>Target Range</u>
1.	Equity Securities	50%
2.	Debt Securities	45%
3.	Other	5%
4.	Cash Equivalent	0%

Under the Plan's investment policy, the Plan's assets were allocated among the following categories of investments, as of the end of the Plan Year. These allocations are percentages of total assets:

<u>Asset Allocations</u>		<u>Percentage</u>
1.	Equity Securities	43.5%
2.	Debt Securities	46.6%
3.	Other	7.0%
4.	Cash Equivalent	2.9%
	Total	100%

### **Right to Request a Copy of the Annual Report**

A pension plan is required to file with the US Department of Labor an annual report called the Form 5500 that contains financial and other information about the plan. Copies of the annual report are available from the US Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1513, Washington, DC 20210, or by calling 202.693.8673. For 2009 and subsequent plan years, you may obtain an electronic copy of the plan's annual report by going to [www.efast.dol.gov](http://www.efast.dol.gov) and using the Form 5500 search function. Or you may obtain a copy of the Plan's annual report by making a written request to the plan administrator or by downloading it from the plan sponsor's intranet website at ABXNet. Individual information, such as the amount of your accrued benefit under the plan, is not contained in the annual report. If you are seeking information regarding your benefits under the plan, contact the plan administrator identified below under "Where To Get More Information."

## **Summary of Rules Governing Termination of Single-Employer Plans**

If a plan is terminated, there are specific termination rules that must be followed under federal law. A summary of these rules follows.

There are two ways an employer can terminate its pension plan. First, the employer can end the plan in a "standard termination" but only after showing the PBGC that the plan has enough money to pay all benefits owed to participants. Under a standard termination, the plan must either purchase an annuity from an insurance company (which will provide you with periodic retirement benefits, such as monthly, for life or for a set period of time when you retire) or, if your plan allows, issue one lump-sum payment that covers your entire benefit. Your plan administrator must give you advance notice that identifies the insurance company (or companies) that your employer may select to provide the annuity. The PBGC's guarantee ends when your employer purchases your annuity or gives you the lump-sum payment.

Second, if the plan is not fully-funded, the employer may apply for a distress termination. To do so, however, the employer must be in financial distress and prove to a bankruptcy court or to the PBGC that the employer cannot remain in business unless the plan is terminated. If the application is granted, the PBGC will take over the plan as trustee and pay plan benefits, up to the legal limits, using plan assets and PBGC guarantee funds.

Under certain circumstances, the PBGC may take action on its own to end a pension plan. Most terminations initiated by the PBGC occur when the PBGC determines that plan termination is needed to protect the interests of plan participants or of the PBGC insurance program. The PBGC can do so if, for example, a plan does not have enough money to pay benefits currently due.

### **Benefit Payments Guaranteed by the PBGC**

When the PBGC takes over a plan, it pays pension benefits through its insurance program. Only benefits that you have earned a right to receive and that cannot be forfeited (called vested benefits) are guaranteed. Most participants and beneficiaries receive all of the pension benefits they would have received under their plan, but some people may lose certain benefits that are not guaranteed.

The amount of benefits that PBGC guarantees is determined as of the plan termination date. However, if a plan terminates during a plan sponsor's bankruptcy and the bankruptcy proceeding began on or after September 16, 2006, then the amount guaranteed is determined as of the date the sponsor entered bankruptcy.

The PBGC maximum benefit guarantee is set by law and is updated each calendar year. For a plan with a termination date or sponsor bankruptcy date, as applicable in 2012, the maximum guarantee is \$4,653 per month, or \$55,841 per year, for a benefit paid to a 65-year-old retiree with no survivor benefit. If a plan terminates during a plan sponsor's bankruptcy, and the bankruptcy proceeding began on or after September 16, 2006, the maximum guarantee is fixed as of the calendar year in which the sponsor entered bankruptcy. The maximum guarantee is lower for an individual who begins receiving benefits from PBGC before age 65; the maximum guarantee by age can be found on PBGC's website, [www.pbgc.gov](http://www.pbgc.gov). The guaranteed amount is also reduced if a benefit will be provided to a survivor of the plan participant.

The PBGC guarantees "basic benefits" earned before a plan is terminated, which includes:

- pension benefits at normal retirement age;
- most early retirement benefits;
- annuity benefits for survivors of plan participants; and
- disability benefits for a disability that occurred before the date the plan terminated or the date the sponsor entered bankruptcy, as applicable.

The PBGC does not guarantee certain types of benefits:

- The PBGC does not guarantee benefits for which you do not have a vested right, usually because you have not worked enough years for the company.
- The PBGC does not guarantee benefits for which you have not met all age, service, or other requirements.
- Benefit increases and new benefits that have been in place for less than one year are not guaranteed. Those that have been in place for less than five years are only partly guaranteed.
- The PBGC generally does not pay lump sums exceeding \$5,000.

In some circumstances, participants and beneficiaries still may receive some benefits that are not guaranteed. This depends on how much money the terminated plan has and how much the PBGC recovers from employers for plan underfunding.

**Where to Get More Information**

For more information about this notice, you may contact Jeff Walling at 937.382.5591, ABX Air, Inc., 145 Hunter Drive, Wilmington, OH 45177, [abx.benefits@abxair.com](mailto:abx.benefits@abxair.com). For identification purposes, the official plan number is 004 and the plan sponsor's name and employer identification number or "EIN" is ABX Air, Inc. and 91-1091619. For more information about the PBGC, go to PBGC's website, [www.pbgc.gov](http://www.pbgc.gov).