

ABenefits Xtra

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- Send questions to abx.benefits@abxair.com

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Pension Reform – What it Means for Your Retirement

In the summer of 2006, the Pension Protection Act was passed by Congress and signed into law. This new law was designed to “increase the minimum funding requirements for pension plans and strengthen the pension insurance system.”¹

As is common with large pieces of legislation, several other provisions were included. In addition to defined benefit plans, such as our retirement income plan, the Pension Protection Act affects defined contribution plans such as our 401(k) plans.

As extensive as it is, most of the changes affect plan sponsors and administrators, rather than employees. And, not all provisions affect ABX Air plans. This article describes what you need to know about the Pension Protection Act as it relates to your ABX plans.

Limits on Investment in Company Stock

As a direct result of the Enron debacle,² the Pension Protection Act has new rules around investing in company stock in retirement and 401(k) plans. For plans like our Profit Sharing Plan that include company stock, the Act says that if a plan invests in company stock, the participants must be able to direct the employer stock investment into at least three other investment options. Otherwise the plan cannot invest in company stock.

Because the profit sharing plan is a “floor-offset” plan, which is tied directly to the Retirement Income Plan and the Pilots Minimum Monthly Plan, allowing employee investment direction could negatively impact on the funding levels of both ABX pension plans. Therefore, the Advisory Committee, which

oversees the investments, elected to sell all ABXA stock in the Profit Sharing Plan. The proceeds from the sale were reinvested in the Profit Sharing Plan’s general fund and credited to participants’ accounts.

The ABX 401(k) Plans are not affected, since they do not offer company stock as an investment option.

(Note: The profit sharing plan applies only to employees hired before Jan. 1, 1999)

New Smoking Cessation Class

Do you want an extra \$240,000 in your pocket?

According to **MSNmoney**, a 40-year-old who quits smoking and puts the savings into a 401(k) could save \$240,000 by age 70. See <http://articles.moneycentral.msn.com/Insurance/InsureYourHealth/HighCostOfSmoking.aspx> for the full story.

Room is still available in the next Stop Smoking classes, which start Tuesday, Aug. 7, and run for the following three Tuesdays (Aug. 14, 21, and 28). Classes last about one hour and are offered at three separate times: 1:30 p.m., 3:30 p.m., and 10 p.m. Learn from a professional counselor about the best methods to quit. Our program has a 70 percent success rate. Classes are offered free to employees and dependents.

All classes are conducted in the Healthcare Center Wellness Classroom. Participants in the program are eligible to receive free nicotine patches from the Ohio Tobacco Quit Line. Smokeless tobacco users ready to quit also are welcome to attend.

If you are ready to make a change, **call the Healthcare Center at (937) 283-9289** to sign up. Space is limited and available on a first come, first serve basis. Call today to get signed up for Aug. 7. Quitting smoking is easier with a buddy, so grab your spouse or your friend and call now.

If you are located outside of Wilmington area, please log onto the benefits website at http://www.myabx.com/benefits/News/quit_tobacco.htm for the best resources in your area to quit smoking.

Snapshot

The High Cost of Smoking

Earning potential on investing cigarette savings into your 401(k)

30 years  \$241,527

20 years  \$181,145

10 years  \$120,763

Dollars shown based on \$4.20 avg. cost of a pack of cigarettes at 2 packs a day. Interest is compounded at 8 percent annually. Not included are the savings for incidental costs such as specialized whitening tooth pastes, related medical expenses, replacing burned clothes, replacing burned carpeting as well as deodorizing your home and car, lighter costs, etc.

Questions?

Q. How many miles did ABX log on the recent Healthy Ohioan Walk Day?

A. Employees registered for over 125 miles walked on May 16. If you missed the event, you can log onto www.myabx.com/benefits and check out the maps that show paths outlined around base for getting a mile in during your lunch break.

Q. When is the ABX Pharmacy opening?

A. The pharmacy is on schedule to open by the end of summer 2007. We hope to include grand opening dates and details in the next edition of *A Benefits Xtra*.

ABX wins APEX

ABX wins prestigious United HealthCare Apex Award

ABX received a 2007 Apex Award, an honor given to employers in recognition of exceptionally innovative health care benefits strategies.

“ABX Air has shown it is truly committed to making a significant impact on the lives of its employees by ensuring workers have access to quality, affordable health care,” said J. Paul Brophy, executive director of UnitedHealthcare of Southwest Ohio. “By making health care – especially preventive care – more accessible to its employees, ABX Air is helping foster better health outcomes in the long run.”

This year’s judges praised ABX Air for displaying “an innovative use of an emerging tactic with the opening of the on-site clinic,” and said the company “has clearly shown a commitment to its employees by offering improved access to affordable and convenient health care.”

The Apex Award is an annual award sponsored by UnitedHealth Group’s *hub* magazine. For more detailed information about the 2007 Apex Award winners, visit www.hubmagazine.net.

Pension Reform (continued from page 1)

Several 401(k) provisions were made permanent:

\$15,500 Limit

The maximum amount you can contribute to a 401(k) plan this year is \$15,500 and the amount is adjusted in future years based on inflation. This provision was set to expire at the end of 2010 resulting in the limit being rolled back to the 2001 limit of \$10,500. The Pension Protection Act makes the \$15,500 limit (with inflation adjustments) permanent. (Certain employees classified as “highly-compensated” have additional restrictions.)

Age 50 Catch-up Contributions

If you’ll be 50 or older in 2007, you can make additional catch-up contributions (up to \$5,000) to the 401(k) plan above and beyond the IRS limits. The law that allows these catch-up contributions was set to expire at the end of 2010. The Pension Protection Act makes this law permanent so those getting closer to retirement can make additional contributions.

Roth 401(k)s Continue

The law also made permanent Roth 401(k) accounts, which were set to expire at the end of 2010. Roth 401(k) accounts allow you to make after-tax contributions and withdraw your investment, including interest and earnings, tax free in retirement. Certain restrictions apply.

Non-spousal Rollovers

The Pension Protection Act now allows plan sponsors to allow rollovers to an IRA when the beneficiary is not the spouse of a deceased employee. Previously, rollovers were not permitted and the pay out was taxable to the beneficiary. The Company has adopted this provision.

New Notices to Keep You Informed

The Act requires new notices to participants about the funding status of your pension plan beginning in 2008. Watch for a communication on pension plan funding in the first part of 2008. Also, you may notice some additional new language on your regular 401(k) statements.

Change to Calculation of Lump Sum Payments

The Retirement Income Plans offer lump sum payments at retirement if the monthly single life annuity benefit is \$250 a month or less. Beginning in 2008, the legal basis for calculating lump sums in the pension plan will change. Depending on the circumstances when you retire, this may lower lump sum amounts.

New Plan Funding Requirements

The Pension Protection Act includes several changes in minimum funding requirements to ensure pension benefits are there when employees retire. The new rules require that the funding levels meet these standards over the next several years:

Year	Funding Standard
2008	92%
2009	94%
2010	96%
2011	100%

In addition, the Pension Protection Act prohibits plans that are less than 80 percent funded from making benefit improvements. Plans that are less than 60 percent funded are prohibited from offering lump sum payments and are required to freeze the benefit accruals so that no additional benefits are earned. There are further restrictions placed on the payment of executive benefits when funding levels are below 65 percent in 2008 transitioning to 80 percent in 2011.

Currently both the Retirement Income Plan and the Pilot Minimum Monthly Plan are above the 2007 required funding levels. Our focus over the next few years will be to bring the funding level to 100 percent by 2011.

If You Have Questions

In short, we don’t expect to make any significant changes to the ABX retirement plans as a result of the Pension Protection Act. If you have questions about how the Pension Protection Act impacts the ABX plans, contact Kathy Eversman in Human Resources at (937) 366-2463.

¹ Congressional Research Service

² At Enron, employees could invest their 401(k) money in Enron stock. When the company went bankrupt, the employees not only lost their jobs but many also lost their 401(k) accounts because they had invested entirely in Enron stock.

Global Fit program offered

ABX has renewed its relationship with GlobalFit. GlobalFit provides discounts to over 2,000 health and fitness clubs around the country, as well as discounts on wellness and fitness programs. Be sure to watch for additional communications and log onto www.globalfit.com.