

UPS/IBT FULL-TIME EMPLOYEE PENSION PLAN
AND
CENTRAL STATES, SOUTHEAST AND SOUTHWEST AREAS PENSION FUND

PROCEDURES TO DETERMINE THE QUALIFIED STATUS
OF
DOMESTIC RELATIONS ORDERS
AND TO
ADMINISTER DISTRIBUTIONS UNDER SUCH ORDERS

Note: These procedures are subject to change in the sole discretion of the Board of Trustees for the UPS/IBT Full-Time Employee Pension Plan (the "UPS/IBT Plan").

The following procedures are established as of the date shown below to assist the Board of Trustees in determining which domestic relations orders ("DROs") will be qualified domestic relations orders ("QDROs") pursuant to Sections 401(a)(13) and 414(p) of the Internal Revenue Code, which permit assignment or alienation of benefits if made in accordance with a QDRO. The Plans will comply with the terms of a DRO only if it meets the requirements for a QDRO, as established by law and explained in these procedures. No other exception is intended or to be inferred except as may be required by law. For purposes of these procedures, the term "Board of Trustees" shall be deemed to include any delegate designated by the Board of Trustees of the UPS/IBT Plan to carry out the terms of these procedures. (Please note that the terms and provision of the model QDROs published with these procedures are thereby incorporated by reference into these procedures.)

I. DESCRIPTION OF THE PLANS

These procedures apply to the UPS/IBT Full-Time Employee Pension Plan (the "UPS/IBT Plan") and the Central States, Southeast and Southwest Areas Pension Fund (the "Central States Plan"). (The UPS/IBT Plan and the Central States Plan may be referred to herein, in the aggregate, as "the Plans".) The UPS/IBT Plan and the Central States Plan work together to provide a "complete" retirement benefit for participants who have an accrued benefit payable from both Plans.

Specifically, if the participant accrued a benefit under the Central States Plan prior to January 1, 2008, the parties should know that, when the participant attains normal retirement age (generally, age 65), the participant's monthly benefit from the UPS/IBT Plan will be reduced (or "offset") by the monthly benefit which becomes payable from the Central States Plan. This is because, once the participant attains normal retirement age, the Central States Plan will begin paying an amount equal to the lesser of (i) the participant's normal retirement age benefit (also known as the Contribution-Based Pension) which accrued through December 31, 2007, or (ii) the total benefit being paid by the UPS/IBT Plan. Any benefit payments in excess of the offset amount will continue to be paid from the UPS/IBT Plan.

For this reason, the parties should know that the QDRO will apply to both Plans in order to ensure that the alternate payee's awarded benefits are properly coordinated between both Plans.

Any order submitted must acknowledge the relationship between the UPS/IBT Plan and the

Central States Plan, as set forth below:

“The Order shall apply to the UPS/IBT Full-Time Employee Pension Plan (the “UPS/IBT Plan”) and the Central States, Southeast and Southwest Areas Pension Fund (the “Central States Plan”). The Order acknowledges that benefit payments under the UPS/IBT Plan are coordinated with the benefits payments from the Central States Plan, and that benefit payments from the UPS/IBT Plan will be reduced, upon the Participant’s attainment of normal retirement age, by the benefit payments which become payable from the Central States Plan.”

Please note that the DRO need only be submitted to the UPS/IBT Plan. The UPS/IBT Plan and the Central States Plan will coordinate the DRO’s review and approval. Accordingly, all DRO’s should be submitted to the UPS/IBT Plan at the following address:

The UPS/IBT Full-Time Employee Pension Plan
Board of Trustees
55 Glenlake Parkway
Atlanta, Georgia 30328
ATTN: QDRO Committee

II. IDENTIFYING A DOMESTIC RELATIONS ORDER

A. Requirements of a DRO.

A DRO is a judgment, decree or order (including approval of a property settlement) which:

1. Relates to the provision of child support, alimony payments, or marital property rights to a spouse, former spouse, child or other dependent of a participant, and
2. Is made pursuant to a state domestic relations law or community property law, and
3. Creates or recognizes the existence of an alternate payee's rights to receive all or a portion of a participant's benefits payable under the Plans. "Alternate payee" means any spouse, former spouse, child or other dependent of a participant who is recognized by a DRO as having the right to receive all, or a portion of, the benefits payable under the Plans with respect to such participant.

B. Signed and Unsigned DROs.

No DRO shall be qualified unless it is properly executed by the court granting the DRO and entered upon the court’s records. Notwithstanding the foregoing, the UPS/IBT Plan will review proposed DROs (prior to execution) to determine whether they would otherwise satisfy the requirements of a QDRO. Any order determined to be a QDRO by the UPS/IBT Plan shall also be a QDRO with respect to the Central States Plan.

For purposes of the remainder of these procedures, a draft (or unsigned) DRO shall be referred to as a "proposed DRO". A DRO which has been properly executed by the Court shall be referred

to as a "DRO" until its qualification, after which it shall be referred to as a "QDRO".

III. CRITERIA FOR QUALIFICATION OF A DRO

A. Requirements of a QDRO.

In order to constitute a QDRO, an order must satisfy the requirements of a DRO (set forth in Section II(A) hereof) and must specify the following information:

1. The name, social security number, date of birth and last known mailing address of the participant and of each alternate payee covered by the QDRO. (A DRO which fails to provide any of the above information may not fail to qualify as a QDRO if such information can be obtained in writing from another source, but may delay the qualification process.) In addition, the DRO must specify the alternate payee's (and each contingent alternate payee's) relationship to the Participant.
2. The name of the Plans to which such order applies. These procedures apply to the UPS/IBT Full-Time Employee Pension Plan and the Central States, Southeast and Southwest Areas Pension Fund. An order must state that the order will apply to both the UPS/IBT Plan and the Central States Plan.
3. The amount or percentage of the participant's accrued benefit to be paid to each alternate payee, or the manner (or formula) by which such amount or percentage shall be determined. If the participant is not In Pay Status, the order should also stipulate the date as of which the amount is to be determined. (Please see Sections V.A. and V.B. hereof for a more complete description of language which is acceptable to the Plans.)
4. The date payments are to commence to each alternate payee.
 - a. The Plans will honor a QDRO which requires the payment of benefits to an alternate payee while the participant is still employed, as long as payments are not required to commence before the participant has attained his or her "earliest retirement age" within the meaning of §414(p)(4) of the Internal Revenue Code.
 - b. In the event the QDRO requires payments to be made to the alternate payee while the participant is still employed but after the participant has attained (or would have attained) his earliest retirement date, payments shall be computed as if the participant had retired on the date on which payments are first made under the order.
5. The form in which payment is to be made. The Plans offer several forms of benefit which are more completely described in Sections V.A. and V.B. hereof. A DRO may not require the Plans to provide any type or form of benefit, or any option, not otherwise provided under the terms of the Plans.

B. A DRO will *fail to qualify* as a QDRO if it:

1. Requires the Plans to provide any type or form of benefit, or any option, not otherwise

provided under the Plans, or

2. Requires payment to an alternate payee of benefits that are required to be paid to another alternate payee under another DRO previously determined to be a QDRO, or
3. Requires the Plans to pay benefits in excess of the participant's accrued benefit.

IV. ADMINISTRATIVE PROCEDURES UPON RECEIPT OF A DRO (OR PROPOSED DRO)

A. Notice to Alternate Payee and Participant.

The Board of Trustees shall promptly notify the participant and any alternate payee named in a DRO of the receipt of such DRO. The notice should contain the following information:

1. that the DRO has been received;
2. that, within a reasonable period of time, the Board of Trustees will cause a review of the DRO to determine whether or not it satisfies the requirements of a QDRO, and that the Board of Trustees can be contacted at the following address:

The UPS/IBT Full-Time Employee Pension Plan
Board of Trustees
55 Glenlake Parkway
Atlanta, Georgia 30328
ATTN: QDRO Committee

3. that, during the determination period, payment of a portion of the participant's benefits will be deferred if they are In Pay Status;
4. that a copy of these procedures, including any model QDRO then offered, is attached; and
5. that a copy of the summary plan description and/or plan document for either of the Plans is available upon request. Subject to Section V.F., participant benefit calculations will also be provided upon request.

In addition, the notice to the alternate payee shall include a statement that he or she is entitled to designate a representative for receipt of copies of any notices that are sent to the alternate payee with respect to the DRO, if counsel for the alternate payee is not already identified.

If the DRO is received from the alternate payee's and/or participant's counsel, the notice shall be sent first class mail to such counsel, with copies to the participant and alternate payee at the address specified in the order, or if none is specified, to the last known address of the participant and alternate payee. If counsel for the alternate payee and/or participant is not yet identified, then the notice shall be sent first class mail directly to the alternate payee or participant, as the case may be.

B. Deferral of Payment to Participant Pending Resolution of QDRO.

As soon as administratively practicable following the UPS/IBT Plan's receipt of a DRO or proposed DRO, the UPS/IBT Plan will inform the Central States Plan of said receipt and both Plans shall place an administrative hold on the payment of the participant's accrued benefit. While the hold is in place, a participant shall not be permitted to receive or to commence receipt of his or her benefit except as specifically set forth below. A portion of the benefits which are withheld (pursuant to this Section IV.B.) may be paid to the alternate payee once an executed DRO is determined to be a QDRO. As set forth in this paragraph B., the hold shall be lifted as follows:

1. Executed DRO that is Determined to be Qualified.

Upon the Board of Trustees' determination that an executed DRO is a QDRO, a separate benefit shall be established for the alternate payee and the hold shall be lifted from the participant's benefit simultaneously.

2. Receipt of a Proposed DRO or an Executed DRO (Which Would Not Permit Immediate Commencement to the Alternate Payee were the DRO Determined to be Qualified).

a. 12-Month Administrative Hold Upon Initial Receipt of a DRO.

Upon the initial receipt of a proposed DRO or an executed DRO (which would not permit immediate commencement to the alternate payee were the DRO determined to be qualified), the administrative hold will be maintained for a reasonable period of time pending corrective action by the affected party. For these purposes, a period of 12 months shall be considered reasonable, unless a party shows prior to the expiration of such 12-month period that extenuating circumstances require additional time. The 12-month period shall begin on the date the UPS/IBT Plan first receives the DRO and shall end on the last day of the twelfth month thereafter.

b. Extension of Administrative Hold.

If, at the end of the 12-month period, the UPS/IBT Plan has not received and approved an executed DRO, notification will be sent to the parties that the administrative hold will be released from the participant's accrued benefit under both Plans. The administrative hold will be released on the date which is two months after the end of the 12-month period, *unless* (i) the parties have submitted a written request to the UPS/IBT Plan for an additional extension of time, or (ii) the parties have submitted a revised proposed DRO, or a revised executed DRO (which would not permit immediate commencement to the alternate payee were said DRO to be qualified).

i. Written Request for Extension.

If, after the end of the 12-month period, but before the expiration of the two-month period following the end of the 12-month period, the parties submit a written request to the UPS/IBT Plan to extend the administrative

hold, the Plans will continue the administrative hold on the participant's accrued benefit for an additional four-month period. This four-month period will commence on the date as of which the initial administrative hold otherwise would have been released. If, at the end of the four-month extension, the Plans still have not received and approved an executed DRO, notification will be sent to the parties that the administrative hold will be released from the participant's accrued benefit under the Plans. The administrative hold will be released on the date which is two months after the end of the four-month period, unless the parties submit a written request to the UPS/IBT Plan for an additional extension of time, which will be another four-month period. (Please note that receipt of a written request to extend the administrative hold *after* the date on which the administrative hold is lifted will not restart an administrative hold.)

ii. Submission of a Revised Proposed DRO or an Executed DRO (Which Would Not Permit Immediate Commencement to the Alternate Payee were the DRO Determined to be Qualified).

If, after the end of the 12-month period, but before the expiration of the two-month period following the end of the 12-month period, the parties submit to the UPS/IBT Plan a revised proposed DRO or a revised executed DRO (which would not permit immediate commencement to the alternate payee), the Plans will continue the administrative hold on the participant's accrued benefit for an additional four-month period. This four-month period will commence on the date as of which the initial administrative hold otherwise would have been released. If, at the end of this additional four-month period, the Plans still have not received and approved an executed DRO, notification will be sent to the parties that the administrative hold will be released from the participant's accrued benefit under the Plans. The administrative hold will be released on the date which is two months after the end of the four-month extension period, unless the parties submit a written request to the UPS/IBT Plan for an additional extension of time (as described in subparagraph (i) above), or submit a revised proposed DRO or revised executed DRO (which would not permit immediate commencement to the alternate payee were the DRO determined to be qualified).

c. Reinstatement of Administrative Hold Upon Receipt of Subsequent Proposed DRO or an Executed DRO (Which Would Not Permit Immediate Commencement to the Alternate Payee were the DRO Determined to be Qualified).

If, after the 12-month administrative hold (including any extensions thereon) has been lifted from the participant's accrued benefit under the Plans in accordance with subsection B.2.b, the UPS/IBT Plan receives a subsequent proposed DRO or an executed DRO (which would not permit immediate commencement to the alternate payee were the DRO determined to be qualified), the Plans shall place a new administrative hold on the participant's

accrued benefit. The Plans shall treat this receipt of a subsequent DRO, for purposes of this new administrative hold, as if it were an initial receipt of a DRO described in subsection B.2.a hereof, and sections B.2.a and b shall apply, respectively, on a prospective basis from the date the UPS/IBT Plan receives this subsequent DRO.

3. Receipt of an Executed DRO Which Would Permit Immediate Commencement to the Alternate Payee.

a. 18-Month Administrative Hold Upon Receipt of an Executed DRO.

Notwithstanding anything contained herein to the contrary, if the UPS/IBT Plan receives an executed DRO which would permit immediate payment to the alternate payee were the DRO to be qualified (e.g., if the participant is already in pay status, or if the DRO permits the alternate payee to commence receipt of benefits upon the participant's attainment of early retirement age, and the participant has already attained his or her early retirement age), and the UPS/IBT Plan makes a preliminary determination that the executed DRO is not qualified, the administrative hold will be maintained under both Plans for a reasonable period of time pending corrective action by the affected party. For these purposes, a period of 18 months shall be considered a reasonable period. The 18-month period shall commence as of the date on which the first payment would be required to be made under the DRO and shall end on the last day of the eighteenth month thereafter.

b. Reinstatement of Administrative Hold Upon Receipt of a Subsequent Executed DRO.

If, after the 18-month administrative hold has been lifted from the participant's accrued benefit, the UPS/IBT Plan receives a subsequent executed DRO which would permit immediate payment to the alternate payee were the DRO to be qualified (e.g., if the participant is already in pay status, or if the DRO permits the alternate payee to commence receipt of benefits upon the participant's attainment of early retirement age, and the participant has already attained his or her early retirement age), the Plans shall place another administrative hold on the participant's accrued benefit. The Plans shall treat the receipt of a subsequent executed DRO, for purposes of this new administrative hold, as if it were an initial receipt of an executed DRO described in subsection B.3.a hereof, and shall apply subsection B.3.a hereof on a prospective basis from the date the UPS/IBT Plan receives this subsequent executed DRO.

Any determination that this subsequent executed DRO is a QDRO shall be applied prospectively only and the Plans shall not be liable to make payments to the alternate payee which were subject to the terms of the initial executed DRO.

c. Receipt of a Subsequent Proposed DRO.

If, after the initial 18-month administrative hold has been lifted from the participant's accrued benefit, the UPS/IBT Plan receives a subsequent proposed DRO, the Plans shall place a new administrative hold on the participant's accrued benefit. The Plans shall treat this subsequent receipt of a proposed DRO, for purposes of this new administrative hold, as if it were an initial receipt of a DRO described in subsection B.2.a hereof, and sections B.2.a and b shall apply, respectively, on a prospective basis from the date the UPS/IBT Plan receives this subsequent DRO.

4. Receipt of Written Communication which is *not a DRO* or a proposed DRO.

If the UPS/IBT Plan receives written communication (which is not a DRO or a proposed DRO) which states, or from which it is reasonable to infer, that because of a final or pending divorce or other domestic relations proceeding, a QDRO may be directed to the Plans, payment of the participant's accrued benefit shall *not* be interrupted or otherwise deferred. *In other words, the Plans will defer payment of the participant's accrued benefit only upon the receipt of a DRO or proposed DRO.* This administrative position shall also apply to the receipt of any subpoenas or documents which reference a final or pending divorce or other domestic relations proceeding and which may request benefit information regarding the participant (regardless of whether the subpoena specifically identifies the Plans), but which do not satisfy the requirements of a DRO.

5. Circumstances Extending Hold.

Notwithstanding the foregoing subparagraphs B.1. through B.4., the Board of Trustees has the authority and discretion to determine whether it is reasonable and in the best interests of all participants and beneficiaries to continue the hold beyond the time periods outlined above because it is reasonable to believe that a QDRO which will affect the Plans will be forthcoming beyond such period. For example, a hold may be extended if the UPS/IBT Plan receives a DRO which prohibits or restricts the distribution of the participant's accrued benefits generally, but does not otherwise attempt to award all or a portion of the accrued benefit in favor of any alternate payee. If the hold is extended, the participant and the potential alternate payee shall be notified that the hold will be lifted if a QDRO (or, in appropriate circumstances, a proposed QDRO) is not received by the UPS/IBT Plan by a specified date.

6. Circumstances Waiving Hold.

In situations where the alternate payee's award is clear and unambiguous from the terms of the DRO or proposed DRO, the Board of Trustees may distribute the portion of the participant's accrued benefit which would not otherwise be affected by the DRO or proposed DRO.

7. Release of Holds/Indemnification.

Notwithstanding anything contained in this Section IV.B. to the contrary, the Board of Trustees may release a hold which has been placed on the participant's account *before the expiration* of the applicable hold period upon receipt of a signed and notarized

statement from the participant and alternate payee that no executed DRO will be forthcoming. This statement should include a statement of indemnification by the participant and alternate payee as follows: "The Participant and Alternate Payee agree to indemnify and hold harmless UPS, the UPS/IBT Full-Time Employee Pension Plan and the Central States, Southeast and Southwest Areas Pension Fund should any other entitlement to the Participant's accrued benefit under either of the Plans be established pursuant to a DRO between the parties."

In addition, the Plans shall have the authority and discretion to require a similar statement of indemnification from the participant and/or alternate payee before releasing any hold which has been placed on the participant's accrued benefit, even though the stated hold period would otherwise expire pursuant to the terms of this Section IV.B.

8. Payment of Amounts Which Have Been Withheld from the Participant's Benefit During the Application of an Administrative Hold.

To the extent the Plans withhold amounts from the Participant's accrued benefit during the administrative periods described in this Section IV.B, a DRO should direct the Plans whether these withheld amounts should be paid to the participant or alternate payee. If a QDRO is silent as to the withheld amounts, the withheld amounts will be returned to the Participant unless, 30 days from the date of the approval and interpretation letter, the UPS/IBT Plan receives a properly executed and amended QDRO which addresses payment of the withheld amounts.

Notwithstanding anything contained herein to the contrary, amounts withheld from the Participant's benefit prior to the receipt of an executed DRO will, upon the expiration of the administrative hold, be returned to the Participant. Amounts withheld from the Participant's benefit under the Plans on and after the UPS/IBT Plan's receipt of an executed DRO will be paid in accordance with the terms of the DRO.

9. Authority of Board of Trustees.

The Board of Trustees is authorized to determine whether, in a particular fact situation, the deferral of all or a portion of the participant's accrued benefit payments is warranted in accordance with the above-described procedures.

10. Notice.

As a general practice, the UPS/IBT Plan shall notify the participant and the alternate payee in advance when a hold is to be lifted in order to give the parties a chance to respond. The participant and/or alternate payee shall have a stated period in which to respond to the UPS/IBT Plan. Upon the UPS/IBT Plan's receipt of a response, it shall determine (in accordance with these procedures) whether or not to extend the hold placed on the participant's accrued benefit. However, a hold may be lifted at any time in accordance with this Section IV, whether or not notice has been provided.

C. Determination of Qualification.

1. Timing.

Within a reasonable period of time after the UPS/IBT Plan's receipt of a DRO or proposed DRO, the Board of Trustees shall cause the DRO to be reviewed to determine whether it satisfies the requirements of a QDRO, as set forth in Sections II and III hereof. In making its determination, the Board of Trustees may seek the advice of legal counsel as to whether the a DRO satisfies the requirements of a QDRO. In making its determination, the Board of Trustees shall have full authority and discretion to interpret the terms of a DRO in accordance with the terms of the UPS/IBT Plan.

2. When a DRO is Qualified.

The Board of Trustees shall mail to the participant and alternate payee and/or attorneys notice that a DRO has been determined to be a QDRO. This notice shall include a brief but specific description and interpretation of the QDRO's provisions.

A DRO shall be deemed to be qualified as a QDRO on the date which is two weeks after the date on which the above notice is sent to the parties.

3. When a DRO is Submitted After the Participant's Death.

If the Board of Trustees determines that the participant died prior to the time a DRO is received by either of the Plans, the Board of Trustees shall notify all surviving parties named in the DRO and/or their respective attorneys or representatives that a DRO generally will not qualify as a QDRO unless it is received prior to the death of the participant. In such event, the party seeking to obtain the QDRO may file a claim with the Board of Trustees requesting a reconsideration regarding whether the DRO entered with respect to the deceased participant should constitute a QDRO. The Board of Trustees shall then determine whether the DRO should constitute a QDRO even though it was received after the death of the participant. The Board of Trustees shall take into account the facts and circumstances it deems significant in making such determinations including, but not limited to, whether there was sufficient time to obtain a DRO prior to the death of the participant.

4. When a DRO is not Qualified.

a. The Board of Trustees will send a notice of its determination to the respective parties and/or their attorneys which includes a brief but specific explanation of why the DRO did not qualify and indicate that a certified amended or modified DRO for the same action or proceeding may be submitted for qualification. A hold on the participant's accrued benefit may continue in accordance with subsection IV.B. above. If the parties choose not to modify the DRO, the Board of Trustees' decision not to qualify the DRO shall be treated as the denial of a claim for benefits and must be appealed under the Plans' claim review procedures before a lawsuit may be filed. A copy of these procedures is available upon request.

- b. If, within a reasonable period after notification to the parties that the DRO is determined not to be a QDRO, no corrective action is taken by any party, the hold may be released from the participant's accrued benefit payments in accordance with subsection IV.B. above.

V. ADDITIONAL INFORMATION

A. Method of Dividing Participant's Benefit if Participant is **Not** in Pay Status.

The method of dividing a participant's benefit will depend on whether the participant has already started receiving benefit payments from the Plans (e.g., whether he or she is "In Pay Status"). This Section V.A. describes the method of dividing a participant's benefit if the participant is **not** yet In Pay Status.

Please note that, if, during the QDRO determination process, the parties are still legally married and the participant submits an application to the Plans to commence receipt of benefits, the alternate payee will be required to sign a spousal consent form (provided by the Plans, respectively) in order to preserve his or her choice of benefit form under this Section V.A. If the alternate payee fails to sign the spousal consent form, both the alternate payee's awarded, and the participant's remaining, benefit will be paid in the form of a qualified joint and 50% survivor annuity (described in Section V.A.2 below) and will be subject to some of the limitations which apply to In Pay Status DROs (described in Section V.B below).

Please remember that, to the extent a portion of the Participant's benefit is attributable to credited service under the Central States Plan which accrued prior to January 1, 2008, the benefit payable from the UPS/IBT Plan will be reduced (or "offset") upon the Participant's attainment of normal retirement age by the amount which becomes payable from the Central States Plan. This applies to benefits payable during the Participant's lifetime, as well as the survivor annuity portion, if any, payable upon the Participant's death. When dividing the participant's benefit, please review Section V.A.5 which addresses the reduction of the participant's benefit upon the attainment of normal retirement age. Depending upon how the DRO is written, this reduction will impact either the alternate payee's or the participant's benefit, or both of them.

Section 414(p)(2)(B) of the Internal Revenue Code requires a QDRO to specify the dollar amount or percentage of the alternate payee's benefit, or the manner in which it can be calculated.

1. Dividing the Accrued Benefit.

a. Participant's Accrued Benefit.

The DRO should award a portion (either as a stated dollar amount or percentage) of *the benefit that would be payable to the participant at normal retirement age*. This will be the Plans' starting point for purposes of calculating the benefit awarded to the alternate payee. This monthly amount will then be adjusted to reflect the form of benefit and timing of commencement chosen by the alternate payee, in accordance with the factors in effect as of the earlier of

the alternate payee's commencement date or the participant's retirement date.

b. Dollar Amount.

If the DRO awards the alternate payee a specific dollar amount of the participant's accrued benefit, the specific dollar amount refers to an amount payable from the participant's normal retirement age benefit.

This specific dollar amount will be adjusted to reflect the form of benefit and timing of commencement chosen by the alternate payee, in accordance with the factors in effect as of the earlier of the alternate payee's commencement date or the participant's retirement date.

The Plan will not accept a DRO which assigns to the alternate payee a specific dollar amount, to be calculated as of a date other than the participant's normal retirement age, nor will the Plan accept a DRO which includes the award of a specific dollar amount which is also expressed as a percentage, and vice versa.

If, when calculated before the participant's attainment of normal retirement age (e.g., before the application of the offset described in Section V.A.5), the participant's accrued benefit is not sufficient to satisfy the alternate payee's award, the Plans will assume that 100% of the participant's benefit was intended to be awarded to the alternate payee and the specified dollar amount will be disregarded.

c. Percentage.

If the DRO awards the alternate payee a percentage of the participant's accrued benefit, it must also specify a date as of which said percentage is to be determined. The Plans will calculate the alternate payee's benefit as if the participant separated from service on that date. Unless the participant has already commenced receipt of benefits, the Plans will not accept a DRO which does not specify a date as of which the alternate payee's percentage is to be determined. The Plans will not accept a DRO which includes the award of a percentage which is also expressed as a stated dollar amount, and vice versa.

d. Formula.

If the DRO includes a formula, the formula must determine the alternate payee's portion either as of (i) a specific date, or (ii) the earlier of (a) the participant's benefit commencement date, or (b) the alternate payee's benefit commencement date. A DRO may wish to adapt the following language which is acceptable to the Plan:

The Alternate Payee shall be entitled to receive a benefit equal to that portion of the Participant's vested accrued benefit, as is represented by a formula. The formula is as follows:

$$[\text{___}\% \times (a/b \text{ or } a/c)];$$

where (a) is the numerator of the fraction representing the total number of whole and partial years of service credit accrued between [insert the date of the marriage] and [insert the date of separation or divorce], and the denominator of the fraction represents the total number of whole and partial years of service credit accrued as of the earlier of (b) the date that the Participant begins to receive benefits, or (c) the date the Alternate Payee elects to begin to receive benefits. Please note that the fraction cannot be greater than 1.0.

To the extent a formula uses "months" of service to capture a period of time, the reference to "months" will be interpreted as a reference to "whole and partial years" of service. The formula, or any similar iteration of a coverage fraction, shall be applied to the participant's aggregate periods of service under both Plans.

e. Disability Benefits.

Unless a DRO directs the Plan to the contrary, an alternate payee shall *not* be entitled to a proportionate share of any monthly benefit payable to the Participant as a result of a Disability (as that term is defined by the Plan).

If the parties wish for a DRO to award the alternate payee a portion of any monthly Disability benefit payments which may be paid (or is currently being paid) to the participant, the DRO must include a separate provision which specifically addresses the award of said Disability benefit payments. Please note that, the alternate payee may elect to commence receipt of the awarded portion of the participant's *retirement* benefit (in lieu of the monthly Disability benefit payment) anytime on or after the date the participant attains eligibility for early retirement benefits, but not later than the date on which the participant elects to commence receipt of his retirement benefit.

2. Available Forms of Payment.

Once an alternate payee is awarded a portion of the participant's accrued benefit under the Plans, both parties may elect any form of benefit available under the Plans with respect to their portion of the benefit. For example, the alternate payee may elect to receive his or her portion of the benefit in the form of a Qualified Joint and 50% Survivor Annuity (as described more completely below), while the participant may elect a Lifetime with Limited Surviving Spouse Option.

Please note that all forms of benefit are based on the lifetime of the participant and will not be converted to a lifetime annuity for the life of the alternate payee.

If the DRO assigns a benefit to the alternate payee as of specific date, the order must either designate one of the forms of benefit described herein *or* provide that the alternate payee is entitled to any form of benefit available under the Plans as of the date on which the alternate payee elects to commence receipt of his or her benefits.

a. Lifetime with Limited Surviving Spouse Option.

The Lifetime with Limited Surviving Spouse Option will pay an unreduced monthly benefit to the alternate payee during the lifetime of the participant; except that, if the participant has satisfied certain service criteria (outlined below) as of the alternate payee's benefit commencement date and dies prior to the payment of 60 monthly payments, payments will continue to the alternate payee until a total 60 monthly payments have been paid from the Plans (regardless of to whom said payments have been made).

If the participant dies after a total of 60 monthly payments have been paid from the Plans, the alternate payee's monthly benefit payments will stop immediately and no further benefits will be paid. (For purposes of these procedures, and to the extent the alternate payee elects to receive the awarded benefit in the form of a Lifetime with Limited Surviving Spouse Option, the participant and alternate payee will be deemed to have been married on the participant's date of death.)

The 60-month guarantee portion of the Lifetime with Limited Surviving Spouse Option form of benefit is available to an alternate payee only if the participant (i) has completed as least 20 Years of Service Pension Credit, (ii) has completed at least 30 Years of Combined Service Credit, or (iii) is at least age 50 and has completed at least 20 Years of Combined Service Credit (as those capitalized terms are defined in the Plan). To the extent the participant has not attained these service criteria as of the alternate payee's benefit commencement date, the Lifetime with Limited Surviving Spouse Option will be offered to an alternate payee as a single life only annuity.

b. Qualified Joint and 50% Survivor Annuity ("QJSA").

The QJSA will pay a reduced monthly benefit to the alternate payee during the lifetime of the participant, followed by monthly payments to the alternate payee for his or her lifetime (assuming he or she survives the participant) in an amount equal to 50% of the monthly payments he or she had been receiving during the participant's lifetime. Under this form of benefit, all payments pursuant to the DRO will end at the alternate payee's death. (Please see Section V.A.8 for additional information regarding the assignment of survivor benefits to the alternate payee.)

c. Joint and 75% Survivor Annuity.

The Joint and 75% Survivor Annuity will pay a reduced monthly benefit to the alternate payee during the lifetime of the participant, followed by monthly payments to the alternate payee for his or her lifetime (assuming he or she survives the participant) in an amount equal to 75% of the monthly payments he or she had been receiving during the participant's lifetime. Under this form of benefit, all payments pursuant to the DRO will end at the alternate payee's death. Note that if the alternate payee elects to receive his or her awarded benefit in this form, the alternate payee shall be the survivor annuitant. (Please see Section V.A.8 for additional information regarding the assignment of survivor benefits to alternate payees.)

An alternate payee must make an election as to the form of benefit when he or she becomes entitled to begin receiving benefits. This election must be received no earlier than 90 days and no later than 30 days prior to the alternate payee's benefit commencement date. If no election is received, payments will be made in the Plans' default form.

3. Commencement of Benefits to Alternate Payee.

Generally, an alternate payee must commence receipt of benefits when the participant commences receipt of benefits, but no later than the participant's attainment of normal retirement age.

Section 414(p)(4) of the Internal Revenue Code permits a QDRO to provide for the payment of benefits to an alternate payee even if the participant is still working, so long as the alternate payee's benefit does not begin to be paid prior to the participant's "earliest retirement age" (defined, generally, as the earliest age at which the participant could begin to receive benefits if he or she separated from employment). Under the Plans, a participant is eligible for an Early Retirement Pension upon the attainment of age 50, but may be eligible for a Service Pension at an earlier date.

Please note that, if the alternate payee would like to commence receipt of benefits prior to the participant or the participant's normal retirement age, the DRO must include a statement substantially similar to the following:

Notwithstanding anything in this Order to the contrary, the alternate payee's benefit shall, upon written request, to the Board of Trustees, begin to be paid to the alternate payee on the date the participant attains his earliest retirement age, or another later date preceding normal retirement age, regardless of whether the participant continues to work past that date.

If a DRO does not provide for the alternate payee's early commencement, the alternate payee will not be able to commence receipt of benefits until the participant attains normal retirement age or, if earlier, commences receipt of benefits.

To commence receipt of his or her benefits, the alternate payee must complete and file

with the Plan Administrator a Benefit Application Form. This form must be received by the Plan Administrator no earlier than 90 days, and no later than 30 days, prior to benefit commencement.

4. Early Retirement Reduction Factors.

Any monthly benefit which begins to be paid prior to the participant's normal retirement age will be reduced in accordance with the terms of the Plans to reflect the longer period of time over which benefits are likely to be paid.

Unless an order directs the Plans to the contrary, the early retirement reduction factor which will be applied to the alternate payee's awarded benefit is that early retirement reduction factor (including any early retirement subsidy, if applicable) to which the Participant otherwise would have been entitled as of the date on which the alternate payee elects to commence receipt of the awarded benefit.

To acknowledge that the alternate payee's benefit will be reduced if it begins to be paid prior to the participant's normal retirement age, a DRO must include a statement substantially similar to the following:

Notwithstanding anything in this Order to the contrary, if the alternate payee's benefit begins to be paid prior to the participant attaining his or her normal retirement age, the monthly amount thereof will be reduced, in accordance with the terms of the Plans, to take into account such early receipt of benefits.

Except as otherwise described herein, a DRO which does not contain a statement substantially similar to the above will be rejected.

Please note that more limited early retirement reduction factors may apply to participants who retire early with Service Pensions. (For a more complete description of Service Pension eligibility, please refer to the Plans' summary plan description.) These early retirement reduction factors may become effective after the date the alternate payee begins to receive benefits under the Plans. In the event that, following the commencement of the alternate payee's benefit, the participant should retire with a more limited reduction factor applicable with respect to his or her benefit, the DRO may reserve jurisdiction to modify the terms of the order to permit such reduction factor to apply with respect to the alternate payee's benefit; provided, however, that such modification shall not cause the Plans to pay increased benefits to the alternate payee, determined on the basis of actuarial value. In other words, any such adjustment must take into account the value of the benefits paid to the alternate payee prior to the participant's retirement.

Please note that the Plans will not accept an order that provides for an automatic recalculation of the alternate payee's benefit upon the participant's subsequent retirement.

5. Offset for Benefit Which Becomes Payable from the Central States Plan.

If the participant accrued a benefit under the Central States Plan prior to January 1, 2008, the parties should know that, when the participant attains normal retirement age (generally, age 65), the participant's monthly benefit under the UPS/IBT Plan will be reduced (or "offset") by the monthly benefit which becomes payable under the Central States Plan. This is because, once the participant attains normal retirement age, the Central States Plan begins to pay an amount equal to the lesser of (i) the participant's normal retirement age benefit (also known as the Contribution-Based Pension) which accrued through December 31, 2007, or (ii) the total benefit being paid by the UPS/IBT Plan. Any benefit payments in excess of the "offset" amount will continue to be paid from the UPS/IBT Plan.

The DRO must include a statement which addresses the application of this offset upon the participant's attainment of normal retirement age. The model QDROs which have been prepared in conjunction with these procedures contain three alternative provisions addressing the offset.

The first alternative provides that the "offset" will be allocated between the alternate payee's awarded benefit and the participant's remaining benefit, proportionately.

Example #1:

Using an overly simplified example to demonstrate this alternative, assume the participant's normal retirement age benefit under the Plans is \$500.00 per month, and that the alternate payee has been assigned 40% of this normal retirement age benefit. Assume for the sake of simplicity that the participant and alternate payee commence receipt of benefits in the same form and at the same time prior to the participant's normal retirement age (but without applying any reduction for early retirement). The alternate payee will receive \$200.00 (and the participant will receive \$300.00) per month from the UPS/IBT Plan until the participant attains normal retirement age. Assume further that, upon the participant's attainment of age 65, the "offset" from the participant's total normal retirement age benefit will be \$100.00. This means that the UPS/IBT Plan's total monthly payment (as if there were no QDRO) will be reduced to \$400.00, and that the Central States Plan will begin paying \$100.00. The total amount being paid will remain the same. If the order provides that the "offset will be allocated proportionately" between the parties, the alternate payee will be allocated 40% of the offset. In other words, the alternate payee will receive \$160.00 from the UPS/IBT Plan and \$40.00 from the Central States Plan, while the participant will receive \$240.00 from the UPS/IBT Plan and \$60 from the Central States Plan.

The second alternative provides that the "offset" will be applied to the participant's benefit first.

Example #2:

Using the example from above, the \$100.00 offset will be applied entirely against the participant's benefit. The alternate payee's benefit payable from the

UPS/IBT Plan remains unchanged, whereas the participant's benefit from the UPS/IBT Plan is reduced by the entire offset. In other words, after application of the offset, the alternate payee will receive \$200.00 from the UPS/IBT Plan and nothing from the Central States Plan, and the participant will receive \$200.00 from the UPS/IBT Plan and \$100 from the Central States Plan.

The third alternate provides that the "offset" will be applied to the alternate payee's benefit first, or the inverse of Example #2.

Please note that, under the second and third alternatives, it is possible that the "offset" might exceed the benefit payable to the party against whose benefit the offset is to be first applied. Using a slightly modified set of facts than those in the first two examples, the example below will demonstrate how this might work.

Example #3:

Assume the participant's normal retirement age benefit from the Plans is \$1,000.00 per month. Assume further that the alternate payee has been assigned \$300.00 of this normal retirement age benefit, and that the DRO provides that the offset shall be applied to the alternate payee's awarded benefit first. Assume again for the sake of simplicity that the participant and alternate payee commence receipt of benefits in the same form and at the same time prior to the participant's normal retirement age (but without applying any reduction for early retirement). The alternate payee will receive \$300.00 per month from the UPS/IBT Plan until the participant attains normal retirement age, and the participant will receive \$700.00 per month from the UPS/IBT Plan until normal retirement age. Assume further that, upon the participant's attainment of age 65, the "offset" from the participant's total normal retirement age benefit will be \$400.00. This means that the UPS/IBT Plan's total monthly payment (as if there were no QDRO) will be reduced to \$600.00, and that the Central States Plan will begin paying \$400.00. The total amount being paid will remain the same. If the offset is to be applied first against the alternate payee's awarded benefit of \$300.00, the alternate payee's awarded benefit under the UPS/IBT Plan will be reduced to zero, and the remaining \$100.00 of the offset will be applied to the participant's benefit. In other words, the alternate payee will receive zero dollars from the UPS/IBT Plan, but will begin to receive \$300.00 from the Central States Plan, while the participant will receive \$600.00 from the UPS/IBT Plan and \$100.00 from the Central States Plan.

6. Cost of Living Adjustments.

A DRO may award the alternate payee a proportionate share of any cost of living adjustments made with respect to the participant's benefits under the Plans. If a DRO is silent as to cost of living adjustments, the alternate payee will not be entitled to share in a proportionate share.

7. Death of the Alternate Payee.

a. Death of Alternate Payee Prior to Benefit Commencement.

If the alternate payee dies prior to his or her benefit commencement date and before the death of the participant, the benefit awarded to the alternate payee will revert to the participant, *unless* the DRO designates a contingent alternate payee. (See Section V.A.7(c) below for a more complete discussion of contingent alternate payees.)

b. Death of Alternate Payee After Benefit Commencement.

If the alternate payee dies after his or her benefit commencement date and before the death of the participant, the benefit awarded to the alternate payee will revert to the participant *unless* the DRO designates a contingent alternate payee (discussed in Section V.A.7(c) below).

c. Beneficiary v. Contingent Alternate Payee

A DRO may not designate a beneficiary to receive the alternate payee's benefit in the event of his or her death. A DRO may, however, designate one or more contingent alternate payees to receive the alternate payee's benefit under the Plan in the event of the alternate payee's death prior to the death of the participant. Except as described in Section V.A.2(a) (e.g., the Lifetime with Limited Surviving Spouse Option), a contingent alternate payee will be entitled to receive only the portion of the alternate payee's benefit that would be payable during the participant's lifetime.

- i) A contingent alternate payee must satisfy the Internal Revenue Code's definition of an "alternate payee" (*i.e.*, a spouse, former spouse, child or other dependent of the participant). Please note that the Plans interpret "child" and "other dependents" to include only minor children and dependents. Once a child or dependent of the participant attains the age of majority, he or she will no longer be eligible to receive a benefit under the Plans.
- ii) If the DRO designates one or more contingent alternate payees, each person's name, address, social security number, date of birth and relationship to the participant must be included in the order.
- iii) If a DRO contains more than one contingent alternate payee, the order should state how the contingent alternate payees are to share in the benefit to be paid from the Plans (e.g., equally or otherwise). If the order is silent in this regard, payment shall be made, in equal shares, to each of the contingent alternate payees, as are alive on the payment date.
- iv) If the alternate payee dies prior to the commencement of his or her

benefits (and before the participant), the contingent alternate payee may elect to commence benefits in any of the available forms of benefit (except that certain age limitations may apply with respect to certain forms of benefit with a survivor annuity).

If the alternate payee dies after the commencement of his or her benefit (but before the participant), payments will continue in the form of benefit selected by the alternate payee and will end upon the participant's death (unless the alternate payee selected a Lifetime with Limited Surviving Spouse Option, in which case benefit payments may continue until the later of the participant's death or the 60-month term certain).

8. Death of the Participant.

a. Death of Participant Before Alternate Payee's Benefit Commencement Date.

The DRO may designate the alternate payee as the surviving spouse for purposes of any qualified pre-retirement survivor annuity ("QPSA"). A QPSA will be paid from the UPS/IBT Plan if the participant dies before his or her benefit commencement date. (Please note that, if an alternate payee elects to commence receipt of benefits prior to the participant, and if the participant then dies prior to the commencement of his or her remaining benefit, no QPSA will be payable with respect to the alternate payee's awarded benefit.)

If the DRO does not designate the alternate payee as surviving spouse for purposes of the QPSA, no benefit will be payable to the alternate payee upon the participant's death prior to the alternate payee's benefit commencement date.

To the extent a QPSA becomes payable in the event of the participant's death, this benefit will be paid by the UPS/IBT Plan for the remainder of the alternate payee's lifetime, and no portion of this benefit will be paid by the Central States Plan.

The amount paid to the alternate payee will depend upon what portion of the QPSA is awarded to the alternate payee. For example, an order can designate the alternate payee (a) as surviving spouse with respect to that portion of the benefit awarded under the DRO, or (b) as the participant's sole surviving spouse for purposes of the entire QPSA payable with respect to the participant's entire benefit.

i) Designation of Surviving Spouse with Respect to Benefit Awarded.

If the alternate payee is designated as surviving spouse with respect to the benefit awarded under the DRO, the amount to be paid will be determined as if the alternate payee had elected to receive his or her portion of the benefit awarded under the DRO in the form of a qualified joint and 50% survivor annuity. Because, however, the

participant would have died, the alternate payee would be entitled to only the 50% survivor annuity payable with respect to the awarded benefit. The survivor annuity would begin to be paid at the time the participant would have attained his or her earliest retirement age (or, if he or she had already attained such age, immediately following the participant's death).

ii) Designation as Sole Surviving Spouse.

If the alternate payee is designated as the participant's sole surviving spouse with respect to the entire QPSA, the amount to be paid will be determined as if the participant and alternate payee had not divorced and as if the participant had elected to receive a qualified joint and 50% survivor annuity with respect to the entire accrued benefit. The alternate payee would be entitled to receive the 50% survivor annuity payable with respect to the participant's entire accrued benefit (determined as if there were no QDRO). The survivor annuity would begin to be paid at the time the participant would have attained his or her earliest retirement age (or, if he or she had already attained such age, immediately following the participant's death). Under this option, any subsequent spouse of the participant would not be entitled to a portion of the QPSA payable with respect to the participant's benefit.

It is possible for an order to award some other portion of the QPSA to an alternate payee; however, that award must be clear and unambiguous in order for the Plans to accept the award.

b. Death of Participant After Alternate Payee's Benefit Commencement Date.

The impact of the participant's death after the alternate payee has commenced receipt of his or her benefits will depend entirely on the form of benefit chosen by the alternate payee.

- i) If the alternate payee elected a Lifetime with Limited Surviving Spouse Option, the alternate payee's benefits will cease, as applicable, either (i) upon the Participant's death, or (ii) upon the later of (I) the payment of 60 monthly payments from the Plans (regardless of from which Plan, or to whom, the payments were made), or (II) the participant's death.
- ii) If the alternate payee elected a Qualified Joint and 50% Survivor Annuity ("QJSA"), the alternate payee's benefits will be reduced by 50% when the participant dies. These reduced payments will continue for the remainder of the alternate payee's lifetime.
- iii) If the alternate payee elected a Joint and 75% Survivor Annuity, the alternate payee will receive the 75% survivor annuity when the

participant dies. These reduced payments will continue for the remainder of the alternate payee's lifetime.

B. Method of Dividing Participant's Benefit if Participant is "In Pay Status."

The method of dividing a participant's benefit will depend upon whether the participant has already started receiving benefit payments from the UPS/IBT Plan (e.g., whether he or she is "In Pay Status"). This Section V.B describes the method of dividing a participant's benefit when the participant is "In Pay Status" and the DRO is received by the UPS/IBT Plan before the participant's attainment of age 65.

Please remember that, to the extent a portion of the Participant's benefit is attributable to credited service under the Central States Plan which accrued prior to January 1, 2008, the benefit payable from the UPS/IBT Plan will be reduced (or "offset") upon the participant's attainment of normal retirement age. This applies to benefits payable during the Participant's lifetime, as well as the survivor annuity, if any, payable upon the participant's death. When dividing the participant's benefit, please review Section V.B.6 which addresses the reduction of the participant's benefit upon the attainment of normal retirement age. Depending upon how the DRO is written, this reduction will impact either the alternate payee's or the participant's benefit, or both of them.

Section 414(p)(2)(B) of the Internal Revenue Code requires a QDRO to specify the dollar amount or percentage of the participant's benefit which is being assigned to the alternate payee, or the manner in which it can be calculated.

1. Dividing the Accrued Benefit.

a. Participant's Accrued Benefit.

The DRO should acknowledge that the participant has commenced receipt of his or her accrued benefit and should award a portion (either as a stated dollar amount or percentage) of the participant's monthly benefit.

b. Dollar Amount.

If the DRO awards the alternate payee a specific dollar amount of the participant's monthly benefit, it will be assumed that the specific dollar amount is to be applied against the amount which is currently being paid to the participant as a monthly benefit.

If, when calculated, the participant's monthly benefit is not sufficient to satisfy the alternate payee's award, the Plans will assume that 100% of the participant's monthly benefit was intended to be awarded to the alternate payee and the specific dollar amount will be disregarded.

Once a participant has commenced receipt of his or her benefit, the Plans will not accept a DRO which assigns to the alternate payee a specific dollar amount, to be calculated as of a date other than the participant's benefit commencement

date (e.g., a retroactive effective date), nor will the Plans accept a DRO that includes the award of a specific dollar amount which is also expressed as a percentage.

c. Percentage.

If the DRO awards the alternate payee a percentage of the participant's monthly benefit, it will be assumed that the specified percentage is to be applied against the amount which is currently being paid to the participant as a monthly benefit.

Once a participant has commenced receipt of his or her benefit, the Plans will not accept a DRO which assigns to the alternate payee a percentage, to be calculated as of a date other than the participant's benefit commencement date (e.g., a retroactive effective date), nor will the Plans accept a DRO that includes the award of a percentage which is also expressed as a specific dollar amount.

d. Formula.

If the DRO includes a formula, the formula must be applied to the monthly benefit currently being received by the participant. Once a participant has commenced receipt of his or her benefit, the Plans will not accept a DRO which contains a formula that is to be applied to the Participant's accrued benefit to be determined using a date which precedes the date of benefit commencement.

e. Disability Benefits.

Unless a DRO directs the Plan to the contrary, an alternate payee shall *not* be entitled to a proportionate share of any monthly benefit being paid to the Participant as a result of a Disability (as that term is defined by the Plan). Please note that, once a participant commences receipt of retirement benefits under the Plan, there is no further entitlement to Disability benefits.

2. Available Forms of Benefit.

If an alternate payee is awarded a portion of the participant's monthly benefit, and the participant is In Pay Status, the alternate payee is limited to that form of benefit chosen by the participant at the time of his or her commencement. For example, if the participant elected to receive his accrued benefit in the form of a Lifetime with Limited Surviving Spouse Option (based upon the participant's lifetime), the alternate payee will receive his or her awarded portion of the participant's monthly benefit in the form of a Lifetime with Limited Surviving Spouse Option (based upon the participant's lifetime).

Please note that all forms of benefit are based on the lifetime of the participant and cannot be converted to a lifetime annuity for the life of the alternate payee.

There are three forms of benefit available under the Plan, each of which is described below.

a. Lifetime with Limited Surviving Spouse Option.

The Lifetime with Limited Surviving Spouse Option form of benefit will pay an unreduced monthly benefit to the alternate payee during the lifetime of the participant; except that, if the participant has satisfied certain stated service requirements set forth in the Plans, and dies prior to the payment of 60 monthly payments, payments will continue until a total 60 of payments have been made from the Plans (beginning with the first payment made to the participant).

If the participant dies after a total of 60 monthly payments have been paid from the Plans, the alternate payee's monthly benefit payments will stop immediately and no further benefits will be paid.

If the participant has not satisfied the Plan's stated service requirements, and the participant dies, the alternate payee's monthly benefit payments will stop immediately and no further benefits will be payable.

b. Qualified Joint and 50% Survivor Annuity ("QJSA").

The QJSA form of benefit will pay a reduced monthly benefit to the alternate payee during the lifetime of the participant.

If the participant and alternate payee were married on the date that benefit payments commenced to the participant, the alternate payee will receive the entire 50% survivor annuity (upon the participant's death). The survivor annuity is payable for the remainder of the alternate payee's lifetime and will be equal to 50% of the total monthly payments the participant had been receiving during the participant's lifetime (before deducting the alternate payee's awarded amount).

If the participant and alternate payee were not married on the date that benefit payments commenced to the participant, and the participant was married to another spouse, the alternate payee is *not* entitled to any of the 50% survivor annuity.

c. Joint and 75% Survivor Annuity.

The Joint and 75% Survivor Annuity form of benefit will pay a reduced monthly benefit to the alternate payee during the lifetime of the participant.

If the participant designated the alternate payee as his surviving beneficiary, then the alternate payee will receive the entire 75% survivor annuity (upon the participant's death). The survivor annuity is payable for the remainder of the alternate payee's lifetime and will be equal to 75% of the total monthly payments the participant had been receiving during the participant's lifetime (before deducting the alternate payee's awarded amount).

If, at the time of the participant's benefit commencement, the participant designated a person other than the alternate payee as his surviving spouse, then the alternate payee is *not* entitled to any of the 75% survivor annuity.

3. Commencement of Benefits to Alternate Payee.

If the participant is In Pay Status, benefit payments will commence to the alternate payee as soon as practicable following the date on which the UPS/IBT Plan determines that a DRO is a QDRO and the alternate payee submits a completed Benefit Application.

4. Payment of Amounts Which Have Been Withheld from the Participant's Benefit During the Administrative Hold Period.

A QDRO must direct to whom (e.g., the participant or the alternate payee), and in what portion, the amounts which have been withheld from the participant's benefit during the administrative hold period (described in Section IV.B hereof) will be paid. If a DRO states that the amounts which have been withheld during the QDRO determination process shall be paid to the Alternate Payee "in the same proportion" as is otherwise awarded pursuant to the award formula contained in the order, the Plans will interpret this provision as if the formula set forth in the DRO were intended to apply to the participant's total monthly benefit for each month, respectively, during which amounts were withheld during the QDRO determination process.

If, upon receipt of a properly executed QDRO, said order does not identify the person to whom, or the manner in which, the withheld amounts should be paid, the withheld amounts will be returned to the participant, unless within 30 days of the date of the UPS/IBT Plan's acceptance letter, the UPS/IBT Plan receives a properly executed and amended QDRO which addresses the withheld amounts.

5. Early Retirement Reduction Factors.

There is no provision necessary regarding early retirement reduction factors when a participant is In Pay Status. This is because the early retirement reduction factors, if applicable, were applied to the participant's benefit at the time of his or her commencement and no additional adjustment will be made to the alternate payee's awarded amount.

6. Offset for Benefit Which Becomes Payable from the Central States Plan.

If the participant accrued a benefit under the Central States Plan prior to January 1, 2008, the parties should know that, when the participant attains normal retirement age (generally, age 65), the participant's monthly benefit under the UPS/IBT Plan will be reduced (or "offset") by the monthly benefit which becomes payable under the Central States Plan. This is because, once the participant attains normal retirement age, the Central States Plan begins to pay an amount equal to the lesser of (i) the participant's normal retirement age benefit (also known as the Contribution-Based Pension) which accrued through December 31, 2007, or (ii) the total benefit being paid by the UPS/IBT Plan. Any benefit payments in excess of the "offset" amount will continue to be paid

from the UPS/IBT Plan.

The way in which the DRO addresses the offset will depend upon whether the DRO is received by the UPS/IBT Plan before or after the Participant's attainment of normal retirement age.

- a) If the UPS/IBT Plan receives the DRO before the participant's attainment of normal retirement age, the DRO must include a statement which addresses the offset (by including one of the alternative provisions contained in the model QDRO).
- b) If the UPS/IBT Plan receives the DRO after the participant's attainment of normal retirement age, no special provision is necessary regarding the offset. This is because the offset will have been applied already to the participant's benefit at the time of the DRO's receipt. The Plans will divide the participant's current monthly benefit as set forth in the DRO.

The model QDROs which have been prepared in conjunction with these procedures contain three alternative provisions addressing the offset.

The first alternative provides that the "offset" will be allocated between the alternate payee's awarded benefit, and the participant's remaining benefit, proportionately.

Example #1:

Using an overly simplified example to demonstrate this alternative, assume the participant's is receiving \$500.00 per month from the UPS/IBT Plan, and that the alternate payee has been assigned 40% of this monthly benefit. The alternate payee will receive \$200.00 (and the participant will receive \$300.00) per month from the UPS/IBT Plan until the participant attains normal retirement age. Assume further that, upon the participant's attainment of age 65, the "offset" from the participant's total monthly benefit will be \$100.00. This means that the UPS/IBT Plan's total monthly payment (as if there were no QDRO) will be reduced to \$400.00, and that the Central States Plan will begin paying \$100.00. The total amount being paid will remain the same. If the order provides that the "offset will be allocated proportionately" between the parties, the alternate payee will \$160.00 from the UPS/IBT Plan and \$40.00 from the Central States Plan, while the participant will receive \$240.00 from the UPS/IBT Plan and \$60.00 from the Central States Plan.

The second alternative provides that the "offset" will be applied to the participant's benefit first.

Example #2:

Using the example from above, the \$100.00 offset will be applied entirely against the participant's monthly benefit. The alternate payee's monthly benefit payable from the UPS/IBT Plan will remain unchanged, whereas the

participant's monthly benefit from the UPS/IBT Plan will be reduced by the offset. In other words, after application of the offset, the alternate payee will continue to receive \$200.00 per month from the UPS/IBT Plan, but will receive nothing from the Central States Plan. The participant will receive \$200.00 per month from the UPS/IBT Plan, and \$100.00 per month from the Central States Plan.

The third alternate provides that the "offset" will be applied to the alternate payee's benefit first, or the inverse of Example #2.

Please note that, under the second and third alternatives, it is possible that the "offset" might exceed the benefit payable to the party against whose benefit the offset is to be first applied. Using a slightly modified set of facts than those in the first two examples, the example below will demonstrate how this might work.

Example #3:

Assume the participant is receiving \$1,000.00 per month from the UPS/IBT Plan. Assume further that the alternate payee is assigned \$300.00 of this monthly benefit, and that the DRO provides that the offset shall be applied against the alternate payee's awarded benefit first. The alternate payee will receive \$300.00 per month, and the participant will receive \$700.00 per month, from the UPS/IBT Plan until the participant attains normal retirement age. Assume further that, upon the participant's attainment of age 65, the "offset" from the participant's total benefit will be \$400.00. This means that the UPS/IBT Plan's total monthly payment (as if there were no QDRO) will be reduced to \$600.00, and that the Central States Plan will begin paying \$400.00 per month. The total amount being paid will remain the same. If the offset is to be applied first against the alternate payee's awarded benefit of \$300.00, the alternate payee's monthly benefit under the UPS/IBT Plan will be reduced to zero, and the remaining \$100.00 of the offset will be applied against the participant's monthly benefit. In other words, the alternate payee will receive zero dollars from the UPS/IBT Plan, but will begin to receive \$300.00 per month from the Central States Plan, while the participant will receive \$600.00 per month from the UPS/IBT Plan and \$100.00 per month from the Central States Plan.

7. Cost of Living Adjustments.

A DRO may award the alternate payee a proportionate share of any cost of living adjustments made with respect to the participant's benefits under the Plans. If a DRO is silent as to cost of living adjustments, the alternate payee will not be entitled to share in a proportionate share.

8. Death of Alternate Payee.

a. Death of Alternate Payee After Beginning To Receive her Awarded Amount.

If the alternate payee dies after beginning to receive her awarded amount and before the death of the participant, the benefit awarded to the alternate payee will revert to the participant *unless* the DRO designates a contingent alternate payee (discussed in Section V.B.8(b). below).

b. Beneficiary v. Contingent Alternate Payee.

A DRO may not designate a beneficiary to receive the alternate payee's benefit in the event of his or her death. A DRO may, however, designate one or more contingent alternate payees to receive the alternate payee's benefit under the Plan in the event of the alternate payee's death prior to the death of the participant. Except as described in Section V.B.2(a) (e.g., the Lifetime with Limited Surviving Spouse Option), a contingent alternate payee will be entitled to receive only the portion of the alternate payee's benefit that would be payable during the participant's lifetime.

- i) A contingent alternate payee must satisfy the Internal Revenue Code's definition of an "alternate payee" (*i.e.*, a spouse, former spouse, child or other dependent of the participant). Please note that the Plans interpret "child" and "other dependent" to include only minor children and dependents. Once a child or dependent of the participant attains the age of majority, he or she will no longer be eligible to receive benefits under the Plans.
- ii) If the DRO designates one or more contingent alternate payees, each person's name, address, social security number, date of birth and relationship to the participant must be included in the order.
- iii) If a DRO contains more than one contingent alternate payee, the order must state how the contingent alternate payees are to share in the benefit to be paid from the Plans (e.g., equally or otherwise). If the order is silent in this regard, payment shall be made, in equal shares, to each of the contingent alternate payees, as are alive on the payment date.

9. Death of Participant.

Upon the participant's death, payments would either cease or continue to the alternate payee depending upon the form of benefit chosen by the participant.

- a. If the alternate payee elected a Lifetime with Limited Surviving Spouse Option, the alternate payee's benefits will cease, as applicable, either (i) upon the participant's death, or (ii) upon the later of (I) the payment of 60 monthly payments from the Plans (regardless of to whom the payments were made), or (II) the participant's death.
- b. If the participant elected a Qualified Joint and 50% Survivor Annuity ("QJSA"), the alternate payee's entitlement to the 50% survivor annuity will

depend upon whether the alternate payee was married to the participant on the date benefits commenced to the participant.

If the alternate payee was married to the participant on the date benefits commenced, the alternate payee is automatically entitled to the entire survivor annuity. If the alternate payee was not married to the participant on the date benefits commenced, the alternate payee is not entitled to and cannot be awarded any portion of the survivor annuity.

- c. If the participant elected a Joint and 75% Survivor Annuity, the alternate payee's entitlement to the 75% survivor annuity will depend upon whether the alternate payee is designated as the participant's surviving beneficiary. If the alternate payee is designated as the participant's surviving beneficiary, the alternate payee will receive the entire 75% survivor annuity. If the alternate payee is not designated as the participant's surviving beneficiary, the alternate payee will not be entitled to any of the survivor annuity.

C. Distributions.

1. No distribution shall be made to an alternate payee until the Board of Trustees has determined in writing that the DRO is a QDRO. After such determination is made, an alternate payee will be entitled to commence receipt of benefit payments at the time specified in the QDRO. To commence receipt of benefit payments, the alternate payee must complete and submit a Benefit Application to the Plan Administrator.
2. Pursuant to the Internal Revenue Code, distributions to a spouse or former spouse are taxable to him or her as gross income. UPS and the Plans are required to report such taxable distribution to the IRS using the alternate payee's name and social security number. If a participant or alternate payee requests tax advice, he or she will be referred to his or her own tax advisor for the income and excise tax consequences for a distribution from the Plans. The Plans will not be responsible for the tax consequences of distributions to participants and alternate payees.

D. Status of Alternate Payee.

Upon determination that a DRO is a QDRO, the alternate payee shall be treated as having a separate benefit from the participant for most purposes under the Plans. Under ERISA, an alternate payee shall be treated as a beneficiary under the Plan, meaning the copies of documents, summary plan descriptions and other general information relevant to the Plans which are given to or made available to beneficiaries will also be furnished to alternate payees.

E. Plan Prevails in Disputes.

In any case of conflict between the terms of a DRO or QDRO and the terms of the Plan, the terms of the Plan shall prevail.

F. Employee Information.

Any information specific to an employee or retiree generally cannot be released without a signed release from such employee or in response to a valid legal process. However, a prospective alternate payee will be entitled to certain information upon providing the Board of Trustees a DRO, or an executed property settlement agreement, divorce decree or other document showing that the alternate payee has a reasonable expectation of being entitled to an interest in the participant's accrued benefit under the Plans. Under these circumstances, the prospective alternate payee is entitled to receive a copy of these procedures, and may receive the summary plan description for the Plan and an estimate of the participant's benefit payable at normal retirement age.