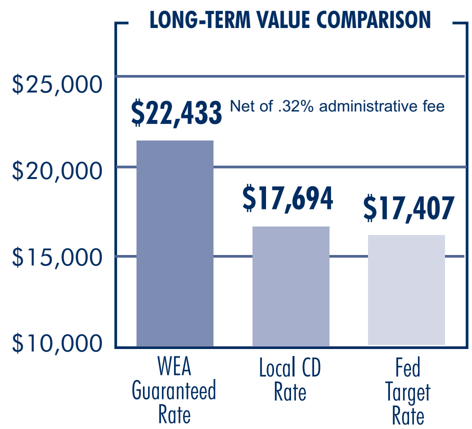
Ask your consultant
Delores Lavin

How is it that the current guaranteed rate can ever be lower than short-term certificate of deposit or money market rates? Shouldn't a long-term rate of return always beat a short-term fairly liquid investment?



HISTORICAL INTEREST RATES			
YEAR	**FED**	**CD**	**WEA**
1994	3.00%	5.00%	5.95%
1995	5.50%	5.60%	6.70%
1996	5.50%	5.50%	7.00%
1997	5.25%	5.60%	7.00%
1998	5.50%	5.70%	7.10%
1999	4.75%	4.80%	6.70%
2000	5.50%	5.10%	6.70%
2001	6.00%	5.40%	7.20%
2002	1.75%	2.40%	6.20%
2003	1.25%	1.80%	4.70%
2004	1.00%	1.40%	3.95%
2005	2.25%	2.00%	4.20%
2006	4.25%	4.00%	4.20%
2007	5.25%	4.10%	4.68%

From time to time we field questions regarding our Guaranteed Investment interest rate, especially in environments such as this when the interest rates for borrowing money are on the rise. A participant who recently called about this issue, suggested we include an explanation in this newsletter to help others understand.

The first thing you need to know is that comparing the Guaranteed Investment annual rate we offer to Certificates of Deposit (CD) or Money Market account rates is not an apples to apples comparison. Our Guaranteed Investment account is a long-term savings vehicle, with goals and strategies fitting for long-term investing.

Prudential Retirement Insurance and Annuity Company manages the Guaranteed Investment. They describe the goals and strategies for this fixed income account as follows:

The goal of this portfolio is to maximize the long-term rate of return consistent with insuring the safety of invested assets.

By carefully structuring a portfolio of commercial mortgages plus privately placed and publicly traded debt securities, the portfolio manager seeks to achieve higher long-term yields than are available from public offerings, as well as an essential degree of liquidity.

In short, unlike money market or CD accounts, the Guaranteed Investment account has a long-term strategy designed to earn investors a higher return over time than could be realized by investing in the CDs or money markets offered commercially.

Over time, interest rates fluctuate. When rates to borrow money are decreasing, as they did between 2000 and 2005, long-term accounts will generally outperform short-term accounts such as CDs or money market funds. Over the past year, interest rates have been moving slowly upward. In this situation, short-term rates will look better than a long-term annual guaranteed rate offered through a retirement vehicle such as ours.

When interest rates level out, long-term managers will again outperform the short-term approach.

The table above shows the January 1 Federal Funds Target Rate, (U.S. short-term benchmark set by the Fed's monitoring policy committee) local savings bank CD rate and the WEA TSA Trust program Guaranteed Investment (net of fees) interest rates from 1994-2007.

The assumptive returns under each scenario demonstrates the advantage of the long-term strategy Prudential Retirement Insurance and Annuity Company employs in the management of the WEA TSA Guaranteed Account and the WEAC IRA account. This is for illustrative purposes only and not indicative of any investment.

How the rate is set

Each year at about this time, the investment managers from Prudential calculate the estimated return of the portfolio and projected return for the next year. With this information and with input from our professional staff, the WEA Trust Member Benefits Board of Trustees determines an appropriate guaranteed rate for the next year and Prudential guarantees the rate for the next calendar year.

WEA TRUST MEMBER BENEFITS

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