

INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 877 ANNUITY FUND

ANNUAL "QDIA" NOTICE FOR THE 2009 PLAN YEAR

TO: ALL NEW PARTICIPANTS, BENEFICIARIES, AND ALTERNATE PAYEES

Welcome to the International Union of Operating Engineers Local 877 Annuity Fund (Fund)! You are receiving this Notice, along with other materials about the Fund, because you recently became eligible to participate in the Fund.

Having enough money for a comfortable retirement is an important issue for all of us, especially in these very turbulent economic times. As you probably know, the Fund is intended to provide you with benefits upon your retirement, disability, or termination of employment from the operating engineer industry. Once you have Fund accounts, the Fund would also pay benefits to your designated Beneficiary upon your death, or to an individual (known as an "alternate payee") pursuant to a specialized court order known as a "qualified domestic relations order" or QDRO. We note that QDROs are normally issued in connection with divorce or child support proceedings. All Fund benefits are intended to assist you with your retirement planning, and you would be able to use them along with Social Security benefits and any of your own private savings.

Moving to specifics, the Fund is an individual account plan where you have the right, and the responsibility, to exercise independent control over the monies in your Fund accounts (which can include regular employer, 401(k) and rollover contribution accounts) through the "Self-Directed Investment Program." This Program is administered by a third party selected by the Fund's Trustees, the Principal Financial Group (Principal).

When you are actively involved in the investment and management of your Fund accounts, the chances are better that your accounts will grow over time. Near the end of 2007, the government determined that a number of individuals in plans like the Fund are not taking active control of their retirement savings. As a result, under a provision of the Pension Protection Act of 2006 (PPA) and final regulations issued by the U.S. Department of Labor (DOL), the Fund's Board of Trustees implemented various "Qualified Default Investment Alternatives" or "QDIAs" *with respect to those participants, beneficiaries and alternate payees who do not provide the Fund with any investment election regarding their Fund accounts.*

Under the final DOL regulations, the Fund's Board of Trustees is required to provide you with an annual notice regarding the Fund's **QDIA options, which are currently eleven "Principal LifeTime" options. We note that the applicable QDIA option for you will vary based on your date of birth).** This is your QDIA notice for the 2009 Plan Year, which runs from January 1, 2009 through December 31, 2009.

I. WHAT DOES THIS "QDIA" RULE MEAN FOR ME AND MY FUND ACCOUNTS?

As a new Fund participant, beneficiary or alternate payee, it is quite likely that you have not yet had the opportunity to make an investment election under the Fund. Therefore, any contributions to your Fund accounts and/or monies in your Fund accounts will be placed directly in the Fund's QDIA option, which again is the Principal LifeTime option appropriate for you, based on your date of birth.

Once you provide the Fund with an investment election for any of your accounts, whether by using Principal's telephone service or website (information on this is in Section II), your Fund accounts will be invested as you direct, and this QDIA rule will no longer apply to you.

II. YOUR RIGHT TO DIRECT THE INVESTMENT OF YOUR FUND ACCOUNTS

Please note that you *always* have the ability to make an affirmative election as to how your current Fund accounts or future contributions, if applicable, are invested. For more information on how to do so now, refer to pages 8 through 12 of the Fund's Summary Plan Description, contact Principal at 1-800-986-3343, or call the Fund's administrative office at (781) 769-5789. In addition, you can access your individual Fund accounts by visiting Principal's website at www.principal.com.

III. INFORMATION ABOUT THE FUND'S "QDIA" INVESTMENT OPTIONS

As of November 14, 2008, the Fund has eleven separate QDIA options¹. Right now, the QDIA for any one individual will depend on his or her date of birth, as follows:

- A. Principal LifeTime Strategic Income option (for those born before 1948)
- B. Principal LifeTime 2010 option (for those born between 1948 and 1952)
- C. Principal LifeTime 2015 option (for those born between 1953 and 1957)
- D. Principal LifeTime 2020 option (for those born between 1958 and 1962)
- E. Principal LifeTime 2025 option (for those born between 1963 and 1967)
- F. Principal LifeTime 2030 option (for those born between 1968 and 1972)
- G. Principal LifeTime 2035 option (for those born between 1973 and 1977)
- H. Principal LifeTime 2040 option (for those born between 1978 and 1982)
- I. Principal LifeTime 2045 option (for those born between 1983 and 1987)
- J. Principal LifeTime 2050 option (for those born between 1988 and 1992)
- K. Principal LifeTime 2055 option (for those born after 1992)

There are three other important things to keep in mind.

1. The DOL also requires the Fund to provide you with specific information for each QDIA option as to investment objectives, risk, return characteristics, and expenses. Attachment A, included with this Notice, includes these important details about each QDIA investment option. Again, the specific QDIA option *for you* will depend upon your date of birth as noted above.

¹ As time goes by, the Fund's Trustees expect to add additional QDIA options.

2. Each QDIA option will invest in other Principal Investors Funds. Also, except for option A (Principal LifeTime Strategic Income option), each QDIA option is managed by Principal *toward a particular target date*, which is intended to correspond with your anticipated retirement date, based on your birth date as noted above. As a result, Principal will automatically change the investment mix (which is the investment percentage in stocks, bonds and real estate) of options B through K over time to become more conservative as the particular option approaches its target date (e.g., 2010, 2015, 2020, 2025, etc.). Since option A is designed to provide a steady income for those in retirement, its investment mix will remain very consistent over time.
3. On or about November 14, 2008, the Fund will add five new QDIA Funds, which are the 2015, 2025, 2035, 2045 and 2055 options noted above. See Section IV about your ability to move out of any QDIA option.

IV. IF YOU ARE IN A QDIA OPTION, YOU MAY ELECT, AT ANY TIME, TO TRANSFER MONIES OUT OF THAT QDIA

Even if you do not immediately make an investment election in the Fund and you have amounts in a specific QDIA option (one of the Principal LifeTime options, based on your age), you still have the ability to make an investment election and transfer some or all of the amounts in your accounts to other Fund investment options. There are no restrictions, penalties or fees when you make such an election. However, you should be aware that any individual Fund investment option may have specific rules which govern its operation as to any investor. As a couple of common examples, a mutual fund may impose: (i) an overall restriction on the number of transactions (transfers in and out) an investor in that fund may make in a set time frame (e.g., 30 days, 90 days), and/or (ii) a redemption fee (1% to 2% of the amount invested) if assets of that mutual fund are purchased and then sold in a short time frame (e.g., 60 to 90 days). Restrictions like this are put in place to prevent market timing.

V. WHERE YOU CAN GET MORE INFORMATION ABOUT THE FUND'S INVESTMENT OPTIONS

As a new Fund participant, beneficiary or alternate payee, Principal will be providing you with a package of information regarding *all* of the Fund's investment options (i.e., all of the QDIA investment options **and** all of the Fund's other investment options).

If you need additional information about any of the Fund's investment options, you should contact Principal by calling 1-800-986-3343. They will provide you with the information you need, including copies of any prospectus. If you want to take advantage of your right to make investment elections in the Fund's Self-Directed Investment Program, you simply need to call Principal's toll free telephone number, or access your individual Fund accounts by visiting Principal's website at www.principal.com.

Of course, you may contact the Fund Office if you have any other questions at (781) 769-5789.

This Notice is a Summary of Material Modifications to your Annuity Plan's Summary Plan Description. Please keep this Notice with your 2008 SPD for future reference, as it modifies

the rules of the Fund (especially the chart of QDIA options, and applicable dates of birth, contained on page 11). Again, welcome to the Fund.

**BOARD OF TRUSTEES,
INTERNATIONAL UNION OF OPERATING ENGINEERS
LOCAL 877 ANNUITY FUND**

| November 30_., 2008