

Boyd Young
Chairman
Ronald D. Hackney
Secretary

Maria F. Wieck, CPA, CEBS
Administrative Officer
Trevor K. England, CPA
Financial Officer

September 15, 2006

Dear Participant:

Enclosed is your Summary Annual Report of the PACE Industry Union-Management Pension Fund for the 2005 Plan Year. Also enclosed is an Annual Funding Notice that must be provided beginning with the 2005 Plan Year. The Annual Funding Notice contains information about the Fund using language required by the Department of Labor. For your assistance, at the end of the Notice, we have included an Additional Explanation that provides more information about the Fund and the Notice. Both the Summary Annual Report and the Annual Funding Notice are printed front to back on the three (3) pages included in this mailing (the third page only has information on its front).

Please contact us if you have any questions concerning this information.

Cordially,

*The Board of Trustees
PACE Industry Union-Management Pension Fund*

SUMMARY ANNUAL REPORT

FOR PACE INDUSTRY UNION-MANAGEMENT PENSION FUND

This is a summary of the annual report for the PACE Industry Union-Management Pension Fund, EIN 11-6166763, Plan No. 001, for period January 1, 2005 through December 31, 2005. The annual report has been filed with the Employee Benefits Security Administration, U.S. Department of Labor, as required under the Employee Retirement Income Security Act of 1974 (ERISA).

Basic Financial Statement

Benefits under the plan are provided through a trust fund. Plan expenses were \$1,274,286.05. These expenses included \$7,508,056 in administrative expenses and \$119,920,549 in benefits paid to participants and beneficiaries. A total of 76,258 persons were participants in or beneficiaries of the plan at the end of the plan year, although not all of these persons had yet earned the right to receive benefits.

The value of plan assets, after subtracting liabilities of the plan, was \$1,722,397,450 as of December 31, 2005, compared to \$1,716,003,748 as of January 1, 2005. During the plan year the plan experienced an increase in its assets of \$6,393,712. This increase includes unrealized appreciation and depreciation in the value of plan assets; that is, the difference between the value of the plan's assets at the end of the year and the value of the assets at the beginning of the year or the cost of assets acquired during the year. The plan had total income of \$133,822,317 including employer contributions of \$52,052,167, realized losses of \$3,170,265 from the sale of assets, and earnings from investments of \$80,593,992.

Minimum Funding Standards

An actuary's statement shows that enough money was contributed to the plan to keep it funded in accordance with the minimum funding standards of ERISA.

Your Rights To Additional Information

You have the right to receive a copy of the full annual report, or any part thereof, on request. The items listed below are included in that report:

1. an accountant's report;
2. financial information and information on payments to service providers;
3. assets held for investment;
4. loans or other obligations in default or classified as uncollectible;
5. transactions in excess of 5% of the plan assets;
6. information regarding any common or collective trusts, pooled separate accounts, master trusts or 103-12 investment entities in which the plan participates; and
7. actuarial information regarding the funding of the plan.

To obtain a copy of the full annual report, or any part thereof, write or call Board of Trustees PACE Industry Union-Management Pension Fund, 3320 Perimeter Hill Dr, Nashville, TN 37211-4123, (800) 474-8763.

You also have the right to receive from the plan administrator, on request and at no charge, a statement of the assets and liabilities of the plan and accompanying notes, or a statement of income and expenses of the plan and accompanying notes, or both. If you request a copy of the full annual report from the plan administrator, these two statements and accompanying notes will be included as part of that report.

You also have the legally protected right to examine the annual report at the main office of the plan (Board of Trustees PACE Industry Union-Management Pension Fund, 3320 Perimeter Hill Dr, Nashville, TN 37211-4123) and at the U.S. Department of Labor in Washington, D.C., or to obtain a copy from the U.S. Department of Labor upon payment of copying costs. Requests to the Department should be addressed to: Public Disclosure Room, Room N1513, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington, D.C. 20210.

Additional Explanation

An actuary's statement shows that the current value of plan assets covers 69.96% of the current value of plan liabilities as of January 1, 2005.

ANNUAL FUNDING NOTICE

PACE Industry Union-Management Pension Fund

Introduction

This notice, which federal law requires all multiemployer plans to send annually, includes important information about the funding level of the PACE Industry Union-Management Pension Fund (the "Plan" or "Fund"), E.I.N. 11-6166763, Plan Number 001. This notice also includes information about rules governing insolvent plans and benefit payments guaranteed by the Pension Benefit Guaranty Corporation (the "PBGC"), a federal agency. This notice is for the period beginning January 1, 2005 and ending December 31, 2005 (the "Plan Year").

Plan's Funding Level

The Plan's "funded current liability percentage" for the Plan Year was 66.36%. In general, the higher the percentage, the better funded the Plan. The funded current liability percentage, however, is not indicative of how well a plan will be funded in the future or if it terminates. Whether this percentage will increase or decrease over time depends on a number of factors, including how the plan's investments perform, what assumptions the plan makes about rates of return, whether employer contributions to the fund increase or decline, and whether benefits payments from the fund increase or decline.

Plan's Financial Information

The market value of the Plan's assets as of January 1, 2005 was \$1,716,003,748. The total amount of benefit payments for the Plan Year was \$119,920,549. The ratio of assets to benefit payments is 14.3. This ratio suggests that the Plan's assets could provide for approximately 14 years of benefit payments in annual amounts equal to what was paid out in the Plan Year. However, the ratio does not take into account future changes in total benefit payments or plan assets.

Rules Governing Insolvent Plans

Federal law has a number of special rules that apply to financially troubled multiemployer plans. Under so-called "plan reorganization rules," a plan with adverse financial experience may need to increase required contributions and may, under certain circumstances, reduce benefits that are not eligible for the PBGC's guarantee (generally, benefits that have been in effect for less than 60 months). If a plan is in reorganization status, it must provide notification that the plan is in reorganization status and that, if contributions are not increased, accrued benefits under the plan may be reduced or an excise tax may be imposed (or both). The law requires the plan to furnish this notification to each contributing employer and the labor organization.

Despite the special plan reorganization rules, a plan in reorganization nevertheless could become insolvent. A plan is insolvent for a plan year if its available financial resources are not sufficient to pay benefits when due for the plan year. An insolvent plan must reduce benefit payments to the highest level that can be paid from the plan's available financial resources. If such resources are not enough to pay benefits at a level specified by law (see Benefit Payments Guaranteed by the PBGC below), the plan must apply to the PBGC for financial assistance. The PBGC, by law, will loan the plan the amount necessary

to pay benefits at the guaranteed level. Reduced benefits may be restored if the plan's financial condition improves.

A plan that becomes insolvent must provide prompt notification of the insolvency to participants and beneficiaries, contributing employers, labor unions representing participants, and the PBGC. In addition, participants and beneficiaries also must receive information regarding whether, and how, their benefits will be reduced or affected as a result of the insolvency, including loss of a lump sum option. This information will be provided for each year the plan is insolvent.

Benefit Payments Guaranteed by the PBGC

The maximum benefit that the PBGC guarantees is set by law. Only vested benefits are guaranteed. Specifically, the PBGC guarantees a monthly benefit payment equal to 100% of the first \$11 of the Plan's monthly benefit accrual rate, plus 75% of the next \$33 of the accrual rate, times each year of credited service. The PBGC's maximum guarantee, therefore, is \$35.75 per month times a participant's years of credited service.

Example 1: If a participant with 10 years of credited service has an accrued monthly benefit of \$500, the accrual rate for purposes of determining the PBGC guarantee would be determined by dividing the monthly benefit by the participant's years of service ($\$500/10$), which equals \$50. The guaranteed amount for a \$50 monthly accrual rate is equal to the sum of \$11 plus \$24.75 ($.75 \times \$33$), or \$35.75. Thus, the participant's guaranteed monthly benefit is \$357.50 ($\35.75×10).

Example 2: If the participant in Example 1 has an accrued monthly benefit of \$200, the accrual rate for purposes of determining the guarantee would be \$20 (or $\$200/10$). The guaranteed amount for a \$20 monthly accrual rate is equal to the sum of \$11 plus \$6.75 ($.75 \times \$9$), or \$17.75. Thus, the participant's guaranteed monthly benefit would be \$177.50 ($\17.75×10).

In calculating a person's monthly payment, the PBGC will disregard any benefit increases that were made under the Plan within 60 months before the earlier of the plan's termination or insolvency. Similarly, the PBGC does not guarantee pre-retirement death benefits to a spouse or beneficiary (e.g. a qualified pre-retirement survivor annuity) if the participant dies after the plan terminates, benefits above the normal retirement benefit, disability benefits not in pay status, or non-pension benefits, such as health insurance, life insurance, death benefits, vacation pay or severance pay.

Where to Get More Information

For more information about this notice, you may contact the following:

Ms. Maria Wieck
Administrative Officer
PACE Industry Union-Management Pension Fund
3320 Perimeter Hill Drive
Nashville, TN 37211-4123
1-800-474-8673

For more information about the PBGC and multiemployer benefit guarantees, go to PBGC's web site, www.pbgc.gov or call the PBGC toll-free at 1-800-400-7242 (TTY/TDD users may call the Federal relay service toll free at 1-800-877-8339 and ask to be connected to 1-800-400-7242).

Additional Explanation

The Board of Trustees of the Fund wanted to provide you with some further guidance that they hope will help you better understand the above information, which the Fund is required to provide in the above format.

First, the "funded current liability percentage" stated above is based on an assumed rate of future investment returns dictated by law for the purposes of this notice. There are several different ways of calculating the Fund's funding level. The required rate of return used in the notice is 6.10%. The Fund is designed to be funded over the long term. Its actual rates of return are as follows, as of December 31, 2005:

1-year return: 4.30%
3-year return: 9.46%
5-year return: 4.52%
10-year return: 7.36%

The lower the rate of return that is assumed, the higher is a pension fund's reported underfunding. Under the long-term interest rate assumption actually used by the Fund, the Fund's funding ratio is 80.19%.

Also, the notice suggests that the Fund will be able to make approximately 14 years of benefit payments in annual amounts equal to what was paid out during the plan year. However, this calculation does not take into account future employer contributions to the Fund, earnings on investments, or other changes to the Plan, all of which may significantly change the ratio of assets to benefit payments. Thus, the information contained in this notice does not necessarily reflect the Fund's ability to pay promised benefits in the future.

The notice also discusses insolvent multiemployer funds and the PBGC benefit guarantees, as required. However, this is no indication of whether or not this will ever apply to this Fund. That is based on numerous factors.

If you have any additional questions, please contact the Fund Office at the number listed above.