

PENSION REVIEW

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YEAR END 2010 PENSION REVIEW

A MESSAGE FROM YOUR TRUSTEES

Thinking about your retirement can be overwhelming at times; whether you are 5 years from retirement or 20 years. We, the Board of Trustees, do our best to ensure our members get the maximum value from the pension plan.

Assisting the Trustees in managing your pension plan are the investment managers, pension plan consultants and the Administrator. As Trustees, it is part of our fiduciary obligation to equip ourselves with the necessary skill and knowledge required to make important decisions about your pension plan. This, we do through the trustee educational programs offered through the International Foundation of Employee Benefit Plans.

We, as your Trustees are committed to providing you with up to date information on your pension plan through improved communication.

We hope that working together we can provide our members with the best pension possible.

Fraternally Yours,
Your Board of Trustees,

- Les Ellerker, Chairman
- Vic Langdon, Secretary
- Dennis Christie
- Dave Cobb
- Ross French
- Dave Marcus
- Jeff Maxwell



MEASURING & MONITORING THE PENSION PLAN

The goal of any pension plan is to ensure that there is enough money available to pay all the member's pensions; both current retirees and future. Local 67 Pension Plan is a SOMEPP (Specified Ontario Multi-Employer Pension Plan) and is governed by

the rules as laid out by Financial Services Commission of Ontario (FSCO).

FSCO requires that the pension plan be valued by an actuary every 3 years and under certain circumstances, it would have to be valued annually. In our case, the last pension plan valuation was filed with FSCO September 2010.

MEASURING & MONITORING THE PENSION PLAN CONTINUED....

There are many factors that influence the result of the pension plan valuation.

interest rates current and projected

These include (but are not limited to):

- Number of active members and retirees
- Average age of active members and retirees
- Life expectancy of all plan members
- Contributions and withdrawals during the valuation period
- Investment returns and

The final actuarial report will either reveal a surplus (excess of funds over current and future liabilities) or a deficit (not enough funds to meet obligations).

“The final actuarial report will either reveal a surplus or a deficit”

THE LOCAL 67 PENSION PLAN FUNDING STATUS

ACTUARIAL RESULTS FOR LOCAL 67 PENSION PLAN AS AT DECEMBER 31, 2009

As a requirement of the Financial Services Commission of Ontario

(FSCO), Multi-employer Defined Benefit Plans, such as ours, must undertake an actuarial review to determine the funding status of the Plan. The report should reflect the Plan on a going concern basis and a

solvency basis as follows:

GOING CONCERN VALUATION

In the going concern valuation, it is implicitly assumed that the Plan will be continued indefinitely. The going concern valuation is used to estimate the sufficiency of estimated ongoing contributions to finance the benefits provided by the Plan. Based on the data submitted by the plan Administrator on the actuarial assumptions, the going concern valuation balance sheet of the Plan as of

December 31, 2009 is shown below:

SOLVENCY VALUATION

The solvency valuation is intended to reflect the status of the Plan as if it had been wound up on the valuation date and the plan members had been provided with the benefits specified by the Plan and the Ontario Pension Benefits Act. The solvency valuation is required by the

Regulations under the Ontario Pension Benefits Act. This valuation impacts the required contributions of the Plan. If there is a solvency deficiency, then corrective action may be required. However, since the Plan has been deemed a Specified Ontario Multi-Employer Pension Plan (SOMEPP), no special payments are required if the result reflects a solvency deficiency.

The Following is a Summary of the Actuarial Valuation of the Local 67 Pension Plan on a Going Concern and Solvency Basis at December 31, 2009

	Going Concern	Solvency
Assets		
Market value of assets	274,055,000	254,072,000
Wind-up expenses		-550,000
Total assets	274,055,000	253,522,000
Liabilities		
Present value of benefits for:		
Active members	97,550,000	133,692,000
Pensioners	164,579,000	189,994,000
Deferred vested members	2,610,000	3,336,000
Total liabilities	264,739,000	327,022,000
Excess/Deficiency	9,316,000	-73,500,000

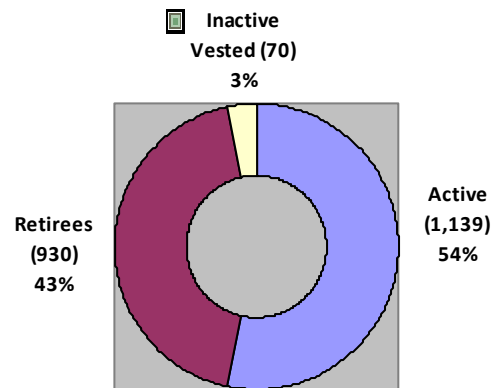
SOLVENCY VALUATION CONTINUED...

While the current financial markets have shown significant improvements from the "meltdown" of 2008, the Pension Plan has not recovered to 100% funding status, which is the primary objective of the Trustees.

In fact, our Plan is slightly below the minimum transfer ratio as required by FSCO for tri-annual valuations.

We now have to file an Actuarial Valuation on an annual basis.

Total Membership



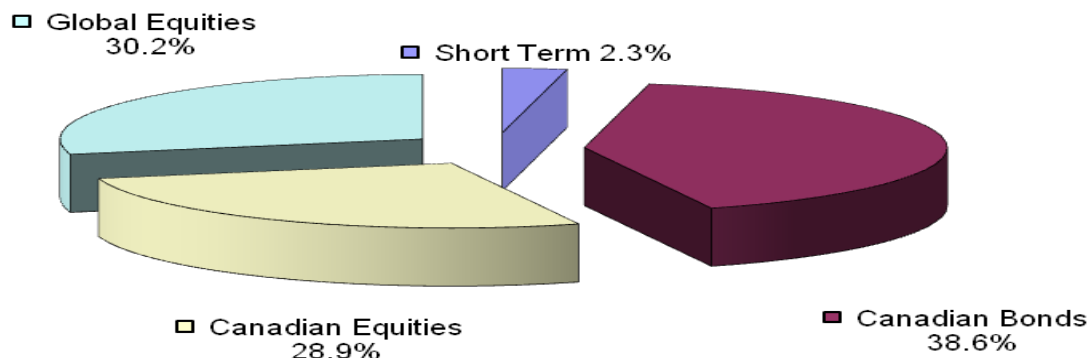
Average Age of active member = 42.1
 Average Age of retired member = 72.1

Average monthly Pension accrued for active member \$1,047

Average monthly Pension in payment for retired member \$1,310

Vested Benefits: Benefits to which a pension plan member or former member is entitled unconditionally under a pension plan as a result of satisfying age or service requirements.

PENSION FUND ASSET ALLOCATION September 30, 2010



Total Market Value - \$261,313,000

INVESTMENT REVIEW

FINANCIAL MARKETS—A VERY GRADUAL RECOVERY

Many had hoped for a strong and quick recovery. This however, does not appear to be in the cards. Government action has perhaps prevented a deep and difficult economic crisis, but the imbalance between countries with a deficit and those with a surplus has not disappeared. It will take a good number of years before such imbalances return to a more tolerable level. Consequently, the Trustees are taking a very cautious approach in managing your Pension Plan in order to fulfill its pension obligations to the membership. It is hoped in the future that the Trustees will be able to reward both active and retired members with increases.

Keep in mind that our goal is not just to make the highest returns, but to achieve the best possible returns within an acceptable level of risk.

To help manage investment risk and guide investment decisions, our plan follows a formal Statement of Investment Policies and Procedures. To implement the Plan's investment strategy, the Trustees:

- Use a formal selection process to choose the fund's professional investment managers, and
- Employ a professional asset consultant to oversee the entire process and provide quarterly reports on investment performance

Above is a snapshot of the pension fund's asset mix as of September 30, 2010. Our current investment managers and advisors are listed as follows:

Investment Managers

Foyston, Gordon & Payne
Letko Brosseau
PCJ Investment Counsel
Berkshire Hathaway Passive
U.S. Equity Investment
State Street Global Advisors

Pension Fund Investment Consultant

AON Hewitt

Pension Fund Custodian

RBC Dexia

Actuary

Eckler Ltd.

Auditor

BDO Dunwoody

Administrator

Reliable Administrative
Services Inc.

Education and Resource

International Foundation of
Employee Benefit Plans

In Conclusion:

The Trustees are hopeful for an improved work situation, coupled with pension contribution increases over the next 3 years, improved market returns, and that the Pension Plan will remain healthy and viable for a long time.