



CARPENTRY WORKERS' PENSION PLAN OF BC

#215 - 3480 Gilmore Way Burnaby BC V5G 4Y1
phone (604) 438-2434 toll free 1-877-411-2808 website www.cwbp.ca Fax: (604) 438-5348

June 29 2011

Dear Plan Member:

Re: Pension Plan Update and Plan Changes

We are writing to you to advise you of some changes to your Pension Plan which are necessary as a result of the actuarial valuation as of June 30, 2010.

Due to the combined effect of severely reduced hours and contributions since the last valuation in 2007, fluctuations in investment markets in 2008 and 2009, and very low interest rates, the actuarial valuation has resulted in a large solvency deficiency and a relatively smaller going-concern deficiency. The assets and liabilities of pension plans are valued on both a solvency and a going concern basis every three years. The solvency basis is the most stringent test and assumes the plan is wound up immediately and is required to buy annuities to pay the pensions. The going concern basis assumes the plan will continue to operate into the future. Pension legislation requires that any solvency deficiency be paid within five years, unless the Plan qualifies for an extension of the payback period or other relief, all of which come with restrictions.

A. Solvency impacts on the Plan

The solvency level of the Plan after the 2007 valuation was approximately 88%. Following the 2010 valuation it has fallen to 72%. The Plan financed the payment of the 2007 solvency deficiency from employer contributions. After the latest valuation, without Plan changes, the solvency payments required would be almost triple the \$4.09 contribution rate. In short, the Plan cannot afford to pay its current level of pension benefit without eliminating the solvency deficiency by reducing benefits for active and retired members alike. Your Plan is a negotiated cost plan, where the employer contributions are limited under the collective agreement. This means that if there is a solvency deficiency there is no call on the employers to contribute additional funds to cover it. And if the solvency deficiency cannot be financed through the employer contributions, there is no choice but to reduce benefits.

The Board of Trustees has been having detailed discussions over the last six months with its advisors and FICOM (Pension Standards Branch), and also with CMAW as to the best way to implement the benefit reductions to minimize the impact on both the active and retired groups. We have settled on an immediate overall reduction of approximately 30% for active members and a three-year phased 10% per year reduction for the retired members. The details of these reductions are described below under Benefit Reductions. Since the solvency deficiency will be removed by the benefit reductions, we are also announcing the Plan Improvements described below.

A. Benefit Reductions for retired members effective August 1, 2011

Effective August 1, 2011 there will be an across-the-board reduction for already retired members in the amount of 10%. This will be followed by a further across-the-board reduction for retired members of 10% on July 1 2012 and again on July 1 2013. The aggregate reduction for the retired members over the three years will be 30%.

B. Benefit Reductions for active members effective August 1, 2011

Effective August 1 2011, the following benefit reductions will be implemented:

1. The subsidized early retirement provision for active members will be removed. Active members will be able to retire as early as age 55 but their pension will be reduced by 6% per year for every year that they are less than age 65.
2. The seven-year guaranteed pension option will be removed,
3. There will be an across-the-board reduction in accrued pension for active members in the amount of 25%. This percentage together with the removal of the early retirement and seven-year guarantee provisions described above will effectively amount to an overall reduction of approximately 30%.

The above changes will effectively remove the plan solvency deficiency and we can therefore move forward with the following improvements to make the Plan more attractive to active members and ensure its long term viability to provide pensions to retired members.

C. Plan improvements effective July 1, 2011

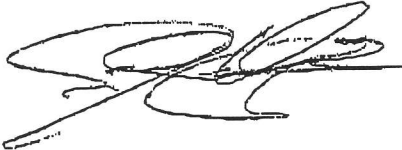
Effective with the Plan Year starting July 1 2011, we are proposing the following improvements for FICOM approval:

1. The minimum 350 hour unit will be removed, as will the 1750 hours cap.
2. The Plan will implement immediate vesting. In other words, every hour submitted will count towards the earned pension.
3. The Plan will also announce a significant increase in the earned pension amount for future contributions.
4. Members who retire prior to age 65 can return to work without pension accrual.

Your Board of Trustees has worked earnestly to find the best result for all of our affected members in making the difficult decisions described in this letter. While benefit cuts are never good news, we have phased in the cuts to the retirees over a three year period. The elimination of the solvency deficiency allows us to dramatically improve accrual rates for our active members so they can recover their previous levels of pension entitlement in a reasonably short period of time and continue to support the pensions of the retired members. We feel that the combination of these changes, as well as the pension improvements described above, will provide the best result for all, under the circumstances.

Yours truly

**BOARD OF TRUSTEES
CARPENTRY WORKERS' PENSION PLAN of BC**



On behalf of the Board:

John Voykin, Chair, Kootenay District Council 250 304 9246 john.voykin@telus.net
Bill Penner, Northwest BC District Council 250 638 1830 mail2bp@telus.net
Barbara Bachmeier, Central BC District Council 250 255 0554 bbachmeier@telus.net
Olaf Duemler, Okanagan District Council 250 828 1115 helenolaf@telus.net
Fred Kuhn, Vancouver Island District Council 250 480 9202 rackuhner@shaw.ca
Bill Duck, Vancouver & Lower Mainland District Council 604 341 6219
billduck@cmaw1995.ca
Chris Wasilenchuk, Vancouver & Lower Mainland District Council 778 829 9744
chris@cmaw.ca

