



# Labourers' Pension Fund

of Central and Eastern Canada

June 15, 2007

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All Business Managers of Participating  
Local Unions of the Labourers' Pension Fund  
of Central and Eastern Canada

Dear Sirs:

The Labourers' Pension Fund is dedicated to helping to ensure the retirement security and welfare of our Plan Members and their families. In order to better secure the pension benefits the Trustees have asked that collective agreements include an additional 30 cents per hour contribution to the Pension Fund without any corresponding increase in the pension promise. The purpose of this letter is to explain why this is necessary and important, and how the extra 30 cents will strengthen the security of the pension benefits.

Pension deficits are not uncommon, nor are they to be totally avoided at all costs. According to a recent publication of the Financial Services Commission of Ontario with respect to all defined benefit pension plans in Ontario, over half of them have going-concern deficits and over three-quarters have a solvency deficit. Just like mortgages help people buy a house and enjoy the benefits of home ownership at the same time they are paying for the home, a pension plan deficit allows pensions to be paid at a reasonable level while the current contributions work to pay off the pension deficit.

A mortgage and a pension deficit are just methods for providing a benefit (home ownership or a pension) by paying for the benefit on an installment plan. And, similar to a mortgage, the prudent financial plan is to pay off the mortgage or pension deficit as quickly as possible. With a mortgage there is always the risk that mortgage rates will increase and at renewal time the mortgage payments increase. A pension deficit may increase as unexpected shocks to the market or the economy cause a new pension deficit to emerge.

The most recent filed actuarial valuation report in respect of the LPF was as at December 31, 2005 and indicated an unfunded liability (deficit) of \$450 million at that date. While the funding of the LPF was clearly set back by the "perfect storm" (low interest rates and low/negative investment returns) of the early years in the new millennium. The plan indeed weathered the storm and, all things considered, the pension plan – as a going-concern entity – is doing quite well. Many other pension plans have not been so fortunate.

Clearly though, as with mortgages, the best idea is to pay off the deficit as fast as possible. For this reason, the Trustees have requested that every Agreement include an additional 30 cents per hour contribution to be allocated to eliminating the pension plan funding deficit. While plan members will not receive any immediate benefit increase for this extra 30 cents, they will be

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helping to pay off the pension plan deficit earlier and thereby get the LPF to a fully funded state much sooner than would otherwise be the case.

One of the significant advantages of paying off the deficit earlier (in addition to the added benefit security) is that benefit increases can be provided earlier than if we do not make the additional contributions. It is just prudent to eliminate the debt before spending money on new benefits. In addition, upon deficit elimination, the current contributions being allocated to fund the deficit will also be available to fund benefit improvements and/or provide additional benefit security.

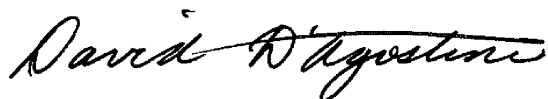
We can clearly see the light at the end of the tunnel. We are enjoying a robust construction boom and now is an appropriate time to increase our pension plan contributions without receiving any additional benefits currently for these contributions.

In this regard, therefore, the Board of Trustees has passed a resolution to recommend to all Local Unions that [all collective agreements effective May 1, 2007, or later] contributions to the Labourers' Pension Fund be increased by 10 cents per hour for the next 3 years, i.e. an additional 10 cents in the first year, a further additional 10 cents (for a total of 20 cents) in the second year, and a further additional 10 cents (for a total of 30 cents) in the third year and beyond, and that such contribution increases would not attract any benefit accrual.

This recommendation does not apply to those agreements whose pension contribution rates are currently 30 cents per hour or less. Furthermore, for agreements in the Industrial Sector, the recommendation for annual increases is 5¢/5¢/5¢ per hour rather than the 10¢/10¢/10¢ per hour outlined above. For all other agreements, which is the vast majority, the recommendation is the full 10¢/10¢/10¢, i.e. grading to 30 cents over 3 years.

In order to be fair and equitable to all plan members, those members covered by agreements not providing for the above increases by September 1, 2007 will have their benefits reduced on an actuarially equivalent basis. Should any such reductions be required, the Trustees will of course be providing appropriate notice to Plan members of the plan amendment implementing such reduction.

Yours truly,

A handwritten signature in black ink that reads "David D'Agostini". The signature is written in a cursive, flowing style.

David D'Agostini  
Administrator

DD/jc