



IWA - FOREST INDUSTRY PENSION PLAN

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June 24, 2011

Dear Plan Member:

The purpose of this letter is to provide you, as a member of the IWA - Forest Industry Pension Plan, with an update about recent actions and decisions of the Board of Trustees (the "Board") regarding the funding of the Plan.

The Board of Trustees has been monitoring how the economic downturn, recent market conditions, and historically low interest rates are affecting the Plan. As required by the *BC Pension Benefits Standards Act*, the Board of Trustees authorized an actuarial valuation as of December 31, 2009.

Actuarial Valuation - December 31, 2009

Simply put, the actuarial valuation is the assessment of the financial position of the IWA - Forest Industry Pension Plan. This involves the comparison of the value of the assets (actuarial value of assets) in the Plan to the value of the benefits (actuarial liabilities) the Plan is expected to pay. The actuarial valuation is an independent review performed by an Actuary who must maintain membership in the *Canadian Institute of Actuaries*.

In the valuation, the Actuary is required by legislation to perform two different valuation assessments: the "going concern valuation" and the "solvency valuation". The going concern valuation is based on the assumption that the Plan will continue operating into the future; however, the solvency valuation makes the assumption that the Plan was wound up on the date of the valuation. *It must be stated clearly that the Plan is not being wound up* -- this calculation is a requirement of the *Act* and has been for many years. The assumptions used by Actuaries in these valuation calculations are mandated by the legislation and cannot be altered by the Administrator of the Plan.

At December 31, 2009 the Plan had net assets available for benefits of \$2.759 billion. The solvency valuation at that date showed a deficit of \$805.9 million, or a solvency ratio of 74 per cent. On a going concern basis the Plan had a funded ratio of 94 per cent.

In recognition of the market downturn in 2008 and the difficulties that it and the other previously mentioned factors caused to most pension plans, the *Regulations* to the *BC Pension Benefits Standards Act* were amended to provide multi-employer negotiated cost plans in BC the opportunity to file for a three-year moratorium on solvency requirements.

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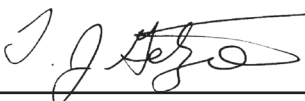
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Because the solvency level is below 100 percent and the regulatory requirement for solvency is for full funding within five years time, the Board of Trustees spent considerable time and effort considering options regarding how the shortfall might be addressed. Those options included, but were not limited to: seeking an increase in contributions, reducing benefits, or seeking solvency relief under the current three-year moratorium offered under the *Regulations*. The Board chose to seek solvency relief.

The Superintendent of Pensions (the "Superintendent") has granted the Plan's request to temporarily suspend solvency payments required under *Section 35(3)(c)* of the *Regulations*. The Plan is required to prepare an actuarial valuation effective the end of the suspension period, which is December 31, 2012. If, at that date, the actuarial valuation indicates that a solvency deficiency still exists, the Trustees will be required to notify the Superintendent of the steps that will be taken to meet the funding requirements of the *Regulations*. In the interim, the Superintendent requires annual funding updates and the legislation requires that there be no benefit improvements during the solvency moratorium period.

The decisions taken by the Trustees have been carefully considered. They balance the need to be aware of the challenging economic and business environment in the short term, yet temper their decisions by looking to the longer term potential for improvement in these sectors. In fact, we have seen significant improvement to the financial markets in the last two years and the returns the Plan experienced in 2009 (17.1%) and 2010 (10.1%) have helped to offset the damage of the negative returns of 2008. The decisions the Trustees have made are intended to ensure security and affordability of the benefits over the longer term.

Sincerely,



Tom Getzie, Co-chair
IWA - Forest Industry Pension Plan



Bob Matters, Co-chair
IWA - Forest Industry Pension Plan