LCEB BULLETIN

Waterfront Industry Pension Plan

June 14, 2012

Pension Plan Update

On June 13, 2012, the full Board of Trustees of the Longshore Pension Plan met with the Plan Actuary and Investment advisors to review the Plan's performance for year 2011. This review examines all aspects of the Plan with respect to investment policy and legal reporting requirements. After much debate and consideration of the financial information provided, a decision was reached that:

There will be no Pension increase this year, 2012, for the following reasons:

Annually our Plan has to file a report with the Federal Regulators, Office of the Superintendent of the Financial Institutions and Canada Revenue Agency, on the financial condition of the Plan and any changes that might be contemplated based on the Plan's performance in 2011. Our Federally Regulated Plan **must meet two tests before any increase may be made.**

1) **Going Concern** – This test reviews the assets and liabilities of the Plan as if it was to continue as it is currently structured. Our contribution stream exceeds what is required on an ongoing basis, so we have no problem meeting this test.

2) **Solvency** – This is where we have a problem. The **Solvency** test examines the Assets and Liabilities of the Plan on the assumption that the Plan is "wound-up" or terminated. Under Federal Regulations the assets of the Plan are converted to Canada long term Bonds on a specified date, and then that value is compared to a 100% funding value. Excess or deficit amounts are expressed as, ie. 104% or 95% of the required funding amount, which we would refer to as an indicator of the health of the Plan.

Based on this yearly test we have been able to have increases for many years, except for 2009, which was due to market conditions of 2008. Until fairly recently we assumed that we would have an increase for 2012, but a change has been made to reduce the interest rates of return for Canada long term Bonds. This change, in simple terms, means that we require more assets/money in the Plan to make up for the decrease in the new reduced Bond rate. We do not have those assets and consequently find the Plan is now approximately 85% funded on the Solvency side.

Our investment returns were also lower than the assumption the Plan uses. This contributed in part to our inability to meet the required tests for Benefit improvements for 2012, although our main problem is clearly caused by the change in Canada Bond rates. **This change precludes us from considering any increase this year.**

Annual reporting on the condition of our Plan to CRA and O.S.F.I. is a **legal requirement** and prepared by our **Actuary**. Of course the report is many pages long with much data, but the end result is as stated above. It is hoped that the outline provided in this brief report provides an overview of how and why this decision was reached in this complex issue.

The actuarial report is available at LongshorePlans.ca.

Your Waterfront Industry Pension Plan Trustees

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