Report to the Members
The Board of Trustees 2012/2013 Report
Carpentry Workers' Benefit & Pension Plans of B.C.

This report to Convention presents an update of the Carpentry Workers' Benefit and Pension Plans of B.C., including a summary of changes since the last report to Convention in 2012. The information in this report is as at June 30, 2013, the last year end for the Plans.

Change in Board of Trustees and Legal Counsel

Since the last report to Convention, four new Trustees joined the Board:

- Peter Cail;
- Jessie Gregory;
- Mitch Hetman; and
- Terry Ramin.

They replaced outgoing Trustees: Barbara Bachmeier, John Voykin, Bill Duck, and Bill Penner. In addition, Olaf Duemler has recently resigned as a Trustee and we are currently waiting for his replacement. Also, in 2013, Fred Kuhn replaced John Voykin as the Chair of the Board of Trustees.

In addition, the Board of Trustees conducted a formal Request for Proposals for the Plans' legal counsel. Three firms responded to the Request for Proposals: Lawson Lundell, McCarthy Tétrault, and Victory Square. After reviewing the proposals and conducting interviews with each of the firms, the Board of Trustees decided to appoint Lawson Lundell as their new legal counsel, replacing the prior legal counsel Davis LLP.

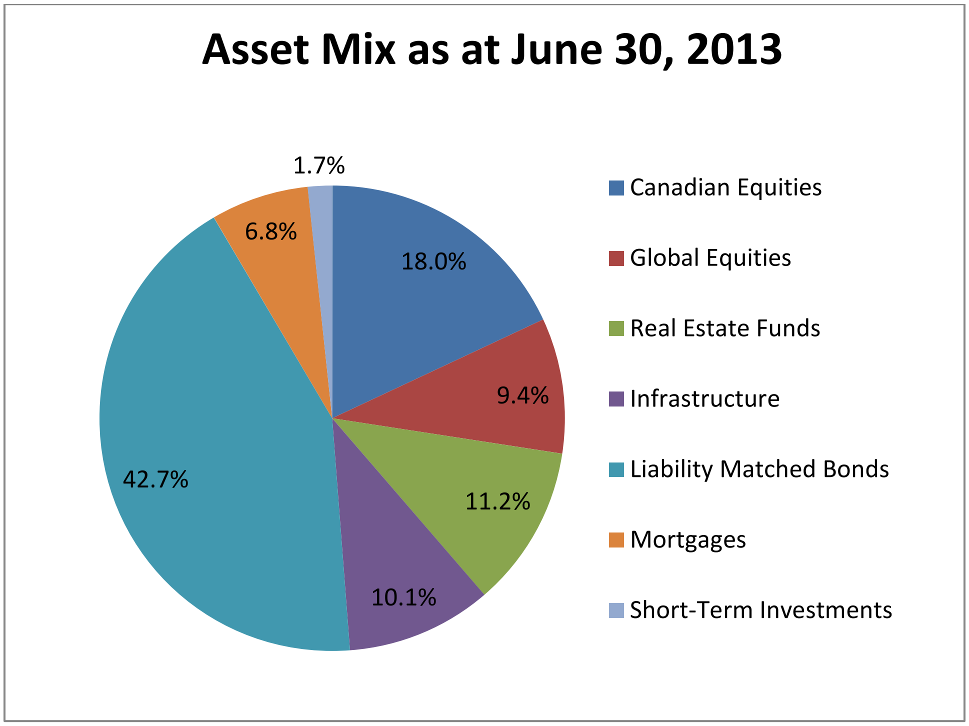
Carpentry Workers' Pension Plan

Since the last update to Convention in 2012, the Board of Trustees of the Carpentry Worker's Pension Plan has continued to take steps to improve the long-term financial viability of the Plan. Strong asset returns and an increase in reported hours have allowed the Plan to maintain adequate funding during a time of declining interest rates.

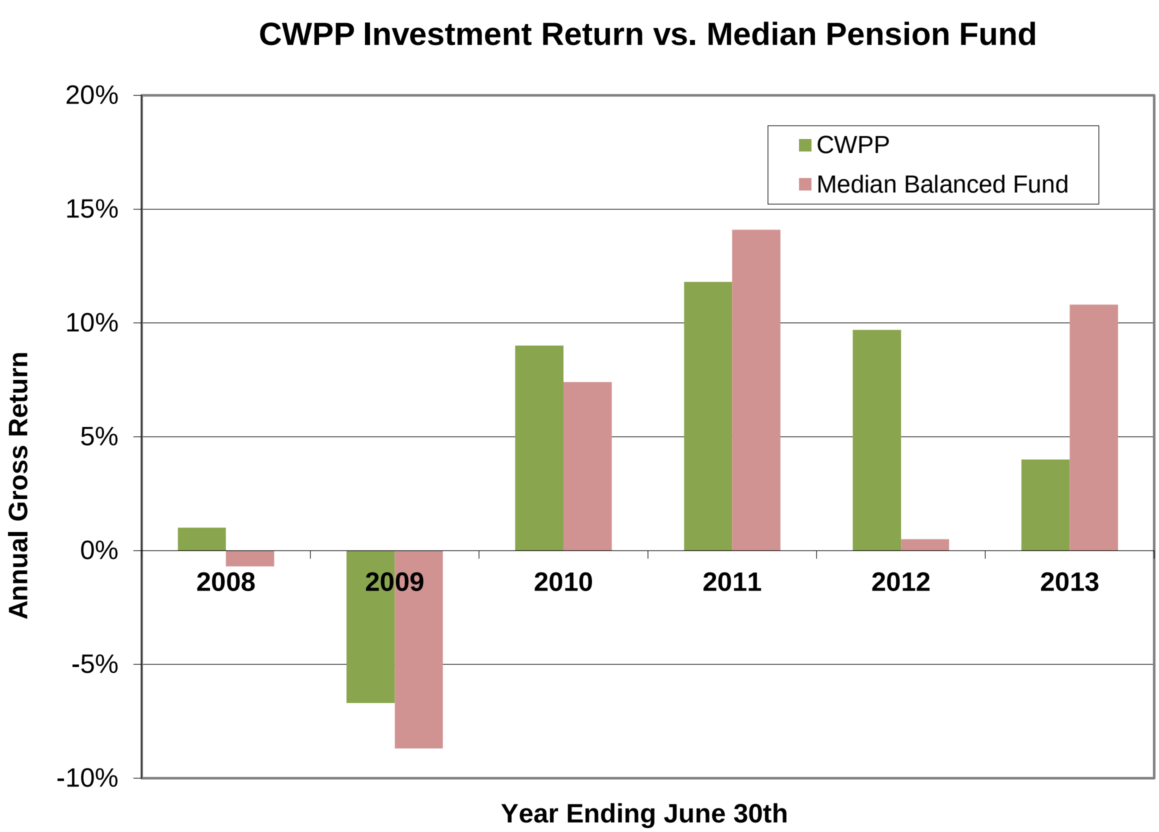
Pension Plan Assets

The Pension Plan's investments continued to perform well, both on an absolute basis and relative to other Balanced Funds in Canada. (A "Balanced Fund" is a fund that combines investments in stocks, bonds, and cash in a single portfolio). The 4-year return for the period ending June 30, 2013 was 8.6% per annum compared to the median 4-year return for Canadian Balanced Funds of 8.1%. The Board of Trustees continues to meet regularly with its investment advisors to monitor the performance of all of the assets and to discuss potential ongoing improvements to the Plan's investment strategy. In 2013, the Board of Trustees made changes to the overall investment structure to ensure that the risk and return characteristics of the Plan's assets meet the needs of the Plan's beneficiaries. The Board of Trustees adopted a liability matching strategy for the fixed income portion of the portfolio which will reduce the impact of changes in interest rates on the Plan's funded position. The Trustees also appointed Connor, Clark & Lunn to manage the yield-focused equity portfolio, replacing Phillips, Hager & North.

As of June 30 2013, the Plan's asset mix was as follows:

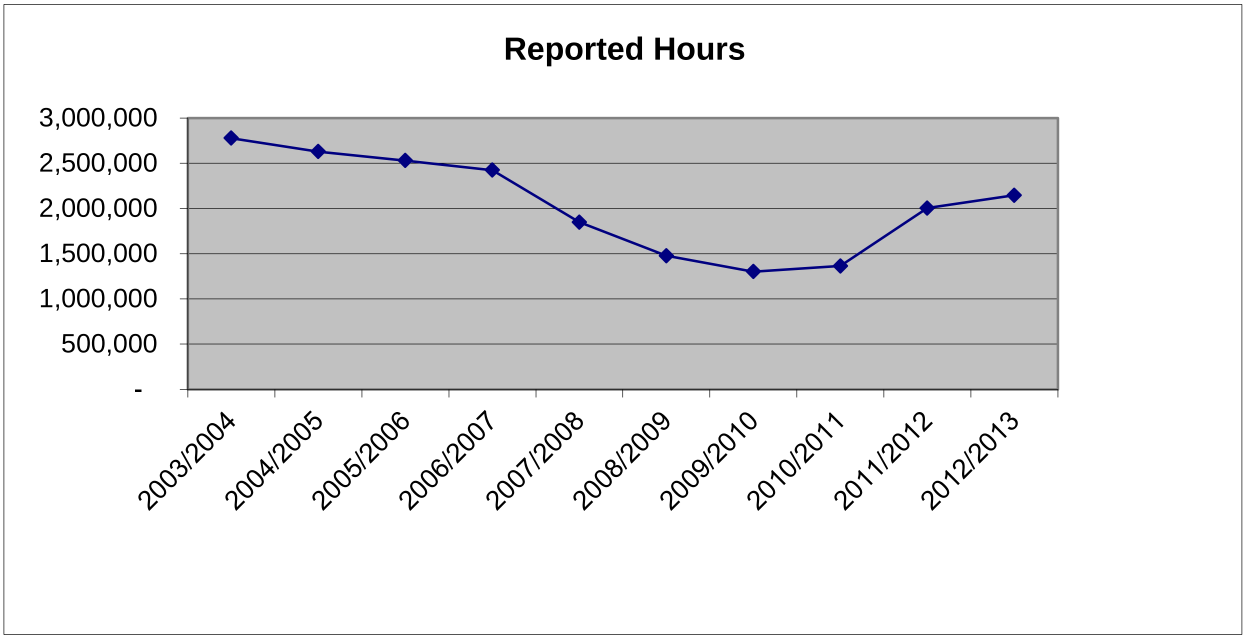


The following chart shows the Plan's one-year investment returns compared with the Median Balanced Fund in Canada:



Reported Hours

Reported hours continue to show signs of improvement from the low experienced in 2009/2010. Hours in 2011/2012 and 2012/2013 were above 2 million for the first time in 5 years. Should hours continue to be reported at this level, the plan will be better positioned to withstand fluctuations in the financial markets. The following table shows the hours worked over the last 10 years.



Financial Position of Plan

A pension plan's funded status at a particular date is the difference between the plan's assets and liabilities. If the plan assets are greater than the plan liabilities it has a surplus, and if liabilities are greater than the assets, it has a deficit. The funded status of a plan is measured on a going concern basis (assumes the plan continues to operate in the long term) and on a solvency basis (assumes the plan shuts down and buys annuities).

The last full actuarial valuation was prepared as at June 30, 2011. The funded ratio on a going-concern basis as at June 30, 2011 was 113%. This means that at the time of the valuation, the Plan had more than enough assets to pay for future pensions assuming the Plan continues for the long term. On a solvency basis, which assumes the Plan is wound-up on the valuation date, the funded ratio as at June 30, 2011 was 99.6%. The next full actuarial valuation will be prepared as at June 30, 2014.

The Trustees continue to monitor the financial position of the Plan between actuarial valuation dates. Since June 30, 2011, solvency interest rates have continued to decline, thus increasing the solvency liabilities of the Plan. The estimated solvency ratio as at June 30, 2013 is 94%. Solvency interest rates have increased since June 30, 2013 which should improve the solvency position at the next actuarial valuation date.

On a going-concern basis, the Plan has remained well funded. The Plan's estimated funded ratio on a going-concern basis as at June 30, 2013 was 114%. Members should take comfort in the fact that the Plan continues to be in a healthy surplus position on a long-term basis.

Future Outlook for the Plan

The Plan is well positioned for the future with a strong balance sheet and less reliance on the level of reported hours than in the past. The June 30, 2011 actuarial valuation results showed that the Plan was in a very healthy financial position, with a going-concern funded ratio of 113% and a solvency ratio of 99.6%. Since the last full actuarial valuation interest rates have dipped, but have shown signs of improvement in recent months. Investment performance has been strong, and recent changes to the Plan's asset mix were designed to dampen the impact of swings in the financial markets on the Plan's funded status. The next full actuarial valuation will be prepared as at June 30, 2014.

Carpentry Workers' Benefits Plan

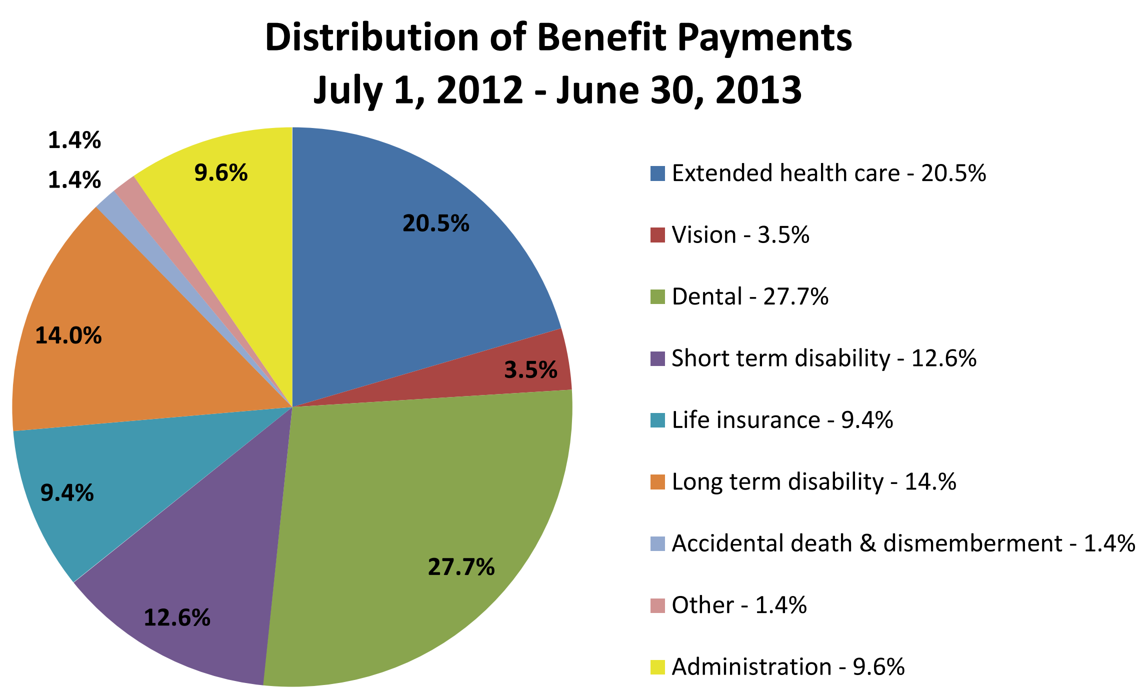
Benefit Improvements in 2012/13

The Board of Trustees has continued to find ways to provide a competitive benefit plan for the members, maximizing the Plan's value by enhancing benefit coverage to keep it up to date with comparable plans while maintaining the hourly contribution rate. Below is a recap of some of the plan changes since the last report to Convention:

- Increase of life insurance from $75,000 to $100,000
- Increase of LTD coverage from $1,000 to $1,750 for new claims
- Increase of dental reimbursement from 80% to 85%
- Addition of AD&D at $100,000
- Addition of Best Doctors

Plan Performance

Over the July 1, 2012 – June 30, 2013 plan year, the total cost of benefits (including cost of administration) to the Carpentry Workers' Benefit Plan was $4.6 million. A breakdown of the costs by benefit is as follows:



The total revenue (contributions received from employers to fund the Plan) for the same period was $3.8 million, which means the fund had an in-year deficit of $0.8 million. In addition, there was a substantial increase in the hour bank liability during the year of $0.7 million. Net of administration costs, interest earned, and change in hour bank liability, the Plan ended with a $1.3 million deficit for the year.

The shortfall was subsidized by the existing surplus accumulated from prior years. The surplus allows the benefit plan to continue operating without any reductions in benefit coverage. At the end of the plan year, the surplus is at $6.6 million. Under the current economic conditions, the total cost of benefits is expected to increase, and the surplus will be drawn down on an ongoing basis to support the current plan offered. This surplus is estimated to last no longer than 2017/2018.

The audited financial statements of each of the Pension Plan and the Benefit Plan for the year ended June 30, 2013 are provided with this report.