

LABORERS PENSION TRUST FUND FOR NORTHERN CALIFORNIA
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IMPORTANT ANNOUNCEMENT REGARDING YOUR PENSION PLAN

To: ALL ACTIVE PLAN PARTICIPANTS

As Trustees, it is our responsibility to maintain the financial viability of the Fund in order to provide benefits for all participants over the long term. One way we do this is by assuring that the contributions received and the benefits paid are in balance. On an ongoing basis, our plan consultants have to make assumptions about what benefits will be paid in the future, as well as how much investment income will be earned between now and when those benefits are paid.

As you are aware, the investment markets have done very poorly over the last few years, which have affected the growth of our Pension Plan as well as those of others. Trustees of pension plans across the country have had to take a hard look at benefits paid in relation to contributions received and investment income earned. In view of the current economic environment, many plans whose Trustees were used to making regular benefit improvements are now faced with reducing future benefits. Our plan is no exception.

For your information, during the late 1990s the Fund had superior investment results, as did other pension plans. That meant that we, as Trustees, were able to increase the level of benefits for active members and provide extra benefits for retirees, all the while keeping future plan benefits and contributions in balance.

However, in view of the current economic climate and after careful study in consultation with the Fund's professional advisors, we have taken measures to control the Plan's costs and protect assets for the long term. As you may recall, the Plan's crediting factor was to revert to 2.30% of Contributions effective for Hours Worked on and after August 1, 2004. Instead of waiting until August 1, 2004, we will revert the crediting factor a year sooner, or on August 1, 2003. **IMPORTANT:** *Benefits that were earned prior to August 1, 2003 are in no way reduced from the formula in effect at the time they were earned. Also, benefits currently being paid to pensioners and beneficiaries are not reduced.*

WHAT WILL CHANGE?

Effective August 1, 2003, the new Regular Pension benefit formula will change from 3.30% to 2.30% of Contributions for Hours Worked for Employers.

Example.

Here is an example of how the new Regular Pension benefit formula will be calculated for Hours Worked during the Plan Credit Year from August 1, 2003 through July 31, 2004, assuming you work 1,400 hours at an hourly Contribution rate of \$2.16:

1,400 hours @ \$2.16/hour	=	\$3,024.00
2.30% of \$3,024.00	=	\$69.55

If you had worked the same number of hours under the current Regular Pension benefit formula at the same contribution rate, your benefit accrual for the Plan Credit Year ending July 31, 2003 would be calculated as follows:

$$\begin{array}{rcl} 1,400 \text{ hours @ } \$2.16/\text{hour} & = & \$3,024.00 \\ 3.30\% \text{ of } \$3,024.00 & = & \$99.79 \end{array}$$

The \$99.79 benefit that you earned this current Plan Credit Year (August 1, 2002 through July 31, 2003) will not change simply because the formula will change beginning on August 1, 2003.

WHAT WILL NOT CHANGE?

Again, while this change in the Regular Pension benefit formula changes the rate at which you earn *future* benefits on and after August 1, 2003, it is important to note the following:

- There is no recalculation of any benefits earned *prior* to August 1, 2003. Those benefits are not affected in any way.
- The benefits being paid to pensioners and beneficiaries will continue to be paid in the same way that they were paid prior to August 1, 2003. That is, the checks will continue to be issued monthly and the gross amounts will not be reduced in any way.

WHAT HAPPENS NEXT?

When the next annual Actuarial Report is issued, we will review the financial condition of the Fund. The first priority is always to maintain the benefits already earned by participants and those benefits being paid to retired participants and beneficiaries. Once that priority is satisfied, only then will we consider if economic conditions warrant that benefit improvements can safely be made.

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The preceding decisions and actions were not made hastily, but only after much discussion and review of many funding and plan design options. These represent our ongoing efforts to design the best plan of benefits possible for the Fund's participants, pensioners, and beneficiaries while maintaining a solid financial foundation for the Fund.

If you should have any questions, please contact the Fund Office.

Sincerely,

Board of Trustees

This notice is no more than a brief summary of the Plan changes adopted by the Board of Trustees. As such, it is not intended to address all of the Plan provisions that may affect your eligibility for benefits, the amount of your benefit and your rights and obligations under the Plan. You should refer to your summary plan description booklet and the Pension Plan document to fully understand your benefits.

JUNE 2003

- PLEASE KEEP THIS INSERT WITH YOUR PLAN BOOKLET -