

Message from the LAPP CEO

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Bail out packages? Congressional deals? \$700 billion dollars of aid? Although you've read the headlines, there is probably one question that you'd like a clear answer for - how will all this affect my pension?

If the current financial crisis were strictly limited to rising and falling stock prices, we would be telling you not to worry – LAPP is a long term investor, and fluctuating prices are a normal part of how a market operates.

But this crisis appears to be about more than falling prices. In many ways, the whole financial industry is in trouble. So, to protect your pension as much as possible, LAPP has taken the following steps.

To start, some of our equity (stock) portfolio has migrated into defensive stocks – stable assets that hold their value when times are tough. Some of our high quality equities remain untouched, as selling them now would result in an unnecessary loss for the plan.

We have avoided dealing with firms that have found themselves at the centre of this controversy. Our holdings with Lehman Brothers, Washington Mutual and AIG are only a few hundredths of one percent of our total asset value.

Over the past few years, we have moved a further portion of our portfolio into liability-matching assets – bonds that increase in value as our liabilities rise. We have also increased our investments outside of the stock markets, into areas like timberland, real estate and power generation plants.

Currently, we are watching market developments on a daily (actually, hourly) basis. Fluctuations create opportunities, and we believe this current situation is presenting some very good buying opportunities. Lots of shareholders want to sell, even at a loss. Where a deal makes sense, LAPP wants to buy.

Finally, we have not panicked. LAPP takes a long-term approach to investing, and uses some of the best money managers in Canada. When the water is rough, we want experienced hands steering the ship.

How will this affect your pension? It won't, especially in the short term. Longer term, the ultimate backstop for your pensions are the contributions paid by employers and employees. If necessary, we adjust contribution rates to keep the plan stable.

Sleep well at night – your pension benefit is defined, your pension investments are well diversified and you belong to a well-managed plan.

Ron Liteplo
LAPP CEO

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