CEMENT MASONS AND PLASTERERS
LOCAL 797 BENEFIT FUNDS

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Re: State of Your Union Benefit Plans, 2011

Dear Pension and Health and Welfare Participants:

As we begin 2011, your Pension and Health and Welfare Trustees give you this summary of the state of your Union Pension and Health and Welfare Benefit Plans. Like you, Las Vegas, and the national economy, your plans have continued to fight back from the worst recession in over 75 years. Your Trustees have continued their efforts to closely monitor and carefully evaluate both Plans and make adjustments to them where necessary and prudent.

First, let's discuss your Pension Plan. Your Union Pension Plan is a Defined Contribution plan or DC Plan. In this Plan, each participant has an individual account. Monthly, Employer contributions for each active working employee are credited to his/her account. Regularly, each account is adjusted for investment earnings and expenses. Upon retirement, a retiree may receive a distribution of his/her account balance, roll over the balance to another type of retirement account like an IRA, or purchase an annuity.

We again remind you that your Pension Plan is intended to supplement Social Security and private savings. It is not intended to be a substitute for private savings which are important to a good retirement plan. All of us wish to have a comfortable retirement, and private savings is an important part of it, in addition to Social Security and your Cement Masons and Plasterers pension.

The assets of the Pension Plan are professionally managed and invested by professional investment managers selected by the Board of Trustees, and overseen by an independent Investment Consulting firm. As of December 31, 2005, your Pension Fund had $49,905,376 in assets. As of December 31, 2010, your Pension Plan had $75,502,950 in assets, an increase of 51% in 5 years. The Plan's investments continue to be well diversified among different types of assets and are carefully monitored by the Trustees, their Investment Consultant, and the other plan professionals.

The Pension Plan's investment return for 2010 was 11.4%, compared to 10.5% for 2009. The annualized return over the past 5 years has been 4.0% per year, which is greater than the stock market return of 2.3% and more than the yardstick or benchmark we use for comparison (3.2% per year). Although this annual return over the past 5 years is less than we wish, your Trustees are gratified that it is a positive return during the worst economic decline in our lifetimes. With their professional Investment Consultant, your Trustees continue to carefully evaluate and adjust the investments on your behalf.

Your Health and Welfare Plan also suffered a significant decline in covered work and contribution income to pay for your health and welfare benefits. The cost of the Plan for the last twelve month period was $884 per member per month, which was 15.5% higher than last year's cost ($759). Thus, the Plan projects that it will lose money on an operating basis in 2011 due to a lower contribution income caused by less work and increasing benefit costs.

For the two year period from 2009 to 2010, work hours have declined 67%, which means our income to pay benefits has declined quite a bit. This means that the Trust will be deficit spending and using some of its reserves that have been built up over the past several years.

With hours and income significantly declining and reserves depleting, the Trustees will continue to monitor the financial stability of the Plan and, if necessary, make HMO and Indemnity Plan changes in 2011 to curb spending. Changes may be necessary to preserve core medical benefits for the members. As we said, 2008 through 2010 were the worst years for investments and employment in our lifetimes, and the next few years will be very challenging as well.

With their consultants, the Trustees are evaluating your Health and Welfare and Pension Plans for necessary and prudent changes and adjustments. We welcome your input and suggestions in this process.

As always, please feel free to give us your input and comments.

Very truly yours,
Board of Trustees