



SHEET METAL WORKERS LOCAL 30 WELFARE AND PENSION TRUST FUNDS

PLAN ADMINISTRATOR: EMPLOYEE BENEFIT PLAN SERVICES

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IMPORTANT NOTICE

December, 2005

To: All Active Members of the Sheet Metal Workers Local 30 Pension Plan

The purpose of this letter is to advise the Active Plan Membership of the Pension Plan's financial position, and to announce an extension of the "Window" for Members who wish to retire in advance of their Age 63. The information follows:

Actuarial Review of the Plan

The last full Actuarial Valuation of the Pension Plan was taken at June 30, 2004, and revealed that the Plan was 100% Funded as a "Going Concern", yet had a Solvency Deficiency when valued using the Actuarial Assumptions stipulated by Ontario's Pension legislation.

Whereas the next Actuarial Valuation is due no later than June 30, 2007, we have asked the Actuary to complete an Actuarial Review at June 30, 2005 in order to estimate whether the Plan's performance in the 12 months ended June 30, 2005 has been beneficial, such that the Plan is financially sound, and able to assure the Membership that their Pensions are fully funded, and will be paid when due.

Pension Plans are almost a daily topic in the newspapers. Last month, the Governor of the Bank of Canada, David Dodge, called for substantial reforms to Canada's pension regulations, and referred to a study released November 9th by the Office of the Superintendent of Financial Institutions in which it estimated that the total deficit of Canada's largest Single Employer Pension Plans had increased to \$29-Billion in 2004, up \$3-Billion from 2003. Further, the study estimated that the deficit leaps to \$190-Billion when the liability of those Pension Plans that index Pensions is included.

As far as our Plan is concerned, there is both Good News and Bad News.

(over, please)

Here's the Good News:

At June 30, 2005, the Actuarial Review of the Plan, as a "Going Concern" had an Estimated Actuarial Surplus of \$26.274-**Million**.

A "Going Concern" Valuation is completed on the basis of the Actuary using certain Assumptions that meet the practice standards of the Canadian Institute of Actuaries. The Assumptions made by the Actuary include Mortality, Morbidity, Terminations and Investment Gain, and of these Assumptions the one that is most important, and has the greatest impact, is Investment Gain. In our Plan, the Actuary assumes that the Plan's Assets at the Valuation Date will earn 6.75%, compounded annually and net of Expense, into the future. Here is what our Pension Plan earned recently:

In the 12 months ended June 30, 2005 11.3%

In the 36 months ended June 30, 2005 9.65%

More recently, in the 12 months ended September 30, 2005 the Rate of Return was 16.5%, which is in the top 28% of all Canadian Pension Plans in RBC Global Services' Comparative Measurement Study.

Here's the Bad News:

At June 30, 2005, a Solvency Valuation Review was also completed, which revealed an Estimated Solvency Deficiency of \$35.685-**Million**.

And how is it that the two Valuations (Going Concern and Solvency) could have such a different result – that is, a swing of almost \$62-**Million**? The answer lies in the Province of Ontario's legislation requiring that Solvency Valuations include a Liability for "Grow-In Rights", that the Investment Gain Assumption be based upon the yield of Long Term Government of Canada Bonds (presently a rock-bottom of about 4.2%), and that Mortality be estimated on the basis of the Canadian Institute of Actuaries' most recent Mortality Table for Pensioners. Of these legislated Assumptions, the one that creates the most trouble is the mentioned Yield on Canadian Bonds of 4.2%, in comparison with the 6.75% we use in the Going Concern Valuation.

There is a hue and cry right across Canada over these Solvency Valuations, which are putting undue pressure on Pension Plan Sponsors who, like us, are fully funded as a Going Concern and yet have a Solvency Deficiency. The sole purpose of the Solvency Valuation is to look at Assets and Liabilities on the Valuation Date, **pretend that the Plan was wound up on that date**, and in that manner determine whether the Plan had enough money on hand to pay the promised Pensions. We believe that Solvency Valuations may be appropriate for Single Employer Pension Plans who, like the Steel Company of Canada or Air Canada (whose Pension Plans are reported to be in deficit to the tune of several **billion** dollars), may become bankrupt; but we feel it is highly inappropriate for Multi Employer Pension Plans since it is all but impossible for all Employers contributing to a Multi Employer Pension Plan to go bankrupt!

Nonetheless, we will continue to abide by legislated requirements of Registered Pension Plans, and hope that the pressure being put on the regulatory authorities will bear fruit.

The "Window" Stays Open

Every person who is a Pension Plan Member, either Active or Terminated Deferred Vested, is entitled to receive an unreduced Monthly Pension upon retirement on or after his/her 63rd birthday, which is the Normal Retirement Age of this Pension Plan.

Active Pension Plan Members who are Members in Good Standing, Sheet Metal Workers Local Union 30 who wish to retire, and who:

1. are at least Age 60; or
2. are at least Age 56 **and** have been Members in Good Standing, Local Union 30 and/or any other Local Union of the Sheet Metal Workers International Association for at least 30 years (in total, and not necessarily consecutive); or
3. are Totally Disabled, and unable to work at any occupation for wage or profit

will be entitled to receive an unreduced Monthly Pension **provided that the Application for a Retirement Pension is received by the Plan Administrator no later than March 31, 2007, and the commencement date of the Monthly Pension is no later than April 1, 2007. For Disability Pensions, the onset of Total Disability must be on/before April 30, 2007.**

Please recall that Members who retire during this "Window" must complete that Section of the Pension Application wherein they pledge to refrain from any employment within the Jurisdiction of the Sheet Metal Workers International Association Constitution.

Pension Accrual Rate

Effective with Pension Plan Contributions earned on/after May 1, 2006, the Annual Pension Accrual Rate will be 20%. This is a reduction from 21% currently in effect, and required in order to demonstrate to the Financial Services Commission of Ontario that the Trustees are addressing the previously-mentioned Solvency Deficiency. The effect of this reduction can be seen in the following Example of a Member whose Annual Pension Contributions are \$5,000:

- The 21% Annual Pension Accrual Rate would earn an Annual Pension of \$1,050, or \$87.50 monthly.
- Under the 20% Annual Pension Accrual Rate, that Contribution would earn an Annual Pension of \$1,000, or \$83.33 monthly.

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It is our resolute intention to increase the Pension Accrual Rate on the earliest date at which then-prevailing circumstances prudently permit.

Yours very truly,

The Board of Trustees
Sheet Metal Workers Local 30 Pension Trust Fund

Joe McPhail, Chairman
Michael Bloom
Art Nowicki

Bill Wilkinson, Co-Chairman
Robert Collie
Art White