



## SHEET METAL WORKERS LOCAL 30 WELFARE AND PENSION TRUST FUNDS

### PLAN ADMINISTRATOR: EMPLOYEE BENEFIT PLAN SERVICES

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### **Important Notice to Plan Members Regarding Changes to the Health and Welfare Plan's Benefits**

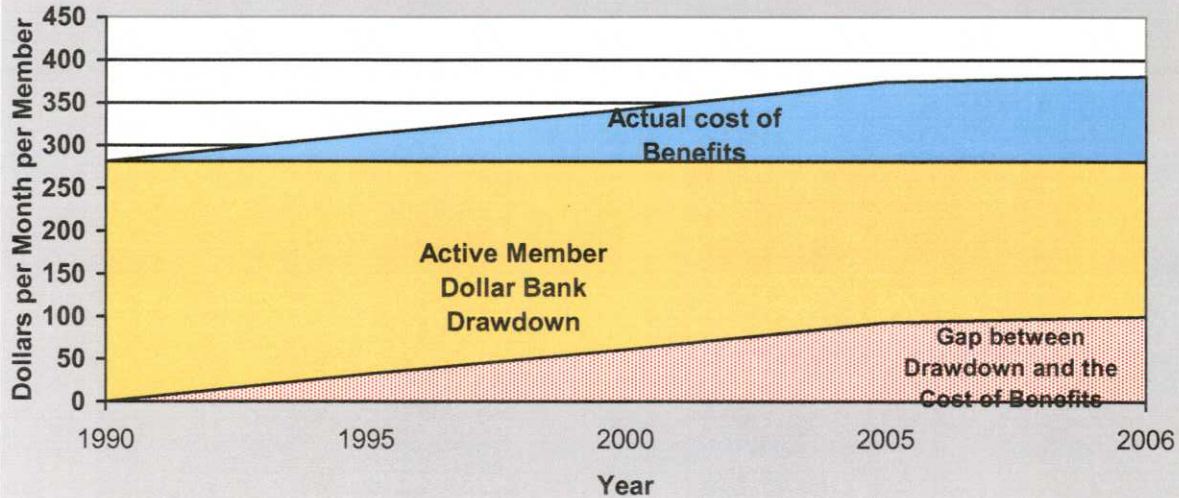
Dear Plan Members,

The Board of Trustees has the responsibility to ensure that the Plan of Benefits provided is sustainable given the funding available to the Trust Fund. Funding is provided by Contributions from Active and Retired Members. Contribution income is supplemented by earnings on the Fund's investments. In addition, the Trust Fund's Unallocated Surplus may be a source of funding. The Trustees must ensure that all current and expected sources of funding are sufficient to support the Plan's Benefits. If there is enough funding, the existing Benefits can be continued; if there is more than enough funding Benefits can be improved; if there is insufficient funding Benefits must be reduced.

For many years, the Board of Trustees has advised the Membership that the assets of the Welfare Trust Fund were not sufficient to support the Benefits of the Welfare Plan. The Trustees have advised that there was an emerging shortfall in monies available to provide Benefits to Active and Retired Members. We cautioned that the use of the Fund's Unallocated Reserve was a short term solution to larger funding problems and that, some day, the Plan would not be able to continue with the present Benefits.

The cost of Active Member Benefits (before the Benefit changes to be effective January 1, 2007 and which are described later) is \$381.00 per month. The Active Member Dollar Bank Drawdown is \$281.00 per month. This means that, for each eligible Active Member, the Fund is paying \$100.00 per month out of the Unallocated Surplus, to support Benefits. There were approximately 1,850 eligible Active Members during 2005. The annual cost of the subsidy given to Active Members was projected to be \$2.2 Million. There has been no increase to the Welfare Plan Contribution Rate in the Collective Agreement since 1989. The yellow area in the chart below shows the unchanging amount of the Dollar Bank Drawdown from 1990 to 2006 (it has remained at \$281 to match the constant amount of Welfare Contributions). The blue area shows the rising Actual Cost of Benefits 1990-2006. The red area shows the widening gap between Member Contributions, the Dollar Bank Drawdown and the actual cost of Benefits.

### The Evolving Gap Between the Cost of Benefits and Drawdown 1990-2006



Retired Members pay 50% of the cost of the selected Plan Option. The cost sharing amount has not been adjusted for several years. The adjustment to reflect a 50% share of the actual cost of Retired Member Benefits will be made effective **February 1, 2007**. The pay direct amounts are as follows:

Pay Direct Amount including Retail Sales Tax	Plan A (all Benefits)	Plan B (no Drugs)	Plan C (Life Insurance only)
As at December 1, 2006	\$72.66	\$42.75	\$0.95
Effective February 1, 2007	\$98.11	\$60.42	\$2.59

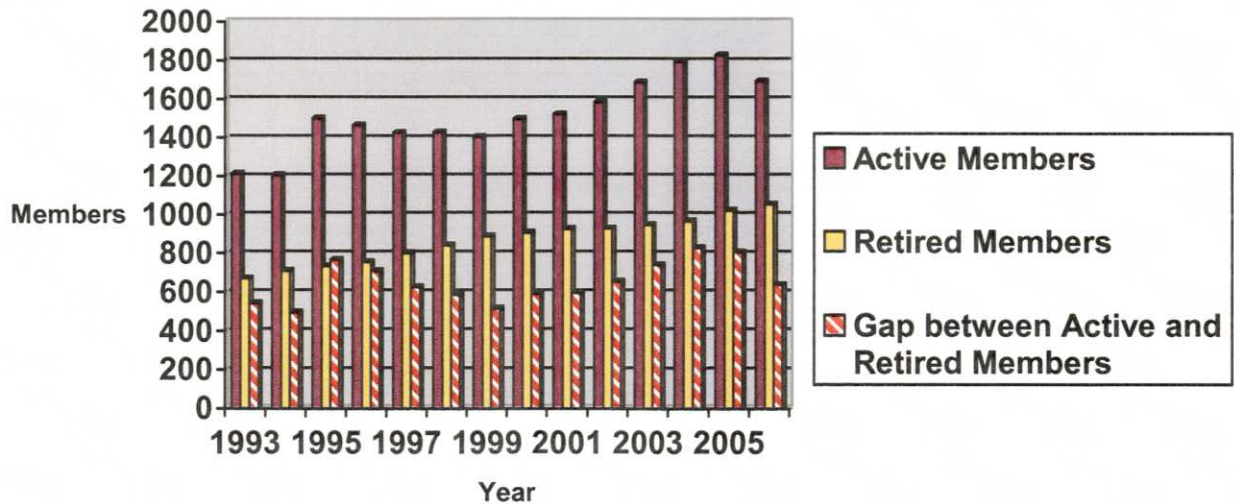
Although the contribution from Retired Members will be adjusted effective February 1, 2007, the Welfare Trust Fund will continue to subsidize Retired Member Benefits at a cost of approximately \$700,000 per year.

The Trustees have determined that, without immediate action, the Unallocated Surplus of the Fund, which was \$12.4 Million as at December 31, 2005, will be reduced by \$2.9 Million per year because of the subsidies given to Active Member and Retired Member Benefits.

The Trustees have performed an actuarial study to determine the amount of funding they would need to have available in order to protect the current Retiree Group's subsidy at the 50% level. The actuary determined that the cost of this funding is over \$16 Million. Given that the Unallocated Reserve of the Fund is \$12.4 Million and would be reduced by \$2.9 Million per year, it is obvious that the current Active and Retiree Benefits are not sustainable.



The Trustees are monitoring the changing demographics of the Plan because of the high cost of providing future Retiree Benefits. The chart below shows the emerging relationship between the number of Active Members who contribute to the Fund and the number of Retired Members. This shows the number of Active and Retired Members between 1993 and 2006.



The Trustees believe that there is no likelihood of increased funding from Contributions of Active Members in the future. It is time for action in order to protect the Benefits of the Plan.

**The actions the Board has taken, which will be effective January 1, 2007 are:**

**I The Weekly Income Benefit will be integrated with the Employment Insurance (EI) Sickness Benefit**

Plan Members who become disabled, on/after January 1, 2007, will have their claims managed by the Plan for the first 2 weeks of disability. This two week period also serves as the waiting period under the Employment Insurance (EI) Sickness Benefit provided by the Federal Government. Once Members satisfy the 2 week waiting period, their claims will be paid, if eligible, by EI. If the claimant provides the necessary medical information supporting disability, EI will continue the claim until 15 weeks of EI benefits have been paid. The Plan's Weekly Income Benefit is \$445 per week. EI's current maximum weekly benefit is \$413.00.

If the claimant is still disabled after EI's benefits are completed, the claim will be returned to the Welfare Plan for further Weekly Income benefit payments, if eligible. The maximum period of benefit for Weekly Income is 26 weeks including any weeks paid by EI. The Plan will handle the first 2 weeks; EI will handle the next 15 weeks and the Welfare Plan will handle the remaining 9 weeks. The administrator will remind claimants to provide claim information while the EI claim is in progress so that, hopefully, claimants will not experience gaps in disability benefit payments.

***Will the Welfare Plan pay my claim from the first day of disability?***

The Plan has a waiting period for most disability claims. If you are disabled due to an accident, the Plan will pay your claim from the first date of disability. If you are disabled due to an illness the Plan will pay your claim following a waiting period of 7 days. You must have consulted a Physician on the first day of disability for claims to commence as described above. If you delay visiting a Physician, the waiting period for commencement of your claim starts on the date you visit a Physician.

***What happens to my claim once the Plan has paid the first 2 weeks of disability, including the Plan's waiting period?***

Once you have been disabled for 2 weeks, your claim will be handled by EI. The Plan will not pay benefits until your claim with EI has ended. EI claims will be complete once you have received 15 weeks of payments.

***Is there extra paperwork for me to do?***

Yes. You will file claims with the Plan and with EI Sickness Benefits. You should file these claims at the same time so that you do not incur a long period without income. If you remain disabled while EI is paying your claim, the administrator will ask you to provide updated medical information (this will happen once you have been disabled for about 11 weeks) so that you do not experience a gap in income once your EI claim is complete.

***Does EI have to approve my claim?***

No. EI can decline your claim for many reasons such as a) insufficient work credits to qualify for benefits; b) insufficient information to support disability c) offset of income from other sources such as an automobile insurance policy d) failure to comply with EI regulations for receipt of benefits –for example EI will not pay benefits for periods when you are not available for work had you recovered. EI will not pay benefits when you are not in Canada.

***Will the Plan's rules for assessing disability claims change?***

No. The Plan's claims administrators will still require sufficient medical information to support your disability. Claims will still have to be filed on time.

***Do EI and the Welfare Plan pay the same weekly benefit?***

No. The Plan's Weekly Income benefit is \$445.00 (63.57 per day). EI's weekly benefit is \$413.00. Both EI and Welfare Plan benefits are taxable and you will receive income tax reporting for these benefits to file with your annual Income Tax Return.

***IF EI does not approve my claim, will the Welfare Plan pay me?***

Not necessarily. If your EI claim is declined because you do not have sufficient work credits to be eligible for EI Sickness benefits, the Welfare Plan will handle your claim. If you are declined by EI for any other reason, it is unlikely the Welfare Plan will pay a benefit.

***I hear EI has a clawback. Will EI clawback my EI Sickness Benefit?***

No. The EI clawback does not apply to EI Sickness Benefits.

***Where can I get claim forms if I am disabled?***

You can get Claim Forms from the Welfare Plan by calling the administration office. These forms are also available on the Plan's Web Site at [www.lu30plan.com](http://www.lu30plan.com). You can get EI claim information by calling your local EI office. Or, you can visit the EI Web Site at [www.hrsdc.gc.ca/en/ei/menu/eihome.shtml](http://www.hrsdc.gc.ca/en/ei/menu/eihome.shtml). You may also investigate the on-line claim facility on the EI Web Site. This can be found on the right hand side of the EI Web Site.

**II      Disabilities and medical expenses resulting from Automobile Accidents will not be covered by the Plan's Weekly Income or Major Medical Benefits**

Plan Members are covered for disability and major medical benefits through private automobile insurance policies. Effective January 1, 2007 disabilities and expenses arising as a result of a motor vehicle accident will not be covered by the Welfare Plan.

**III     Physiotherapy Benefits have a maximum benefit of \$750.00 per calendar year**

At the present time, there is no maximum benefit for Physiotherapy treatments. Treatments will still be subject to the condition that the charge is reasonable, customary and medically necessary. Physiotherapy treatments must be supported by a Physician's note. Physiotherapy expenses will not be covered if the cause is related to a motor vehicle accident.

**IV     Massage Therapy Benefits have a maximum benefit of \$750.00 per calendar year**

At the present time, there is no maximum benefit for Massage Therapy treatments. Treatments will still be subject to the condition that the charge is reasonable, customary and medically necessary. Massage Therapy treatments must be supported by a Physician's note. Massage Therapy expenses will not be covered if the cause is related to a motor vehicle accident.

**V      Chiropractic Benefits have a maximum benefit of \$750.00 per calendar year**

At the present time, there is no maximum benefit for Chiropractic treatments. Treatments will still be subject to the condition that the charge is reasonable, customary and medically necessary. Chiropractic treatment expenses will not be covered if the cause is related to a motor vehicle accident.



**VI The Ingredient Cost of Generic Drugs will be covered at 100%. The Ingredient Cost of Brand Name Drugs will be covered at 70%**

Plan Members have, and continue to have, the choice of purchasing prescription drugs from any pharmacy and they may purchase Brand Name or Generic Drugs. However, effective with prescriptions filled on/after January 1, 2007, the Plan will reimburse the Ingredient Cost portion of the prescription at 100% if a Generic Drug is purchased, or if there is no Generic equivalent to a prescribed Brand Name Drug. If the Member chooses a Brand Name Drug, and there is a Generic equivalent for that Drug, the Plan will pay 70% of the Ingredient Cost of the Brand Name Drug.

Please note that the Plan will not reimburse any part of the cost of prescription drugs if the cause is related to a motor vehicle accident.

**VII The Professional Dispensing Fee for Prescription Drugs will be paid to a maximum of \$7.00 per script**

Plan Members have, and continue to have, the choice of purchasing prescription drugs from any pharmacy. The amount you pay for prescription drugs includes two components – the Ingredient Cost and the Professional Dispensing Fee. The Plan will re-imburse up to \$7.00 for the Professional Dispensing Fee component of the charge. There are many pharmacies in the jurisdiction of the Local which fill prescriptions at, or below, the \$7.00 amount that will be covered by the Plan. You might also consider purchasing up to 90 days supply of a prescription drug if you are sure that you will continue to use the drug. This will help to reduce any out of pocket costs you might otherwise incur.

If you are purchasing a customized compound, the Plan will pay 100% of the Professional Dispensing Fee.

**Conclusion and Statement of Cost Savings**

The Trustees acknowledge that the Benefit changes shown above are significant. However, it is clear that, had the Trustees not made these Benefit changes now, more radical changes would have been necessary in the future. Again, the Trustees must work within the funding framework they are given by virtue of working Contributions. The Trustees also wish to protect the 50% cost sharing arrangement for the Retired Members.

The changes described above have saved the Fund approximately \$897,000 per year. Retired Member Benefits are still subsidized by the Fund at the rate of 50%; Active Member Benefits are subsidized by \$69.00 per Member, per month or about \$1.5 Million per year. Together with the annual subsidy for Retired Member Benefits, the total of the annual subsidy for Members' Benefits is approximately \$2.2 Million. This cost does not include the cost to the Fund of maintaining the Extended Benefit Program. We estimate that the annual cost to support that Program is presently \$160,000 per year however we must recognize that the Local is presently enjoying a fairly high rate of employment and the cost of the Extended Benefit Program will escalate if employment declines.

*What's next?* The Trustees will continue to monitor the funding to the Plan, the cost of Benefits (which is strongly influenced by the aging demographics of the Plan and health care inflation) and the relationship between the number of Retired Members compared to the number of Active Members.

We hope that we will not have to make further reductions to the Plan's Benefits. However, as circumstances dictate, the Trustees will take the necessary steps to prudently maintain the integrity of the Plan.

Best regards

The Board of Trustees

Art White Jr. Chairman  
Bob Collie  
George May

Mike Bloom Co-Chairman  
James Jackson  
Art Nowicki

The Benefit Plans have a new updated Web Site.  
Please visit [www.lu30plan.com](http://www.lu30plan.com) for the most current information  
and downloads for your Benefit Plans

