



SHEET METAL WORKERS LOCAL UNION 30 WELFARE AND PENSION TRUST FUNDS

PLAN ADMINISTRATION: EMPLOYEE BENEFIT PLAN SERVICES

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Re: Sheet Metal Workers Local Union 30 Pension Plan - Funding Update

Dear Plan Members

The Trustees wish to take this opportunity to share the current funding and benefit status of the Pension Plan with you and to inform you of the roles and responsibilities of the Trustees with regard to the funding of the Pension Plan.

Effective July 1, 2012 Pension legislation in Ontario was enacted which now provides for immediate vesting of Pension Plan benefits when a person becomes a Plan Member. The Trustees have amended the Plan such that Plan Membership will occur once the Member has had at least 700 hours of employer contributions remitted to the Plan in each of two consecutive years. Once the person is a Plan Member, their benefit is immediately vested.

As was reported in the Annual Report for 2011, the Pension Plan was funded at the rate of 99.7% as at September 30, 2010.

If the Pension Plan had terminated at September 30, 2010 (which it didn't) there were enough assets to pay 68% of the benefits earned. The figure of "68%" is known as the Plan's transfer ratio and it is calculated using rules set out in Ontario pension law. A plan calculates the transfer ratio to communicate what would have happened if the pension plan had, in fact, terminated. Of course, the Pension Plan has not terminated and the Plan's transfer ratio is mostly informational. The Plan's actuarial valuation report as at September 30, 2010 was filed with the Ontario pension regulator.

The Plan Actuary estimated that, at May 1, 2012, the Plan was 91.5% funded (down from 99.7% funded at September 30, 2010). The Plan's transfer ratio was estimated to be 54.6% at May 1, 2012 (down from 68% at September 30, 2010).

As you know, financial markets have continued to be in turmoil although investment losses have not been as deep as they were in 2008.



The Pension Plan is currently funded on the assumption that, over the long term, investments will earn a rate of return of 6.50% net of investment expenses. Interest rates continue to be very low (which is good for people who have debt) which is not good for pension plans. It is the Trustees' understanding that pension regulators are generally, and for good reason, encouraging pension plans to adopt more conservative funding assumptions to reflect current investment market outlooks. Unfortunately more conservative funding assumptions make the Pension Plan's benefits more costly.

The Trustees have the responsibility to fund the Pension Plan in accordance with applicable legislation. The Trustees are conducting due diligence on the impact on the Plan of early adoption of more conservative funding assumptions. For example, the Trustees may reduce the Plan's long term investment return assumption from 6.50% to 6.0%. If the Trustees had adopted the lower investment return assumption of 6%, the Plan would have been 81.8% funded at May 1, 2012 (not 91.5% funded). The Trustees are also conducting a detailed examination of Member life expectancy to ensure that the assumption remains appropriate.

As part of the funding review, the Trustees resolved effective with terminations on or after October 1, 2012, that the Plan's Termination Benefit (which is payable to a Plan Member who no longer participates in the Pension Plan but is not eligible for a retirement pension) will be calculated using the assumptions prescribed in law; however, subject to regulatory approval, only that portion of the Termination Benefit which is funded will be paid. As noted above, the Plan Actuary estimated that, at May 1, 2012, the Plan was 54.6% funded. This means that 54.6% of the Termination Benefit would be paid. This change is for the benefit of the Plan and its funding position. The change only applies to persons who are no longer Members of the Plan and who are not old enough to commence a retirement pension.

The Trustees will be examining a number of options which are available to them to strengthen the funding of the Plan. Some of these options include a reduction of benefits being paid to Members (ie Pensioners) and benefits which are not yet in pay (ie for Active Members). Benefit reductions may also be considered for Terminated Members. The Trustees may also consider a change in the way benefits are earned in the Plan. The Trustees take their responsibility to consider benefit reductions seriously and do not enter into these discussions lightly. The Trustees will examine all options very carefully and inform you formally by way of a Plan letter when a decision is made.

Best Regards

The Board of Trustees