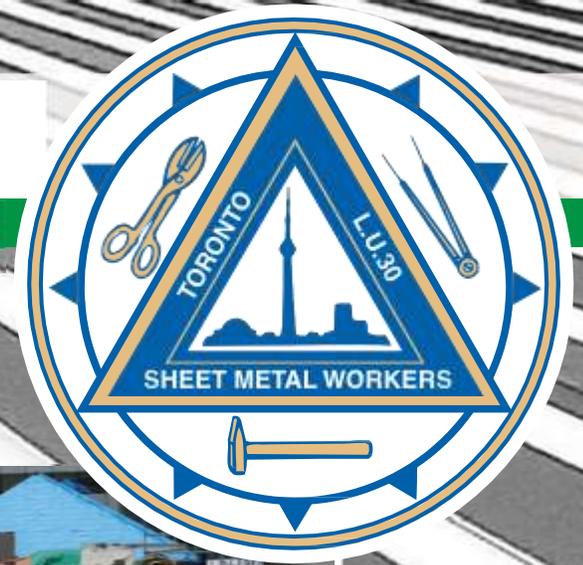


# annual report

TO PLAN MEMBERS AND CONTRIBUTING EMPLOYERS



# 2016

Sheet Metal Workers Local Union 30 Benefit Trust Funds

## FOREWORD

The Trustees of the Sheet Metal Workers Local Union 30, Benefit Trust Funds are pleased to present the 2016 Annual Report.

**The Annual Meeting is being held on Saturday, May 6, 2017. The Meeting is being held at Sheet Metal Workers' and Roofers' Local 30 office at 190 Milner Ave., Toronto, Ontario. This year the Trustees are inviting FSEAP and Green Shield Canada (GSC) to give presentations.**

**The Annual Meeting will begin at 10:00 a.m. and conclude by 1 p.m. There will be no motions accepted at this Meeting. You are encouraged to bring your spouse to the Annual Meeting.**

The financial information in this Annual Report is taken from the unaudited Financial Statements of each Trust Fund. The audits of the 2016 financial statements start in February and are completed by the end of June. The Audited Financial Statements are filed with The Ministry of Labour, Ontario, in accordance with legislation. The Pension Trust Fund's Audited Financial Statements are also filed with the Financial Services Commission of Ontario (FSCO).

The Annual Report does not replace your benefit booklets or Plan documents. Detailed information about the Plans can be found in the Trust Agreements, the Pension Plan Text, Member information booklets and the applicable contracts of insurance. The Plans' web site [www.lu30plan.com](http://www.lu30plan.com) holds an abundance of information about the Plans including claim forms, applications for benefits and newsletters. The Trustees offer Members access to their personal Pension and Welfare Plan information 24/7 via the Plans' web site.

The Plans' Facebook page is [www.facebook.com/smwialocal30benefits](http://www.facebook.com/smwialocal30benefits).

Your comments and suggestions are always welcome. Please address correspondence to:

Mr. Jeff Tendijowski, CPA, CMA  
Senior Benefits and Pensions Consultant  
Sheet Metal Workers Local Union 30, Benefit Trust Funds  
45 McIntosh Drive  
Markham, Ontario L3R 8C7  
Fax: 905-946-2535  
Email: [jtendijowski@mcateer.ca](mailto:jtendijowski@mcateer.ca)

Yours sincerely,

The Board of Trustees,  
SHEET METAL WORKERS LOCAL UNION 30, BENEFIT TRUST FUNDS

A. E. White - Chair  
F. Canonico  
M. Roberts

P. Witruk - Co-Chair  
B. LaFave  
B. Wilkinson

## THE PENSION TRUST FUND

*The Pension Plan is registered under the Pension Benefits Act, Ontario, and under the Income Tax Act, Canada. The registration number is 0345850. The Plan meets the requirements of applicable legislation, and will be amended in the future as may be required to remain compliant with all applicable legislation. Based on the unaudited financial statements of the Trust Fund, the following reflects the Fund's financial position as at December 31, 2016.*

During 2016, the Pension Trust Fund:

**Received:**

|                              |                     |
|------------------------------|---------------------|
| Contributions                | \$19,576,159        |
| Interest and Dividends       | 58,593,323          |
| Net Realized Gains           | 883,318             |
| Net Realized Capital Loss    | 0                   |
| Net Unrealized Capital Gains | -28,063,696         |
| GST Rebate and other         | <u>128,022</u>      |
|                              | <u>\$51,117,126</u> |

**Disbursed on account of Benefits and Expenses:**

|  |                     |
|--|---------------------|
| Administration                                 | \$123,086           |
| Audit  | 19,775              |
| Benefits                                       | 20,707,391          |
| Consulting, Actuarial                          | 371,056             |
| Custodial                                      | 132,147             |
| Data Amendment Costs                           | 2,315               |
| Government Fees                                | 27,634              |
| Investment Management/Advisory                 | 2,911,391           |
| Legal Fees after recoveries                    | 14,600              |
| Member Information Tools (includes Forecaster) | 207,883             |
| Miscellaneous                                  | 4,214               |
| Movement in Benefit Holdbacks                  | 751,166             |
| Printing and Stationery                        | 20,693              |
| Telephone, Postage and Courier                 | 7,690               |
| Terminated and Death Holdbacks                 | 7,708               |
| Trustees and Membership Meetings               | 25,711              |
| Trustees and Trust Fund Insurance              | 19,560              |
| Trustees Education                             | <u>28,932</u>       |
|  | <u>\$25,382,952</u> |

|                         |              |
|-------------------------|--------------|
| Net Income for the Year | \$25,734,174 |
|-------------------------|--------------|

|   |                      |
|---|----------------------|
| Net Assets at the beginning of the Year | \$438,472,165        |
| Gain for the Year                       | <u>\$25,734,174</u>  |
| Net Assets at the end of the Year       | <u>\$464,206,339</u> |

At December 31, 2016 the Net Assets of the Pension Trust Fund were represented by:

|  |                      |
|--|----------------------|
| Cash (on hand or in transit, less accounts payable)                          | \$3,077,042          |
| Interest and Dividends earned, but not received by December 31 <sup>st</sup> | 76,364               |
| Short-Term Notes, Bonds  | 113,813,956          |
| Equities   | 299,300,661          |
| Alternatives   | <u>47,938,316</u>    |
|  | <u>\$464,206,339</u> |

Short-Term Notes, Bonds, Equities and Alternatives are reported at Market Value - that is, the closing price of these securities on the last trading day in 2016.

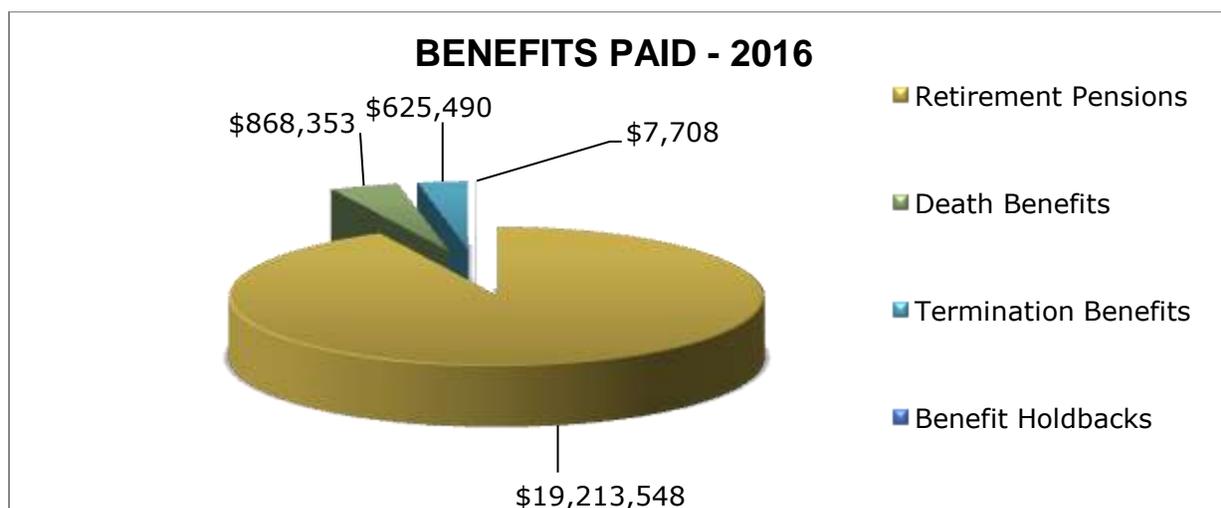
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## PENSION PLAN MEMBERSHIP AND BENEFITS PAID

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As at December 31, 2016, 1,503 persons were receiving monthly pensions, and the total monthly pension pay-out was \$1,618,484.59. There was an increase of 11 persons in receipt of a monthly pension and a year over year increase of \$80,246.45 in the total monthly pension pay-out when compared to December, 2015.

During 2016, the Trust Fund paid \$20,715,099 in benefits to Plan Members and their Beneficiaries. Details about benefits paid are shown in the graph below.



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## PENSION PLAN FUNDING

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**Our Pension Plan is a Specified Ontario Multi-Employer Pension Plan. The Pension Plan's special status as a Specified Ontario Multi-Employer Pension Plan means that the Plan has received temporary approval from the pension regulator (FSCO) to not allocate contributions toward paying down the Plan's Solvency Deficiency. Pension legislation in Ontario excludes all multi-employer pension plans from any protection provided by the Pension Benefits Guarantee Fund. This means that, in the event the Plan does not have sufficient assets to provide for benefits, benefits may be reduced so that the Plan remains compliant with applicable legislation. The Trustees cannot and do not guarantee benefits.**

In compliance with the *Pension Benefits Act*, Ontario an Actuarial Valuation of the Pension Plan is completed at least every three years and filed with the pension regulator. The purpose of an actuarial valuation is to compare the assets (mainly investments) of the plan with its liabilities (the value of pensions earned by members whether they are retired, active or terminated) at the date of the valuation. The valuation will show whether the plan's liabilities are fully funded (meaning whether there are enough assets at the valuation date to pay all of the liabilities calculated at the valuation

date) and whether the current contributions to the plan are sufficient to fund the pensions that the members earn after the valuation date.

The *Pension Benefits Act*, Ontario requires all defined benefit pension plans to complete the valuations on two bases, namely:

- **“GOING CONCERN”** which assumes that the pension plan will continue to receive contributions into the future, the pension benefits earned by active members at the valuation date will increase on account of those contributions, and the retired members will continue to receive their monthly pensions from the plan. In this type of valuation, the actuary calculates the liability at the valuation date of all pension benefits earned to that date, as well as the liability for pensions being paid now to retired members. The actuary uses actuarial assumptions that conform to the Canadian Institute of Actuaries’ generally accepted actuarial principles.
- **“SOLVENCY”** which assumes that the pension plan was wound up, or terminated, on the date of the solvency valuation. The objective of a solvency valuation is to determine whether the pension plan had sufficient assets on the valuation date to pay the pensions being paid to retired members and pension benefits earned by active or terminated members if those benefits had to be purchased from an insurance company using current annuity rates prescribed under legislation.
- When completing a solvency valuation the actuary must use actuarial assumptions prescribed in the Regulations to the Ontario *Pension Benefits Act*.

The Trustees, along with the trustees of other multi-employer pension plans, protested the requirement for Solvency Valuations on the basis that they are not meaningful when contributions are paid by a variety of unrelated employers. Several special commissions on pensions, including Ontario’s Expert Commission on Pensions, endorsed that multi-employer pension plans should not be subject to Solvency Valuations and should not be required to allocate contributions toward funding a solvency deficiency. To date, pension law has not changed except to allow temporary solvency deficiency funding relief for pension plans like ours.

The Valuation as at December 31, 2015 was filed with FSCO in September 2016. The Actuarial Valuation is available to Plan Members on the Members’ web site.

The December 31, 2015 Valuation had the following highlights:

|                                | <u>Going Concern</u><br>(in \$1,000’s) | <u>Solvency</u><br>(in \$1,000’s) |
|--------------------------------|--|-----------------------------------|
| Assets                         | \$424,088                              | \$460,971                         |
| Actuarial Liabilities          | <u>462,749</u>                         | <u>824,373</u>                    |
| Actuarial Surplus (Deficiency) | <u>\$(38,661)</u>                      | <u>\$(363,402)</u>                |

Smoothed actuarial value of assets of \$424,088,000 at December 31, 2015 was used for the Going Concern Valuation. Adjusted solvency assets, net of a provision for wind-up expenses, at December 31, 2015 were \$460,971,000.

- The actuarial cost of pensions being earned by Active Members was less than the average hourly contribution.
- The estimated cost of benefits, plus the provision for administrative and investment related expenses, is 72.1% of estimated contributions. This was an increase from 70.6% at the previous Valuation as at August 31, 2014. The change in total annual cost is due mainly to the change in investment return rate assumption.
- Actuarial liabilities in the Solvency Valuation were \$824,373,000 and were \$361,624,000 greater than the Actuarial liabilities of the Going Concern Valuation. This difference arises mainly because:
  - The actuarial investment return assumption in the Going Concern Valuation was 6.55% compounded annually, net of expenses incurred to earn that return (investment management and custodial fees). The Valuation at August 31, 2014 assumed 6.8%. The interest rate used in the Solvency Valuation was 2.1% for 10 years, 3.7% thereafter.

Interest rates in Canada were almost the lowest seen in the last 40 years. A decrease in interest rates results in higher actuarial liabilities. Higher actuarial liabilities result in a higher solvency deficiency.

- The Plan's Going Concern funded position of 91.6% increased from 89.6% at the August 31, 2014 Valuation.

The Plan's net investment rate of return over the period September 1, 2014 to December 31, 2014 was 1.72%. The net rate of return from January 1, 2015 to December 31, 2015 was 7.90%. The net rate of return for 2016 was 6.3%.

Other statistics taken from the December 31, 2015 Actuarial Valuation are:

- There were 1,687 Active, 1,098 Inactive and Terminated Vested Members, as well as 38 Spouses of deceased Members entitled to a pension when they reach Age 63, or an earlier reduced pension if they prefer.
- The average age of Active Members was 43.8.
- There were 1,494 Retired Members (including Surviving Spouses) in the following age brackets:

| <u>Age</u>      | <u>Number of Members<br/>&amp; Surviving Spouses</u> |
|-----------------|--|
| Age < 35        | 2  |
| Age 35 - 40     | 2  |
| Age 40 - 45     | 3  |
| Age 45 - 50     | 2  |
| Age 50 - 55     | 5  |
| Age 55 - 60     | 27   |
| Age 60 - 65     | 119  |
| Age 65 and over | 1,334  |

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## **AMENDMENTS TO THE PENSION PLAN 2012-2016**

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The Plan's Amendments have been influenced by the Plan's Solvency Valuation results since 2005.

Funding relief for the Plan as a Specified Ontario Multi-Employer Pension Plan (SOMEPP) was extended to September 1, 2017.

In 2012 the Ontario government allowed plans like ours to reconsider how they funded for early retirement pensions if they included a subsidy or any "grow-in" right which provided a benefit when a member had achieved a certain age and service. The Trustees decided not to pre-fund liabilities for any subsidized early retirement benefit. This is called "opting-out of grow-in rights".

In July 2012, the Ontario government required that all Ontario pension plans provide for immediate vesting. The Plan was amended to provide immediate vesting for all Members who were not terminated at June 30, 2012.

Effective September 9, 2014, the Plan's termination benefit was amended in the event the terminated Member elects to transfer his/her entitlement from the Plan. If a terminated Member elects to transfer his/her pension from the Plan, his/her accrued pension payable at the normal retirement age of 63 is adjusted by multiplying it by the Plan's Transfer Ratio. This will result in a lower amount being paid. If the terminated Member elects not to transfer his/her pension entitlement from the Plan he/she would be entitled to the deferred pension payable as early as age 53.

Effective November 1, 2014 the Plan's Transfer Ratio is determined quarterly.

Effective May 1, 2015, the Plan was amended to establish the future service accrual rate of 15% for contributions made from September 1, 2014. The Plan was amended to remove the final payment of the Holdback Amount for terminated Members if the amount paid by the Plan was higher than the Plan's current Transfer Ratio. The Trustees made this change in order to reduce the losses the Plan had in paying out lump sum benefits to terminated Members instead of providing monthly pensions and to ensure that terminated Members participated in the Plan's adjustments required for secure funding.

Effective November 1, 2015, the Plan was amended so that a Plan Member who applies for a disability pension must be a Member in Good Standing of Local Union 30 at the time the application for a disability pension is made and on the date the disability pension commences.

Under legislation, a surviving spouse of a Plan Member who dies prior to commencing a pension from the Plan is entitled to receive an immediate or deferred pension from the Plan. Effective January 1, 2016 the Plan was amended to formally document this in the Plan Text.

Effective January 1, 2017, the Plan was amended

- (i) to provide for the payment of expenses by the parties when there is a dispute over the pension payable by the Plan. This ensures the Plan is not paying legal and other costs to manage private disputes;
- (ii) to provide for the deposit to the Trust Fund of certain fees, expenses, reimbursements and other accounts; and
- (iii) to limit voluntary contributions to those approved in advance by the Trustees.

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## **PENSION TRUST FUND INVESTMENTS**

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- Setting asset mix is one of the most important roles of the Trustees.
- The Trustees have adopted a Statement of Investment Policies and Procedures (the “investment policy”). The purpose of the investment policy is to obtain the best possible investment returns with a prudent level of risk. The investment policy is reviewed annually and amended as necessary.
- The 2013 Asset Liability Study recommended that the Pension Plan’s target asset allocation be: 22.5% Canadian Equities, 40.0% Global Equities, 27.5% Fixed Income, including mortgages and high yield bonds, and 10.0% Alternative investments. The recommended target asset mix was implemented in 2014.
- The rate of return on the Plan’s investments was 7.3% for 2016. The benchmark for the Pension Plan’s return for 2016 was 8.1%. The benchmark is the return that could have been achieved using passive management instead of active management. The use of active investment managers during 2016 detracted from the Fund’s performance by 0.8%.
- During the four years ended December 31, 2016 the Pension Plan’s rate of return was 9.9%. The benchmark for the Pension Plan’s returns for this period was 9.5%. The use of active investment managers during the four-year period added to the Fund’s performance by 0.4%.
- During the five years ended December 31, 2016 the Pension Plan’s rate of return was 9.4%.
- During the ten years ended December 31, 2016 the Pension Plan’s rate of return was 5.6%. This return is impacted by the 2008-2009 financial market crisis.
- The Trustees set a benchmark level of risk that represents the return volatility that the Trust Fund expects based on the investments made by the Plan. The

Plan's risk factor is 5.3. At the end of 2016 the Plan's actual risk factor was 5.5. Most of the Plan's excess risk came from the global equity markets that were very volatile over the last five years, particularly in 2014 and 2015.

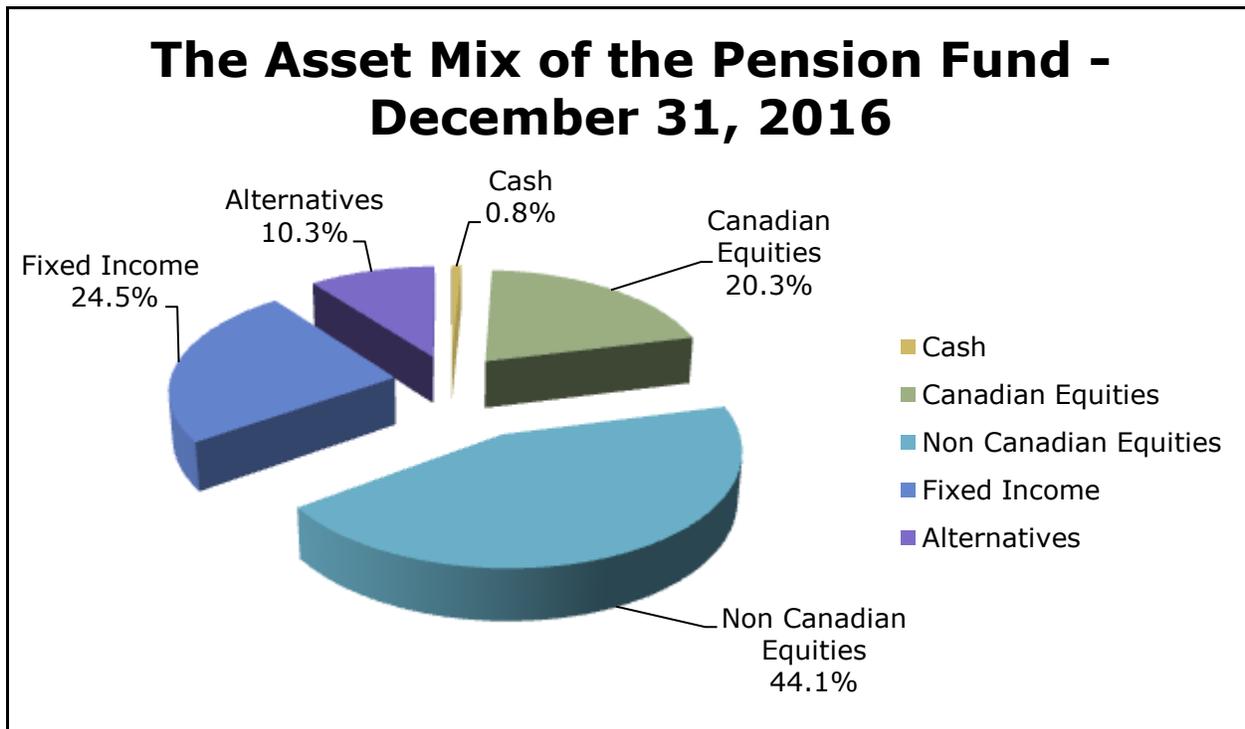
- The Trustees adopted a currency hedging policy in 2015 to reduce the volatility created by the changing value of the Canadian dollar compared to some other major World currencies. The policy is a long term strategy and does not try to predict the value of the Canadian dollar. Currency Hedging increased total fund returns by 0.4% in 2016.

The assets of the Pension Trust Fund are managed by eight professional investment managers. These investment managers are each allocated a part of the Fund, and are given mandates to invest in Canadian and non-Canadian Equities, Alternatives such as real estate, Bonds and Short Term Cash.

The Trustees retain Eckler Ltd. for the role of investment consultant. This role includes independent performance measurement services and other monitoring of the Fund's investment managers along with Asset Liability modelling and setting of investment policy.

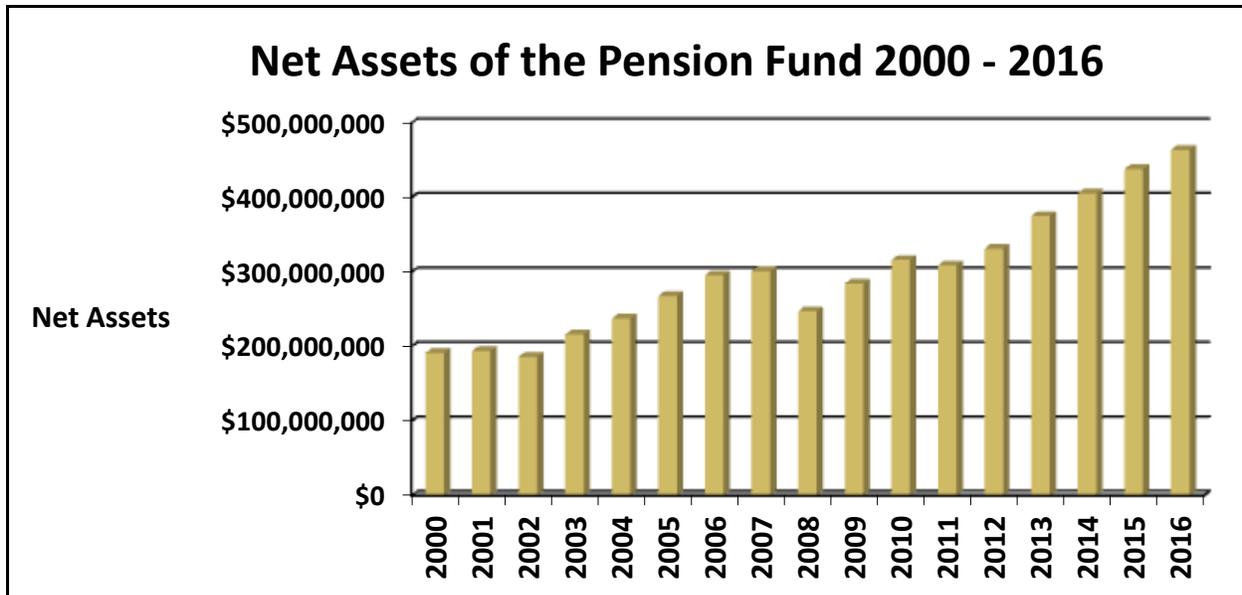
The Trustees monitor Plan returns, its risk factors and each investment manager on an ongoing basis. As part of this process, four times each year and as part of their oversight responsibilities, the Trustees conduct a dedicated Pension Trust Fund Investment Meeting. Investment managers are required to attend these Meetings to give reports on the performance of their respective portfolios and to provide an outlook on how their portfolios are structured to address the economic outlook.

The Fund's investments had a market value of \$464,206,339. At December 31, 2016 the asset mix of the Fund was:



The graph below illustrates the growth in the Net Assets of the Pension Trust Fund over the last 17 years. Net Assets are the sum of the Fund's Short Term Cash, Equities, Alternatives and Bonds (stated at their December 31<sup>st</sup> market value), as well as all interest, dividend and contributions earned by the Fund but not yet received at December 31<sup>st</sup>. Net Assets subtracts any expenses that the Fund had incurred and not yet paid. The Actuarial Liabilities of the Plan in respect of accrued pensions and pensions-in-pay are not included in Net Assets.

Another Asset Liability Study is scheduled to be done in 2017.



|      |               |      |               |      |               |
|------|---------------|------|---------------|------|---------------|
| 2000 | \$191,897,412 | 2006 | \$295,850,850 | 2012 | \$331,632,424 |
| 2001 | \$194,310,801 | 2007 | \$301,526,568 | 2013 | \$375,353,949 |
| 2002 | \$186,607,555 | 2008 | \$247,560,151 | 2014 | \$405,900,855 |
| 2003 | \$216,478,816 | 2009 | \$284,715,011 | 2015 | \$438,472,165 |
| 2004 | \$237,715,716 | 2010 | \$316,141,323 | 2016 | \$464,206,339 |
| 2005 | \$268,020,927 | 2011 | \$309,163,447 |      |               |

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## LEGISLATION BEARING ON THE PENSION PLAN 2010-2016

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### PROVINCIAL LEGISLATION

#### The Ontario Pension Benefits Act

- On December 8, 2010 Bill 120 "*Securing Pension Benefits Now and for the Future Act, 2010*" received Royal Assent. This legislation, which amended the Ontario *Pension Benefits Act*, changes how Ontario multi-employer pension plans fund

pension benefits. Solvency funding, which requires that pension plans arrange benefits on the assumption that the plan is terminating, would be drastically changed under the proposed legislation. However, at this time regulations to the *Pension Benefits Act* have not been issued and so it is not possible to say the degree of relief a multi-employer pension plan will receive under this new law.

- On June 22, 2011 the Ontario Government proclaimed an amendment to the *Pension Benefits Act* and the *Ontario Family Law Act* relating to the valuation and division of pension assets on marriage breakdown.

Some of the key changes in this legislation and its impact on the Plan are:

- 1) Immediate payment of pension assets to the former spouse either as a lump sum or a division of monthly pension benefits is now permitted.
  - 2) The valuation of the pension assets will be done by the plan administrator. The marriage breakdown couple must apply directly to the plan administrator. Special forms were prepared by FSCO which must be used by the parties. Pension plans were permitted to charge a fee for each date a valuation is requested to reflect the additional cost to pension plans of this work.
  - 3) The Board of Trustees resolved that any Member of the Plan who submits the prescribed forms to the Plan administrator will be charged a fee of \$600 per requested valuation date. The fee is payable to the Trust Fund.
- On July 20, 2012 a new Regulation came into force that provided an extension of the Specified Ontario Multi-Employer Pension Plan (SOMEPP) regulations to cover actuarial valuation reports with a valuation date prior to September 1, 2017.
  - Effective July 1, 2012, a number of amendments to the *Ontario Pension Benefits Act*, were proclaimed.

Some of the more significant reforms that are now in effect are:

- (i) Immediate vesting of benefits

All benefits earned by a pension plan member are immediately vested upon commencement of plan participation. An eligibility waiting period (generally, up to 2 years of qualifying employment) is permitted.

The Trustees amended the Plan, effective July 1, 2012, to defer Plan membership until at least 700 hours of contributions have been paid into the Plan in each of two consecutive calendar years or such earlier time as is required under applicable legislation.

- (ii) Small Benefit Commutation

The threshold for small amounts that can be “unlocked” was increased. Plans may now permit the lump sum payment of the commuted value of a benefit if, in the year of plan termination, the annual benefit payable at the member’s normal retirement date is not more than 4% of the Canada Pension Plan’s Yearly Maximum Pensionable Earnings (YMPE) or if the commuted value of the benefit is less than 20% of the YMPE.

- (iii) A number of changes were made to disclosure provisions

Eligible individuals (including members, former/retired members, their spouses and their agents) may access certain plan records, electronically or by mail. Eligible persons can ask for records once per year per specific record. Plans may charge a fee of 25¢/page for paper copies of records, and may charge a maximum fee of \$5 for each request for documents provided electronically.

The Plan charges the maximum fee in order to offset some of the costs of printing and mailing.

- In October 2012 the decision of the Ontario Court of Appeal in Carrigan vs. Carrigan Estate highlighted that plan members must ensure that their beneficiary designations are current and that they must not assume such designations change automatically due to a separation or divorce.

Plan Members are required to ensure their Plan documents reflect their wishes and the obligations they have under any relationship agreements. Members are **required** to file these documents with the Plan administrator when they are signed by both parties.

### **Ontario Harmonized Sales Tax (HST)**

Effective with most goods and services purchased in Ontario on/after July 1, 2010, if the good attracted the Federal Goods and Services Tax (GST) the charge for the service will attract HST. This tax increases the non-benefit costs of the Fund by about 8% or \$315,000 per year.

### **New Disclosure Rules**

Effective January 1, 2016 pension plans are required to disclose policies with respect to Environmental, Social and Governance (ESG) issues. These policies will be included in investment policies and on annual statements issued to members. The Fund's Statement of Investment Policies and Procedures includes the Trustees' policy regarding the management of investments keeping in mind environmental, social and governance issues.

Starting in July 2017 (ie for the 2016 fiscal plan year), biennial statements must be issued to retired and terminated members.

### **FEDERAL LEGISLATION**

#### **Canada Pension Plans Act**

- 1) Changes were made to the Canada Pension Plan (CPP) so that reductions for taking an early pension (in advance of age 65) were increased to reflect the longer life expectancy of Canadians. Starting January 1, 2016 persons taking an early

CPP pension will have a reduction of 7.2% per year for each year of retirement earlier than age 65.

- 2) CPP Retirement pensions will be higher if taken after age 65. The CPP pension will be increased by 0.7% for each month after 65 (up to age 70). A person delaying retirement after age 65 will be given an increase of 8.4% per year for each year of delayed retirement.

Starting in 2012, an employee could begin receiving his/her CPP pension without any work interruption. In addition if an employee under age 65 continues to work while receiving his/her CPP pension, the employee and the employer must continue to make contributions to CPP. The contributions will increase the employee's CPP benefit. If an employee is between age 65 and 70 and continues to work while receiving CPP benefits, he/she can choose to make CPP contributions. The contributions will increase his/her CPP benefit.

### **Old Age Security Legislation**

On March 29, 2012 the Federal Minister of Finance announced a change to the age of eligibility for OAS (Old Age Security) and GIS (Guaranteed Income Supplement) benefits. The qualifying age was to be gradually increased from 65 to 67. The change would have been phased in, beginning in April 2023 and completed by January 2029. However, on March 16, 2016, the Liberal government announced it will reverse the decision to raise the eligibility for OAS to age 67.

Beginning July 1, 2013, eligible Canadians were allowed to voluntarily defer commencement of OAS benefits for up to 5 years and receive a higher, actuarially adjusted, OAS benefit.

### **Bill C-377 – An Act to Amend the Income Tax Act**

Bill C-377 would have required unions and pension plans that provide benefits to union members to provide significant financial disclosure. The Trustees were concerned about this proposed legislation because of the possibility of a requirement to disclose Members' personal information.

The Liberal government repealed this legislation in January 2016.

### **OTHER DEVELOPMENTS AFFECTING OUR PENSION PLAN**

#### **Canadian Institute of Actuaries (CIA)**

In 2014 the Canadian Institute of Actuaries (CIA) released its report on Canadian Pensioners' Mortality. The report showed some important conclusions: Canadians are living longer than earlier forecasted – the life expectancy of the average 65 year old has

increased by 3.5 years. Pension plans should plan for longer years spent in retirement. Providing for improved life expectancy is a cost to a pension plan.

## **TRUSTEE INITIATED DEVELOPMENTS NOT RELATED TO LEGISLATION**

### **Member Internet Access to Personal Plan Information**

Plan Members may now see their personal Pension and Welfare information by accessing the Plans' on-line access. This is located on the upper right hand corner of the Plans' web site at [www.lu30plan.com](http://www.lu30plan.com). Members must register for this access and a registration form is included with the Annual Report.

### **Plan Facebook Page**

The Trustees provide a Facebook page for Members to quickly obtain current information about the Plans. Members that "like" the page will automatically be sent Plan updates. You can find the page at

[www.facebook.com/smwialocal30benefits](http://www.facebook.com/smwialocal30benefits).

### **Financial Planning Estimates**

For financial planning purposes, the Plan allows Members to request one commuted value calculation in each five-year period. This initiative further encourages Plan Members to conduct frequent financial planning and to keep those plans up to date.

### **Pension Forecaster**

A Pension Forecaster is being developed. This tool is designed to help you plan for your retirement. It will be customized with your personal information, and will help you better understand your pension from the Plan and how it fits into your overall retirement strategy. This calculator will be available through the Plans' web site. An announcement will be made when the Pension Forecaster is available.

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## **BRIEF SUMMARY OF THE PENSION PLAN**

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Depending upon the time during which you were a Plan Member, the amount of your target monthly pension benefit is determined either by the number of hours you worked for an Employer making contributions to the Trust Fund or by the amount of contributions paid to the Fund on your behalf. The amount of target benefit finally paid is subject to the funding status of the Pension Plan. The Trustees must keep the Plan compliant with applicable legislation at all times. No benefit paid, or payable, by the Plan is ever guaranteed. Benefits can be increased, or decreased.

## **Information for Active Plan Members**

Each year by June 30<sup>th</sup>, Active Members receive an Annual Pension Statement disclosing the amount of annual Pension they earned to the prior December 31st. A second statement is issued about September of each year, covering the first six calendar months of the year.

### **Normal Retirement Date is Age 63**

Monthly Retirement Pensions are payable, in full, upon retirement at age 63 and must start no later than the end of the calendar year in which you attain age 71.

### **Early Retirement Available from Age 53**

You do not have to wait until you are age 63 to receive a monthly pension. Pensions can begin as early as your age 53. In order to account for the fact that you will receive a pension for a longer period of time than if you delayed your retirement to age 63, the amount of your target monthly pension will be reduced by one half of one percent for each month (6% per year) you receive a pension in advance of your age 63.

### **How Benefits are Calculated**

All Members earn a target annual pension benefit expressed at the rate of 15% of contributions to the Plan. This rate can increase or decrease, subject to applicable legislation bearing on the Plan.

A summary of the prior rates of benefit in the Plan are included in the "Sheet Metal Workers Local Union 30 – A History of the Sheet Metal Workers Pension Plan" which is located on the Plans' web site.

At December 31, 2016, hourly pension contributions were:

|                          |        |
|--------------------------|--------|
| Journeyman               | \$8.95 |
| 3 Year Apprentice        | \$4.86 |
| 4 Year Apprentice        | \$5.69 |
| 5 Year Apprentice        | \$6.51 |
| Sheeter/Decker           | \$8.95 |
| Sheeter/Decker Assistant | \$7.77 |
| Material Handler         | \$6.59 |

## **Your Spouse's Pension Rights**

If you have a Spouse upon your retirement and your Spouse does not waive her/his right to a Joint and Survivor Pension, and you die before your Spouse, 60% of the target amount paid to you will continue to your Spouse for her/his remaining lifetime. No benefit is ever guaranteed and can be increased, or decreased.

If you do not have a Spouse upon your retirement, or she/he waives the right to a Joint and Survivor Pension, a monthly pension is payable as long as you live, with the proviso that if you die before having received the pension for 10 years, your beneficiary will receive the balance until 120 payments of monthly pension, in total, have been made. The amount of monthly pension is not guaranteed and can be increased, or decreased.

**All of the Plan's benefits including benefits in pay or payable upon the death of a Member are target benefits – they can be increased, or decreased, subject to applicable legislation.**

## WELFARE TRUST FUND

***Based on the unaudited financial statements of the Fund, the following reflects the Fund's financial position as at December 31, 2016.***

During 2016, the Welfare Trust Fund:

Received:

|                 |                     |
|-----------------|---------------------|
| Contributions   | \$10,965,236        |
| Interest Income | 762,945             |
| Miscellaneous   | 2,895               |
|                 | <u>\$11,731,076</u> |

Disbursed:

|                                      |                     |
|--------------------------------------|---------------------|
| Administration Fees                  | \$865,543           |
| Audit Fees                           | 21,922              |
| Consulting Fees                      | 221,194             |
| FSEAP Premiums                       | 36,077              |
| Insurance Premiums                   | 1,957,940           |
| Investment Management Fees           | 122,233             |
| Legal Fees Less Liquidated Damages   | (2,393)             |
| Member Electronic Tools              | 0                   |
| Member/Trustee Information Tools     | 19,738              |
| Printing and Stationery              | 24,048              |
| Self-Funded Benefits                 | 6,748,123           |
| Telephone, Postage and Courier, etc. | 22,934              |
| Trustees and Membership Meetings     | 13,069              |
| Trustees and Trust Fund Insurance    | 19,740              |
| Trustees Education                   | 32,236              |
|                                      | <u>\$10,102,404</u> |

|  |                      |
|--|----------------------|
| Excess of Receipts over Disbursements      | \$1,628,672          |
| Transfer to Dollar Bank and Other Reserves | ( <u>\$448,958</u> ) |
| Gain for the Year                          | <u>\$1,179,714</u>   |
| Net Assets at the beginning of the Year    | \$23,375,956         |
| Gain for the Year                          | <u>\$1,179,714</u>   |
| Net Assets, end of the Year                | <u>\$24,555,670</u>  |

The Welfare Fund maintains several reserves to pre-fund for the cost of future benefits. At the end of 2016 these reserves were:

Reserves:

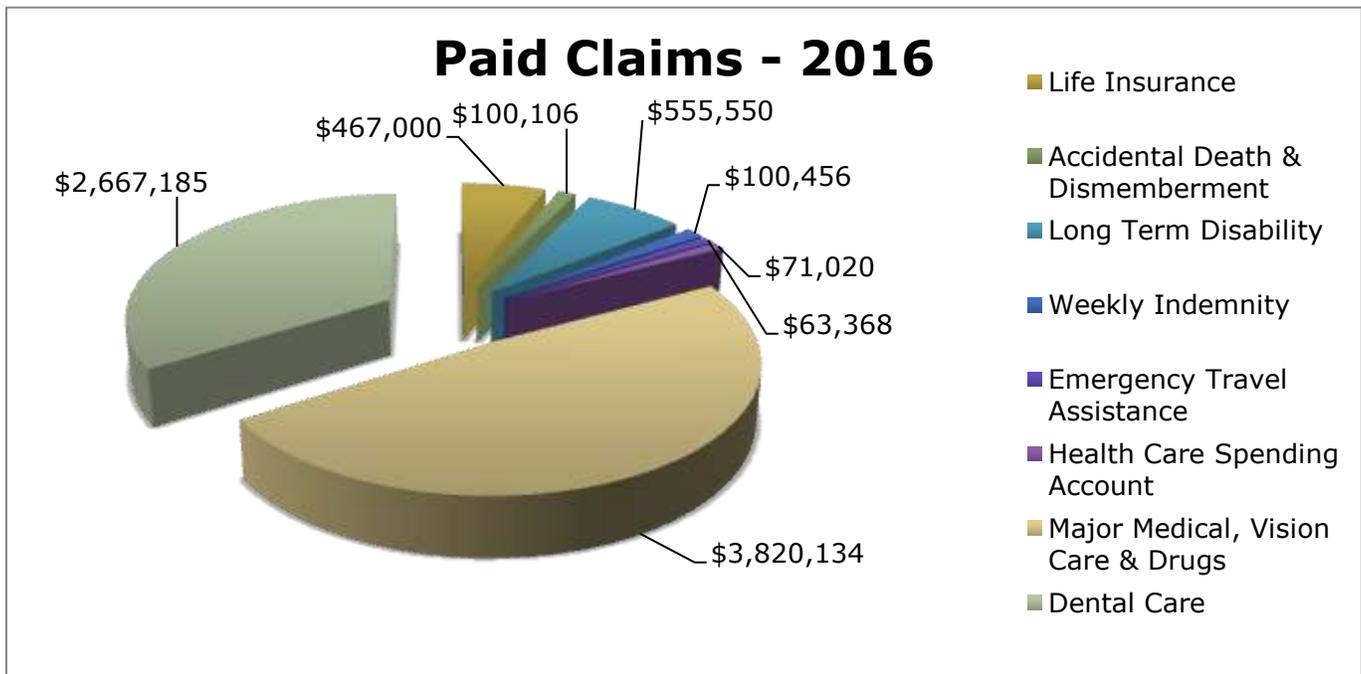
|   |             |
|---|-------------|
| For Benefits Not Yet Purchased                  | \$6,432,443 |
| For Claims Fluctuation Reserve                  | \$986,067   |
| For Dental Claims not reported                  | \$165,418   |
| For Extended Benefits                           | \$5,491,881 |
| For Health Care Claims not reported             | \$368,297   |
| For Health Care Spending Accounts               | \$891,067   |
| For Retired Member Benefits                     | \$6,171,283 |
| For Weekly Indemnity Claims not reported        | \$25,018    |
| For Workers Safety and Insurance Board Benefits | \$456,735   |

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### BENEFITS PAID DURING 2016

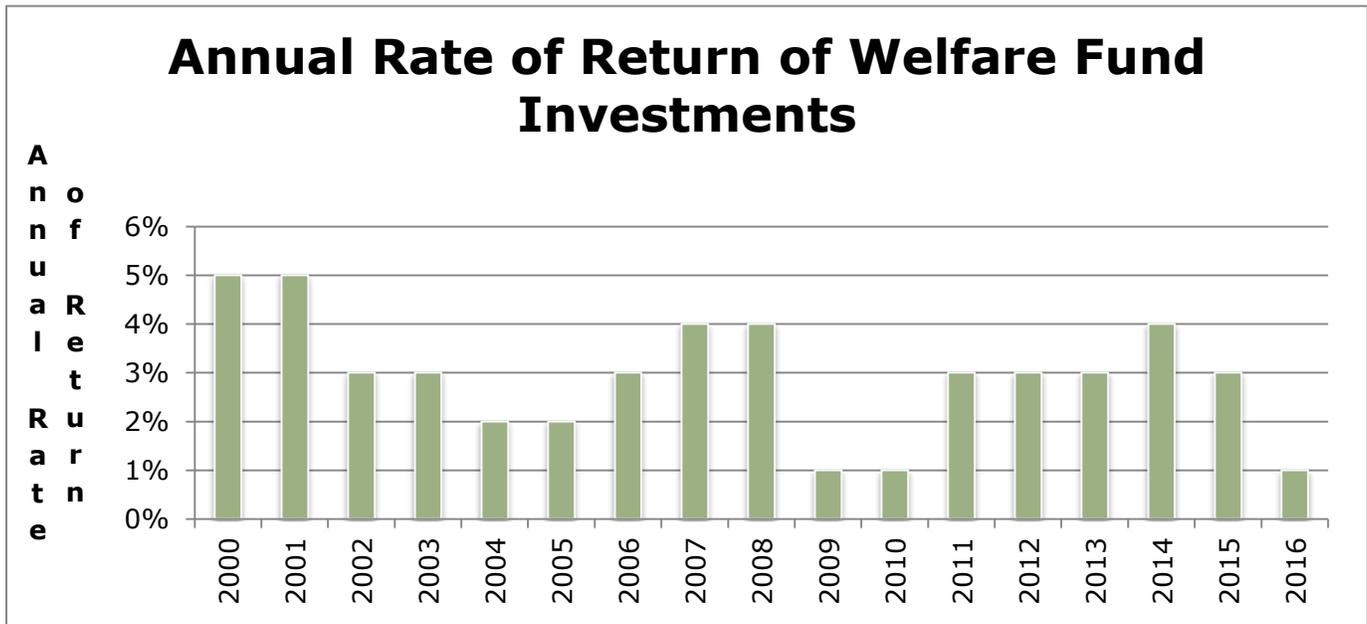
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During the period January 1, 2016 through December 31, 2016, the Welfare Plan paid \$7.8 Million in benefits.



The Trustees have adopted a Statement of Investment Policies and Procedures ("investment policy"). The purpose of the policy is to obtain the best possible investment returns with a prudent level of risk. The policy is reviewed regularly and amended as necessary.

The annual rates of return of the Welfare Fund's Investments over the 17 year period from 2000 through 2016 inclusive are shown in the following graph:



|      |       |      |       |
|------|-------|------|-------|
| 2000 | 5.11% | 2009 | 1.24% |
| 2001 | 4.76% | 2010 | 1.33% |
| 2002 | 2.86% | 2011 | 2.92% |
| 2003 | 3.08% | 2012 | 3.14% |
| 2004 | 2.40% | 2013 | 2.86% |
| 2005 | 2.20% | 2014 | 4.37% |
| 2006 | 3.12% | 2015 | 2.73% |
| 2007 | 3.90% | 2016 | 1.44% |
| 2008 | 3.90% |      |       |

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## BRIEF SUMMARY OF THE PLAN

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The Plan covers Members, Apprentices, their Spouses and unmarried dependent children under age 22. The Plan also covers disabled Members, unemployed Members and Retired Members. Everyone covered under the Plan must be a Canadian resident and covered under a provincial Medicare plan.

Under the Monthly Dollar Bank Deduction rules in effect commencing July 1, 2009 Members' Dollar Banks are debited each month in the amount of \$409.00. Members can save excess contributions in their Dollar Bank up to \$4,908 - one year's coverage under the current rules.

The Trustees have not increased the Dollar Bank Deduction since 2009 even though significant improvements have been made to the Plan. The Trustees have been able to

defer increasing the Dollar Bank Deduction largely due to the Ontario government initiatives that curtailed the cost of drugs and to efficient management of the Fund and Plan including a prudent investment policy.

At January 1, 2017, the Plan provides the following benefits

## **ACTIVE MEMBERS**

### **Life Insurance:**

- \$100,000 Group Term Life Insurance
- \$2,000 Spouse, \$1,000 Child Dependant Life Insurance

### **Accidental Death and Dismemberment Benefits:**

- Principal sum of \$100,000

### **Weekly Income:**

- \$543 per week, 26 week maximum benefit, commencing first day of disability due to accident or hospitalization, eighth day due to illness.
- The Plan excludes coverage for disabilities arising due to a motor vehicle accident.
- This benefit is integrated with Employment Insurance.

### **Long Term Disability:**

- \$2,000 monthly maximum benefit, payable from the 27th week of continuous Total Disability to age 65. The benefit is reduced, dollar for dollar, by any amount paid or payable by Workers' Compensation (WSIB). It will also be reduced if income from other sources, such as the Pension Plan, exceeds 75% of pre-disability income. The Member must be Totally Disabled.
- The Plan excludes coverage for disabilities arising due to a motor vehicle accident.

### **Major Medical:**

- With the exception of certain services, the Major Medical benefit pays 100% of medically necessary, reasonable and customary charges for a broad range of medical expenses that are not covered by OHIP.
- Included are charges for the services of a Registered Nurse out-of-hospital, ambulance, prosthetic devices, hearing aids, speech therapy, and emergency hospital/surgical/medical services received outside Ontario.

The Plan excludes coverage for expenses arising due to a motor vehicle accident.

- Claims should be submitted on line using the All-In-One Benefit Card.

### **Prescription Drugs:**

- The Prescription Drug benefit pays 100% of the lower of the brand name or generic drug ingredient cost of medically necessary, prescription drugs issued by an attending physician for the treatment of illness or injury. The Plan pays a maximum of \$8.50 per eligible prescription in respect of the Professional Dispensing Fee.

For Members and Dependants age 65 and older, the Plan does not pay for any drug covered under the Ontario Drug Benefit Plan (ODB) for Seniors. The ODB requires an annual deductible of \$100 per person, followed by a user fee equal to the Professional Dispensing Fee (currently, \$6.11 per prescription). These charges apply to Ontarians whose annual income exceeds \$19,300 (single) or \$32,300 (family). These charges are the responsibility of affected Retired Members and their Dependants and are not covered by the Plan.

- The Plan excludes coverage for expenses incurred due to a motor vehicle accident.
- Prescription drug claims must be submitted to the Plan by your pharmacist using your All-In-One Benefit Card.

### **Vision Care:**

- The Vision Care benefit pays up to \$240 for each Member and each Dependant per two year period for the initial purchase, or replacement, of prescription eye glasses and contact lenses. The Plan pays up to \$50 per person per 24 consecutive month period for refractions (testing for eyeglasses) unless the refraction is covered by OHIP.
- Many providers should submit your claim using the All-In-One Benefit Card.

### **Health Care Spending Account:**

- The Plan provides a Health Care Spending Account (HCSA). Your HCSA is intended for the reimbursement of eligible expenses which may not be covered or exceed the maximums under the Plan. Eligible expenses are those that qualify for medical tax credits under the Canada Revenue Agency (CRA) Income Tax Guidelines. The allocation for 2017 is \$600 per family. Allocations granted are deposited in January. Allocations must be used within 24 months of their being granted. Unused allocations are forfeited at the beginning of the 25<sup>th</sup> month after they were granted. Future allocations to the HCSA are not guaranteed.

### **Dental:**

- The Dental Care benefit provides a comprehensive range of benefits, up to an annual maximum benefit of \$2,000 per person. The Plan also includes an orthodontia benefit that pays 75% of expenses up to a maximum annual benefit of \$1,000 per person, within the \$2,000 maximum. Effective January 1, 2017, claims are paid on the basis of the 2016 Ontario Dental Association (ODA) Suggested Fee Guide For General Practitioners.
- The Plan excludes coverage for expenses incurred due to a motor vehicle accident.

- Claims must be submitted directly by your dental practitioner using the All-In-One Benefit Card.

The Trustees reserve the right to terminate, suspend or amend the Welfare Plan should circumstances warrant.

## **UNEMPLOYED MEMBERS**

In the event that a Member is unemployed due to disability or lay off, all of the benefits for Active Members remain in force until his/her Dollar Bank Balance is less than \$409.00. Thereafter, through the special Extended Benefit Program for Unemployed Members, the benefits provided to Active Members (except Disability Income) remain in force as follows:

- If unemployment is due to disability, benefits are continued for up to 12 consecutive months for any one period of continuous disability.
- If unemployment is due to shortage of work, and the Member is actively seeking work through Local Union 30, benefits continue subject to ongoing authorization by Local Union 30.
- Effective January 1, 2015, Extended Benefits are limited to a maximum of 18 months (in aggregate and not necessarily consecutive) in any 36 consecutive month period. Members who refuse work three times while on Extended Benefits will be removed from Extended Benefits. Once removed from Extended Benefits, Members will not be eligible for them again until they have worked at least 217 hours for a contributing employer.

**In order to qualify, the Member must:**

- **have been covered as an Active Member immediately prior to the layoff or disability;**
- **be and remain a Member in Good Standing of Local Union 30; and**
- **make prompt application to the Local Union 30 for approval. Local Union 30 is responsible for approving applications.**

Retirees, including those who return to work, are not eligible for the Extended Benefit Program.

The Trustees reserve the right to terminate, suspend or amend the Extended Benefit Program.

## **APPRENTICES**

Indentured Apprentices must periodically take time off work to attend Apprenticeship Training School. In order to ensure that they do not lose their Welfare Plan benefits due to lack of contributions, Apprentices can make arrangements with Local Union 30 to

have credits granted in the Welfare Plan so that their Dollar Bank is not depleted while they are attending Apprenticeship Training School.

**It is the sole responsibility of the Apprentice to apply to Local Union 30 for this benefit.**

The Trustees reserve the right to terminate, suspend or amend the Apprentices Benefit Program.

## **PERMANENTLY DISABLED MEMBERS**

The Welfare Plan continues some benefits for persons who suffer a disability while covered, and before attainment of age 65. In some cases, the degree of this disability is such that the Member cannot continue employment in the Sheet Metal Industry. In other cases the disability is so severe that the Member cannot work at any occupation for wage or profit. In those cases, such Members remain covered as follows:

If the Member is Totally and Permanently Disabled, the Life Insurance benefits for Active Members remain in force until age 65, through the Waiver of Premium benefit. At age 65, the benefit reduces to \$10,000 (\$5,000 for Members disabled prior to October 1, 2003).

**It is the sole responsibility of a disabled Member to contact the Plan Administration Office and apply promptly and in writing for the Waiver of Premium.**

The Trustees reserve the right to terminate, suspend or modify the Program for Permanently Disabled Members.

## **PAY DIRECT OPTION**

In the event that a Member's Dollar Bank Balance is less than \$409.00 and he/she has exhausted his/her entitlement under the Extended Benefit Program for Unemployed Members, he/she may apply to continue the benefits provided to Active Members (except Disability Income) for up to three months by paying the full cost of these benefits. Members also have the option to continue only the Life Insurance benefit. Details may be obtained from the Plan Administration Office. Retirees who return to work are not eligible for the Pay Direct Option.

In order to qualify, the Member must:

- have been covered as an Active Member or under the Extended Benefits Program immediately prior to making application under the Pay Direct Option; and
- be and remain a Member in Good Standing of Local Union 30.

**Pay Direct Notices are sent by regular mail or electronically – they are deemed to have been received five business days after the date the Notice was mailed. Payments must be made on time. Late payments are not accepted.**

The Trustees reserve the right to terminate, suspend or amend the Pay Direct program at any time.

## **RETIRED MEMBERS**

When an Active Member retires, provided that:

- The Plan Member is, and remains, a Member in Good Standing of Local Union 30; and
- The Plan Member is in receipt of a monthly Pension from the Sheet Metal Workers Local 30 Pension Plan; and
- On the day prior to retirement, the Plan Member was covered by the Sheet Metal Workers Local 30 Welfare Plan as an Active Member, or on the Extended Benefit Program; and
- During the 120 months immediately prior to retirement, the Plan Member was covered by the Sheet Metal Workers Local 30 Welfare Plan as an Active Member, or on the Extended Benefit Program, for at least 60 months (in the aggregate, and not necessarily consecutive); and
- The Retired Plan Member makes all required Monthly Retiree Contributions (see note at end of this section),

the Retired Plan Member is eligible to choose Retiree Plan A, B or C and continue the following benefits:

### **Life Insurance (included under Retiree Plans A, B and C):**

\$10,000 Group Term Life Insurance. If the Retired Member has been approved for Waiver of Premium the \$10,000 Group Term Life Insurance will be reduced by any amount being continued under the Waiver of Premium benefit. The Retired Plan Member and his/her eligible Dependents are eligible for:

### **Major Medical (included under Retiree Plans A and B):**

- Subject to lifetime maximum benefit of \$100,000 for each person, a Major Medical benefit provides benefits for a range of medical services and supplies that are not covered by OHIP or the Member's provincial Medicare plan.
- Subject to a maximum benefit of \$225 per calendar year per specialty, the Plan will pay the amount charged by a chiropractor, physiotherapist, psychologist, registered massage therapist, osteopath, naturopath, speech therapist and podiatrist.
- Expenses not covered by the Major Medical Plan may be payable under your Health Care Spending Account.
- Claims should be submitted using your All-In-One Benefit Card.

### **Prescription Drugs (included under Retiree Plan A):**

- The Prescription Drug benefit for Active Members is extended to Retired Members. For Retired Members and Dependents age 65 and older, the Plan does not pay for any drug covered under the Ontario Drug Benefit Plan (ODB) for Seniors, nor the \$100 annual deductible or the Professional Dispensing Fee payable under the ODB. These amounts may be covered by your Health Care Spending Account.
- Claims must be submitted by your Pharmacist using your All-In-One Benefit Card.

### **Vision Care (included under Retiree Plans A and B):**

- Subject to a maximum benefit of \$50 per person per 24-month period, a Vision Care benefit for the reimbursement of the cost of frames and lenses prescribed by a physician or optometrist and for refractions (testing for eyeglasses) unless the refraction is covered by OHIP.
- Expenses not covered by the Vision Care benefit may be payable under your Health Care Spending Account.
- Claims must be submitted using your All-In-One Benefit Card.

### **Health Care Spending Account:**

- The Plan provides a Health Care Spending Account (HCSA). Your HCSA is intended for the reimbursement of eligible expenses which may not be covered or exceed the maximums under the Plan. Eligible expenses are those that qualify for medical tax credits under the Canada Revenue Agency (CRA) Income Tax Guidelines. The allocation for 2017 is \$600 per family. Allocations granted are deposited in January. Allocations must be used within 24 months of their being granted. Unused allocations are forfeited at the beginning of the 25<sup>th</sup> month after they were granted. Future allocations to the HCSA are not guaranteed.

### **Dental (included under Retiree Plans A and B):**

- The Dental benefit provides reimbursement for the cost of a broad range of dental services. Covered services include the treatment and restoration of natural teeth, as well as repairs to an existing denture or bridge, and the creation or replacement of dentures. The maximum benefit is \$1,000 per covered person each year. Claims for services and supplies will be paid on the basis of the 2016 Ontario Dental Association Suggested Fee Guide For General Practitioners.
- Expenses not covered by the Dental benefit may be payable under your Health Care Spending Account.
- Claims must be submitted directly by your dental practitioner using your All-In-One Benefit card.

**Note:** Any residual Dollar Bank at the time of retirement will be used to offset any contribution requirements. If the Retired Member returns to work, he/she will be required to pay the unsubsidized rate for the Retired Member Plan chosen at retirement until he/she ceases working or exhausts his/her Dollar Bank, whichever comes later.

Contributions made on his/her behalf while he/she is working will be added to his/her Dollar Bank.

Once a Plan is chosen, Retired Members may select a less-comprehensive Plan in the future. You cannot change to a more comprehensive option than the one you chose unless you advise the Plan Administration Office of your new decision within 31 days from the date of your retirement. Retired Members who choose to cancel their benefits outright will not have the opportunity to subscribe at a future date.

The Trustees reserve the right to terminate, suspend or amend any of the Plan's benefits at any time.

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## **COST AND FUNDING OF THE WELFARE PLAN**

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The Life Insurance and Long Term Disability benefits are provided under a contract of Insurance underwritten by Manufacturers Life Insurance Company (Manulife Financial). The AD&D benefit is insured with Chubb Insurance. The Emergency Travel Assistance benefit is insured through Green Shield Canada.

The Weekly Disability Income, Health and Dental benefits are funded by the assets of the Welfare Plan. Claims payment services are provided using your All-In-One Benefit Card and the Plan Administration Office.

The premiums paid for each benefit reflect the cost of claims incurred by covered Members and their Dependents, and are adjusted from time to time based upon the Welfare Plan's expenses for claims experience (the amounts paid to Members), the expected future use of the Plan, expected future health care costs and the demographic changes of Members enrolled in the Plan.

It is important that Members be familiar with the cost of their benefits in comparison with what they are presently contributing.

### **Active Members**

For each hourly contribution of \$4.11, \$3.7898 is deposited to the Dollar Bank Account of the Member who earned that contribution.

Effective May 1, 2009 \$0.03 per hour is used to fund the liability to continue Welfare and Pension benefits for up to one year for Members on Workers' Compensation (WSIB). Commencing January 1, 2007, the Trustees established a WSIB Reserve into which the 3¢ per hour is deposited, and from which the cost of the benefits is withdrawn. The amount collected for 2016 was \$75,534 while the amount paid in benefits was \$73,398.

The remaining \$0.2902 per hour is utilized to pay the premiums for disabled and unemployed Members covered by the Extended Benefit Program, and to keep Apprentices covered while in attendance at Apprenticeship Training School.

The Trustees set up a Reserve for Extended Benefits in 2007. The \$0.2902 is deposited into the Reserve each year while the cost of the benefit provided is withdrawn from it. Total contributions in 2016 were \$792,302 while the benefits provided cost \$297,353.

Effective January 1, 2017, the cost of Active Member benefits was \$396.13 per Member per month. The Active Member Dollar Bank Deduction has remained at \$409.00 per month since July 1, 2009. The difference of \$12.87 is deposited to the Fund's Unallocated Surplus and is used to support Retired Member benefits, stabilize the Fund against future adverse claims experience and to support benefit improvements.

### **Retired Members**

Provided a Retired Member qualifies (see the Eligibility Requirements in the benefits information booklet), the Member is offered enrolment in three different Retired Member Welfare Plans.

Eligible Retired Members are able to continue their Welfare Plan benefits under their choice of one of three Optional Plans by agreeing to pay the monthly contribution that, in most cases, is deducted from the Retired Member's monthly Pension.

Full payment for the selected Plan will be required for Retired Members who are available for work or working until they cease work and their Dollar Banks are exhausted.

The amount Retirees contribute to the Plan is set by the Trustees and historically has been approximately 50% of the actual monthly cost of benefits. Retirees are not charged for the Emergency Travel Assistance program or the FSEAP program. The difference between what the Retirees contribute and what the benefits cost is paid out of the Welfare Fund's Reserves. The current contribution and subsidy structure is set out in the following Table.

As at January 1, 2017:

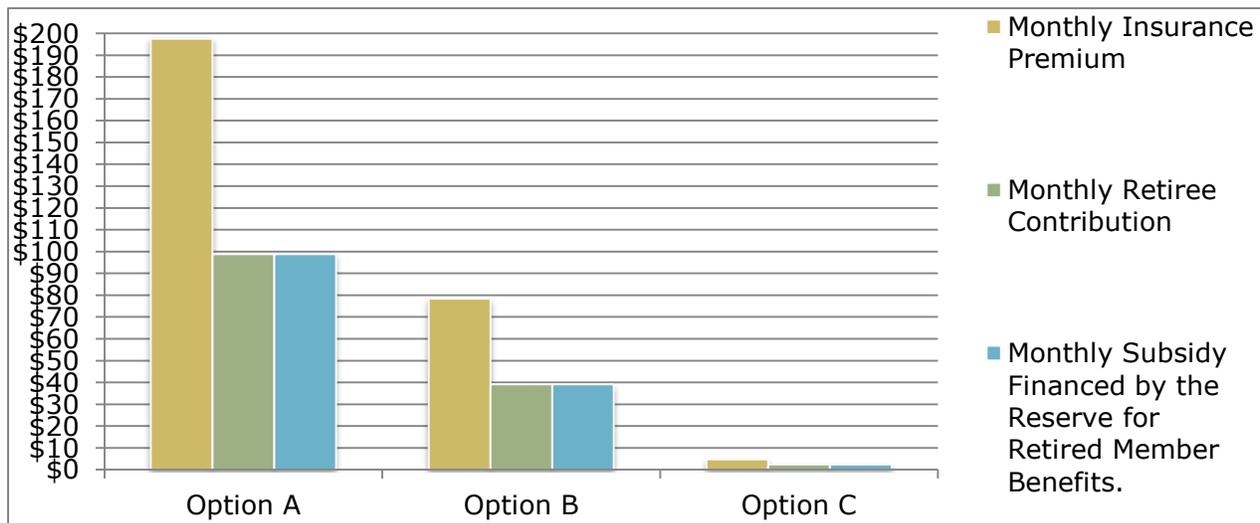
| <b>Plan Option</b> | <b>Monthly Cost of Benefits</b> | <b>Monthly Retiree Contribution, net of Tax</b> | <b>Monthly Subsidy per Retired Member</b> |
|--------------------|---------------------------------|---|---|
| <b>A</b>           | \$197.53*                       | \$98.77   | \$98.76                                   |
| <b>B</b>           | \$78.32*                        | \$39.16   | \$39.16                                   |
| <b>C</b>           | \$4.79                          | \$2.40  | \$2.39                                    |

\* excludes the expense paid by the Fund of \$37.75 per month for FSEAP and Emergency Travel Assistance benefits

Notes:

1. Retired Members living in Ontario are required to pay Ontario's 8% Retail Sales Tax on their monthly contribution.
2. Retired Members who are not eligible for the subsidized rate pay the full monthly cost of benefits.

The following graph provides a comparison of the monthly cost of benefits in relation to the Monthly Retiree Contribution. The difference (the Monthly Subsidy) is financed by the Welfare Fund's Reserve for Retired Member Benefits and the Unallocated Surplus.



Effective January 1, 2007, the Trustees established a Reserve for Retired Member Benefits. This Reserve decreases by the amount the Fund pays to subsidize Retired Member benefits. The Reserve is increased by investment income.

Commencing in 2011, the Reserve is also increased by the equivalent of \$0.25 per hour for hours paid on behalf of Active Members. The cost of the hourly contribution allocation is drawn from the Fund's Unallocated Surplus. The Reserve will be increased by any new allocations approved by the Trustees.

### Welfare Plan Membership

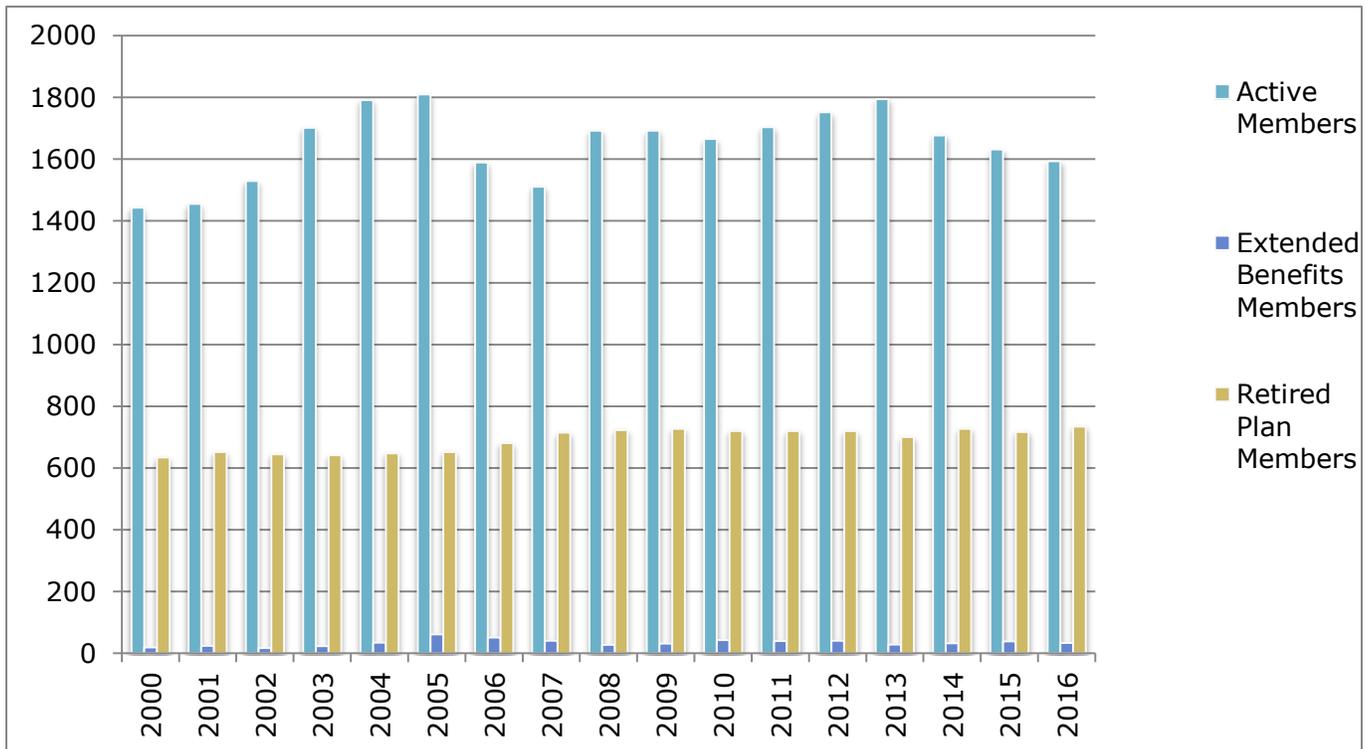
The following data illustrates the number of insured Members in December of the indicated year:

| Year | Active Members | Extended Benefit Plan Members | Retired Plan Members | Ratio Of Active Members To Extended Benefit And Retired Members |
|------|----------------|-------------------------------|----------------------|---|
| 2000 | 1,443          | 19                            | 634                  | 2.21  |
| 2001 | 1,455          | 24                            | 651                  | 2.16  |
| 2002 | 1,529          | 17                            | 644                  | 2.31  |
| 2003 | 1,701          | 23                            | 641                  | 2.56  |
| 2004 | 1,791          | 34                            | 647                  | 2.63  |
| 2005 | 1,810          | 61                            | 652                  | 2.54  |
| 2006 | 1,589          | 51                            | 680                  | 2.17  |
| 2007 | 1,511          | 41                            | 714                  | 2.00  |
| 2008 | 1,692          | 27                            | 723                  | 2.26  |
| 2009 | 1,692          | 31                            | 727                  | 2.23  |
| 2010 | 1,665          | 43                            | 720                  | 2.18  |
| 2011 | 1,703          | 40                            | 720                  | 2.24  |

|      |       |    |      |      |
|------|-------|----|------|------|
| 2012 | 1,752 | 41 | 720  | 2.30 |
| 2013 | 1,794 | 28 | 700  | 2.46 |
| 2014 | 1,677 | 32 | 727  | 2.21 |
| 2015 | 1,649 | 34 | 716  | 2.17 |
| 2016 | 1593  | 33 | 734* | 2.08 |

\*Comprised as follows: Plan A – 501; Plan B – 160; Plan C – 73.

The following graph compares the number of Active Members to the number of Extended Benefit Plan Members and Retired Plan Members for the period 2000 through 2016, inclusive.



## LEGISLATION BEARING ON THE WELFARE PLAN 2010 - 2015

- Commencing July 1, 2010, the Government of Ontario implemented changes to reduce the cost of generic drugs.
- The benchmark cost was reduced on a staggered basis, from 50% of the brand name drug to 25% of the brand name drug.
- Dispensing fees paid to pharmacies by the ODB increased by \$1 to \$8 effective July 1, 2010 and are scheduled to increase by a further 2.5% in each of the succeeding five years commencing April 1, 2011.

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## RECENT CHANGES TO THE WELFARE PLAN

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The Trustees made the following benefit improvements effective March 1, 2012:

- Effective March 1, 2012, the Plan commenced paying up to \$45 for a treatment plan requested by the Plan administrator with respect to three paramedical benefits (chiropractic, massage therapy and physiotherapy). The cost of the treatment plan is included in the maximum benefit payable.
- Effective May 1, 2012 the Dental benefit was improved to pay Dental claims from the 2010 Fee Guide to the 2011 Fee Guide.
- Effective July 1, 2012, the Active Members' Plan included a confidential and diverse counselling service through FSEAP. The service offered help with problems including legal, financial and family matters such as relationship problems, dealing with disability or aging.  
  
FSEAP has hundreds of Canadian locations. Treatment for substance abuse is coordinated with the De Novo Treatment Centre. The FSEAP toll free telephone number is 1-800-668-9920. Web site access is at [www.myfseap.com](http://www.myfseap.com). The Welfare Plan's web site [www.lu30plan.com](http://www.lu30plan.com) has a link to this benefit.
- The FSEAP program was extended to Retirees effective January 1, 2013.
- Effective January 1, 2013 the Plan was improved to pay Dental claims on the basis of the ODA Fee Guide for 2012.
- Effective January 1, 2014 the Plan was improved to pay Dental claims on the basis of the ODA Fee Guide for 2013.
- Effective September 1, 2014 the Medical, Dental and Weekly Indemnity benefits became self-funded by the Plan's assets. The Insurance contracts were terminated.
- Effective September 1, 2014, all covered Members were provided an All-in-One Benefit Card. This Card allows all Members to have claims paid at "point of sale" – at the pharmacy, dental office, therapist's office, etc. Members may also file claims online and receive a claim payment by direct deposit in as few as three days. Members can file "test claims" to see how far their coverage will go.
- Effective September 1, 2014, Emergency Travel Assistance benefits were provided to all covered Members.
- Effective September 1, 2014, Life Insurance for Active Members was increased from \$50,000 to \$100,000 and the Survivor Income Benefit was terminated. Members who were disabled on September 1, 2014 are not eligible for the increased Life Insurance until they recovered and returned to work.

- Effective September 1, 2014, the Accidental Death & Dismemberment benefit amount was increased from \$25,000 to \$100,000.
- Effective September 1, 2014, the Weekly Indemnity benefit was increased from \$468 to \$514 to match the Employment Insurance (EI) maximum weekly benefit.
- Effective September 1, 2014, the Drug benefit will pay for the ingredient cost of a drug based on the lower of the brand name or generic drug price.
- Effective September 1, 2014, coverage for charges for diagnostic x-ray and medical laboratory expenses were no longer covered under the Major Medical benefit.
- Effective November 11, 2014, the Drug benefit will cover up to a 100 day supply of a prescribed drug (the previous limit was a 90 day supply) and a vacation supply of drugs for Members going on extended vacations.
- Effective January 1, 2015, the Weekly Indemnity benefit was increased from \$514 to \$524 to match the EI maximum weekly benefit.
- Effective January 1, 2015, coverage for osteopathic services was extended to Active Members. Coverage is combined with the massage therapy coverage for Active Members; claims are subject to 80% coinsurance and a combined annual maximum of \$1,000.
- Effective January, 2015, a Health Care Spending Account was established, with an opening balance of \$500 per family, for all Active Members and Retirees in Plans A and B. The Trustees determine the amount to be added, if any, to the Health Care Spending Account annually. The amount will depend on the financial performance of the Welfare Fund.
- Effective March 1, 2015 the Plan was improved to pay Dental claims on the basis of the ODA Fee Guide for 2014.
- For disabilities arising on or after January 1, 2016, the Long Term Disability monthly benefit was increased from \$1,750 to \$2,000.
- Effective January 1, 2016, the Weekly Indemnity Disability benefit was increased from \$524 to \$537 to match the EI maximum weekly benefit.
- Effective January 1, 2016 the Plan was improved to pay Dental claims on the basis of the ODA Fee Guide for 2015.
- Effective January 1, 2016 the \$100 annual deductible under the Retiree Dental Plan has been removed.
- Effective January 1, 2016 the \$100 annual deductible under the Retiree Major Medical Plan has been removed.
- Effective January 1, 2016 erectile dysfunction drugs are covered.

- Effective January 2016, \$500 per family was credited to the Health Care Spending Accounts of Active Members and Retirees in Plans A and B.
- Effective January 2017, \$600 per family was credited to the Health Care Spending Accounts of Active Members and Retirees in Plans A and B.
- Effective January 1, 2017 the Plan was improved to pay Dental claims on the basis of the ODA Fee Guide for 2016.

The Trustees carefully monitor the funding of the Plan in order to provide the Plan's benefits on a sustainable and prudent basis. This might require changes from time to time. Of ongoing concern to the Trustees are potential cutbacks under OHIP and/or the Ontario Drug Benefit for Seniors and the cost of new biologic drugs.

## PRIVACY STATEMENT

Personal Information is provided by the Member when completing a Member Information Card, submitting a claim for Welfare Plan benefits, or an application to receive a Benefit from the Pension Plan.

The *Personal Information Protection and Electronic Documents Act*, requires most persons, firms and corporations that collect Personal Information to maintain that Information in strict safekeeping, and use that Information solely for the purpose for which it was collected. In the course of their duties, the Board of Trustees and the Plan Administration Office collect certain Personal Information (such as home address, date of birth, information about income, Social Insurance Numbers, etc.). The collection of this Personal Information is essential to the proper administration of the Plans as well as determining each Member's entitlement to receive a benefit.

The Board of Trustees developed a Privacy Policy, by which the Trustees and every employee of the Plan Administration Office must abide. The Trustees have appointed a Privacy Officer to ensure that the Privacy Policy is observed without exception. If you would like to receive a copy of the Privacy Policy, or if you have any questions, please write to:

Privacy Officer – Sheet Metal Workers Local Union 30, Benefit Trust Funds  
Employee Benefit Plan Services Limited  
45 McIntosh Drive  
Markham, Ontario  
L3R 8C7

[ebps@mcateer.ca](mailto:ebps@mcateer.ca)

## **TRUST FUND ADVISORS AND INSURERS**

The Trustees of the Pension and Welfare Trust Funds have retained the following Firms to provide services:

|  |   |
|--|---|
| <i>Actuary / Investment Consultant</i> | Eckler Ltd.   |
| <i>Administrator</i>                   | Employee Benefit Plan Services Limited  |
| <i>Auditor</i>                         | HS & Partners LLP, Chartered Professional Accountants   |
| <i>Banker</i>                          | Royal Bank of Canada  |
| <i>Custodian of the Pension Fund</i>   | RBC Investor Services Trust   |
| <i>Employee Assistance Plan</i>        | Family Services Employee Assistance Plans (FSEAP)   |
| <i>General Consultant</i>              | J.J. McAteer & Associates Incorporated  |
| <i>Insurers</i>                        | Manufacturers Life Insurance Company<br>(Manulife Financial)<br>Chubb Insurance<br>Green Shield Canada  |
| <i>Investment Managers</i>             | Fidelity Investments<br>Greystone Managed Investments<br>Gryphon International Investment Counsel<br>RBC Dominion Securities<br>RBC Global Asset Management<br>Sionna Investment Managers<br>TD Asset Management<br>Walter Scott and Partners Limited |
| <i>Legal Counsel</i>                   | Koskie Minsky LLP   |
| <i>Securities Monitoring</i>           | Labaton Sucharow LLP<br>Robbins Geller Rudman & Dowd LLP  |

## **OFFICE OF THE PLAN ADMINISTRATOR**

[www.lu30plan.com](http://www.lu30plan.com)

[www.facebook.com/smwialocal30benefits](https://www.facebook.com/smwialocal30benefits)

Employee Benefit Plan Services Limited  
45 McIntosh Drive  
Markham, Ontario  
L3R 8C7

Telephone: (905) 946-9700  
Toll Free: 1-800-263-3564  
Fax: (905) 946-2535

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