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BLUEPRINTS

An educational bulletin prepared for members of the Millwright Pension Plan | Volume 1, Number 2

Welcome back to *BluePrints*!

Last spring we sent you the first edition of our newsletter, which provided some detailed financial information about the Millwright Pension Plan. But now, we're taking a step back. This edition of *BluePrints* focuses on pension basics — that is, how our pension plan works and who manages the plan.

Managing a pension plan is a big job. It takes a whole team of people — the Trustees, the experts we hire to help run the plan (see page 4), and the members we serve. And it all hinges on open, honest communications. That's why we've introduced *BluePrints* and why we're committed to producing at least two editions of this newsletter each year.

After all, the more we all know about how our pension plan works, the better equipped we are to safeguard it for the future — and to make sure we continue to enjoy a top-quality program.

Sincerely,

The Board of Trustees of the Millwright Regional Council of Ontario Pension Trust Fund

Nuts and bolts

Your pension plan at a glance

Pension plans can seem a little complicated at first. They use strange terms, complex formulas, and a bunch of government-set rules and restrictions.

But when you strip them down, pension plans are actually fairly easy to understand. Apart from a few bells and whistles here and there, many pension plans work in pretty much the same way.

1. Regular contributions flow into a pension fund — basically a big pot of money that is held in trust for the plan members.
2. Contributions made on behalf of all plan members are mixed together in the trust and invested by professional money managers.
3. At retirement, the funds in the pot are used to provide a retirement income (a pension), based on the plan's set formula.

Money in, money invested, money out. What you actually get at retirement (or when you leave the trade) simply depends on the details of the pension plan you belong to.

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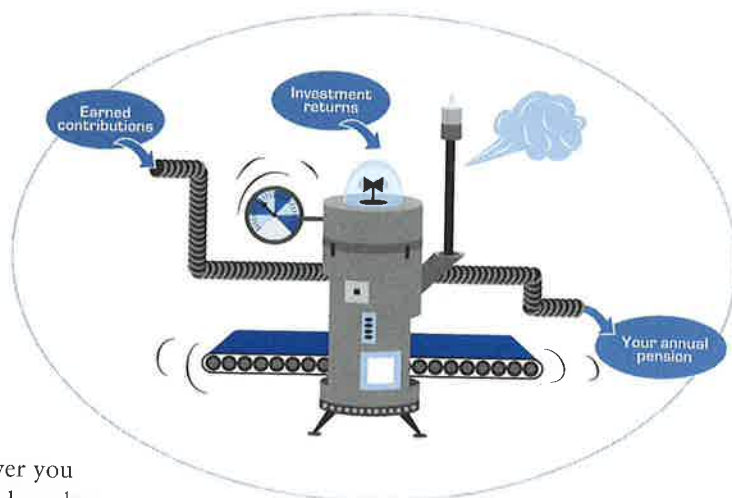
How our plan works

In general, there are two types of pension plans: defined benefit (DB), and defined contribution (DC). Ours is a DB pension plan.

For each hour that you earn, your employer makes a contribution to the pension plan on your behalf. You are not permitted or required to contribute to the plan. The exact amount of the employer contribution is set out in the collective agreement.

At the end of each month, each employer you have worked for reports your hours and sends a cheque to Manion Wilkins & Associates, the plan administrator, to deposit into the pension fund. Professional money managers — hired by the Trustees — invest the money in the pension trust fund based on the plan's investment strategy.

The lifetime pension you receive from the plan depends on the formula in place during each period of your employment. For hours earned after December 31, 2007:



**Your monthly pension = \$7.25 for every 100 hours earned
(different formulas apply for service before 2008).**

For example, if you joined the plan on January 1, 2008, and earned a total of 2,000 hours from January 1, 2008 to December 31, 2009, you've earned a pension of \$145 per month.

$\$7.25 \times 20$ (per 100 hours) = \$145, starting at age 65

The more hours you earn, the more pension you earn!

As long as Trustee consent has been granted, you can retire with an *unreduced* lifetime pension as early as:

- Age 60 if you have at least 10 years of continuous plan membership, and contributions were made on your behalf during the calendar year in which you retire, or in either of the two previous calendar years;
- Age 60 if you have at least 15 years of continuous plan membership, and you have earned at least 1,200 hours in the previous four calendar years; or
- Age 58 if your age plus years of continuous plan membership total at least 89 points, and you earned at least 600 hours of service in the calendar year that you retire and in the previous calendar year, or 1,200 hours in the previous four calendar years.

Keep in mind that Trustee consent is not given on an individual basis. It is based on the financial position of the plan.

If you do not qualify for an unreduced pension, you can retire with a *reduced* lifetime pension as early as age 55, as long as you have at least two years of continuous plan membership. Your pension will be reduced to take into account the longer period of payments.

If you retire early, you may also qualify for a "bridge pension," which provides an additional benefit payable from your early retirement date to age 65. Please review your plan booklet for details.

Pension tip

Your pension is based on the total hours you earn and the contributions made to the plan on your behalf — no contributions, no benefits. So it's extremely important that you monitor your hours and make sure that the contributions are actually being paid by your employer(s).

Every year, you receive a statement from Manion Wilkins that includes the number of hours you have earned from each employer. You can also check your hours online at <http://mwaonline.manionwilkins.com> (no www). We urge you to review your hours carefully and immediately report any errors or omissions to Manion Wilkins.

The business of pensions

Managing your financial interests

Managing a defined benefit pension plan may be a big job, but the goal is simple enough: make sure there is enough money in the pension fund today to provide all of the pensions to be paid from the plan at some point in the *future*. This includes pensions currently paid to retirees, as well as the pensions earned by eligible plan members.

To help achieve this important objective, the Board of Trustees takes regular “snapshots” of the fund’s financial position. This snapshot (called a *valuation*) is conducted by an independent actuary — a highly qualified pension expert — and is filed with the pension regulators.

The results of this valuation can change from one period to the next for a variety of reasons, most of them beyond the Trustees’ direct control. These include:

- number of eligible plan members and retirees,
- average age of eligible plan members and retirees,
- life expectancy of plan members,
- total plan contributions made during the valuation period,
- investment returns earned by the fund during the valuation period, and
- interest rates in effect at the time the valuation is done.

If the valuation reveals that the fund will have more than enough money to cover current and future liabilities (that is, the cost of pensions), the plan is said to be in a surplus position. If the surplus is large enough, the Trustees can use the extra money to grant benefit improvements or increase the formula used to calculate pensions.

If, on the other hand, the valuation reveals that the liabilities are greater than the assets, the plan is said to be in a deficit or shortfall position. In this case, the Trustees have little choice but to either recommend an increase to the negotiated contribution rate, or reduce the formula used to calculate pensions.

Two tests in one

Our actuaries are required by law to look at two separate scenarios when they conduct a valuation of the plan — “going concern” and “solvency.”

Type	What it’s for	Results as of December 31, 2009
Going concern	Measures financial health of plan assuming it will continue to operate well into the future	Fully funded
Solvency	Looks at what would happen in the unlikely event the plan suddenly stopped operating — and all benefits earned by active, inactive and retired members had to be paid out in a single lump sum immediately	90% funded

The plan is fully funded on a going-concern basis. From a solvency standpoint, contributions are being allocated to reduce the 10% funding shortfall.

Did you know?

- If you don’t count government employees, only about one out of every four workers in Ontario can rely on a pension plan for part of their retirement income.
- 76% of unionized workers in Ontario are members of a pension plan.
- Preserving their defined benefit plan has become a major issue for many unions at the bargaining table.

Who's minding the plan?

Good governance is the cornerstone of a strong pension plan

The Millwright Pension Plan is governed by a Board of Trustees that includes both union and employer representatives. The Board has overall responsibility for the plan and the final say when making decisions. The current Trustees include:

Union Trustees

Ian McIsaac
Ed Spence
Jim Wodham

Employer Trustees

Larry Brokenshire
Robert LeChien
Denis Magne

One of the Board's key responsibilities is to choose experts and other specialists required to help run the plan. Once they've chosen these professionals, it's up to the Trustees to manage them carefully and monitor their performance. The following table outlines who these professionals are and their responsibilities.

Outside professionals and advisors

Name	Role	Responsibilities
Manion Wilkins & Associates	Administrator and Consultant	<ul style="list-style-type: none"> Looks after the day-to-day operations of the plan including: <ul style="list-style-type: none"> Enrolling new plan members Receiving and reconciling employer contributions Answering member questions Provides plan design advice Assists with member communications
Resnick and Company	Auditor	Audits annual financial statements for the plan
Eckler Ltd.	Actuary	Conducts regular plan reviews (valuations)
RBC Dexia	Custodian	<ul style="list-style-type: none"> Holds assets (stocks and bonds) Provides Trustees with regular statements that track fund assets and transactions
<ul style="list-style-type: none"> CI/KBSH Foyston Gordon Payne Jarislowsky Fraser 	Fund managers	Invests fund assets in stocks and bonds in accordance with our plan's Statement of Investment Policies and Procedures

It's also up to the Board to make sure the individual Trustees and all of the plan advisors act in accordance with professional standards and codes of conduct. This includes maintaining privacy and confidentiality of Board information — unless it is required to be disclosed.

These are interesting times. The global economic recovery is still unsteady and investment returns are hard to predict. Faced with uncertainty, the Trustees will continue to monitor the plan's financial health and take whatever steps are necessary to protect the long-term interests of plan members. Above all, we will remain focused on the basics — pension security, good governance and excellent service.

Administrator for the Millwright Pension Plan

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MWA Manion Wilkins & ASSOCIATES LTD.

THE FINAL WORD

This bulletin provides summary information about the Millwright Pension Plan. It is not intended to provide a comprehensive description of the plan, or to provide legal advice. If there are any discrepancies between this bulletin and the wording of the legal documents that govern the plan, the legal documents will apply in all cases.