

NEWSLETTER

March 2006

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**TO: ACTIVE PLAN MEMBERS
SPOUSES AND BENEFICIARIES OF
THE MILLWRIGHT REGIONAL COUNCIL OF ONTARIO BENEFIT PLANS**

In February we were pleased to provide you with your updated 2006 member booklet which included all benefit improvements and changes up to January 1, 2006. We trust that you have put your booklet with your other valuable papers so that it is readily available to you and your family.

IMPORTANT NOTE REGARDING COORDINATION WITH OTHER BENEFIT PLANS: If your Spouse has family medical and/or dental coverage through his or her employer, the details of this benefit coverage must be provided to the Millwright Welfare Plan and the Plan Administrator as per the Coordination With Other Benefits Plans (COB) section which is fully outlined in the WELFARE section of your member booklet. Not only does the COB offset the impact of rising costs on your benefit plan, it ensures that all Members and their families receive the maximum reimbursement of medical and dental expenses. Please note that failure to submit the COB information required on your claims and enrolment card may result in increases to your co-insurance levels (the amount you pay out of your pocket) for your dependents or ultimately denial of coverage for your Spouse and/or dependents.

Executive Summary of the Welfare Plan - 2005

The Board of Trustees is committed to providing the best level of benefit coverage as affordable and its mission is to preserve the standard of care/coverage provided.

The financial status of all of the Millwright Regional Council Trust Funds is closely monitored by the Board of Trustees. Your Welfare Trust Fund is monitored quarterly including audited financial statements and charts that project financial experience for the current year plus the next three years. This continual review of the actual experience of the Welfare Trust Fund, plus updated projections, identifies trends in the work environment, contributions, premiums paid, operating expenses and the hour bank liability. It also provides a measure of the affordability of the current benefit plan and benefit improvements or changes being considered.

The Millwright Welfare Plan provides comprehensive medical and dental coverage as well as income protection for eligible Members and their families. It is one of the best health and welfare programs in Ontario. Looking back at the past ten years, the Millwright Welfare Plan has been able to maintain, as well as improve, the benefits provided while managing rising costs due to increased utilization and inflation, without requiring a contribution increase. The welfare contribution rate of \$1.75 per hour earned remained unchanged from 1992 to December 2002. Ten years without a contribution increase is exceptional and attests to the excellent management and investment processes and strategies of your Board of Trustees. During this ten year period with a contribution rate of \$1.75, in addition to the annual increase in the ODA tariff paid under the dental program, major benefit improvements were provided as summarized below.

The following outlines the benefit improvements and changes that occurred in the past ten years in addition to the annual increase in the ODA tariff paid under the dental program:

- **January 1, 1997 –** Major Medical maximum increased to \$200,000 and retiree dental coverage improved to include major restorative.
- **January 1, 1998 –** LTD increased to \$1,600 per month.
- **January 1, 1999 –** Emergency Out-of-Country added, Paramedical coverage extended and limits increased.
- **January 1, 2000 –** Coverage for survivors extended to 12 months, Orthodontic maximum increased, Life insurance through the plan for retirees instead of Paid-Up Life certificates and vision care limits increased.
- **January 1, 2001 –** Active Life insurance increased to \$100,000, LTD increased to \$2,000 per month, dental maximums for actives increased, paramedical coverage increased, and retiree dental maximum increased.
- **January 1, 2002 –** Retiree Life insurance increased to \$50,000.
- **September 1, 2002 –** Introduction of the drug card.
- **May 1, 2005 –** Change to three tier drug program, addition of eye exams to \$80 every 2 calendar years, paramedical and physiotherapy maximum to \$2,500 per calendar year (\$1,000 per practitioner), dental changed to 9 month recall for adults and coinsurance for major dental coverage changed to 90%.

Prior to 1999, the benefit improvements were covered by the contribution rate of \$1.75 per hour. From 1999 to 2002, all benefit improvements were paid from the reserves of the Welfare Trust Fund as the insurance premiums exceeded the contribution rate and the contribution rate was not increased to match the required increases in the insurance premium rates. The reduction in reserves was 87.5% a result of increases in the premium rates related to inflation, increased utilization by the members and benefit improvements and the remaining 12.5% decline was due to increases in operating costs. This period of subsidized-coverage was approved by the Trustees to reduce

the reserves of the Trust Fund which were approaching taxable levels (taxes on these reserves can be up to 49%).

In summary, the Trustees had a reserve approaching taxable status in 1999 and reacted accordingly by making benefit improvements. The cost of these improvements, inflation, the exponential increase in drug costs, and the prevailing low interest rates reduced this reserve below the Trustees benchmark. Since 2003, the Trustees have taken action to realign the contributions with the costs methodically. If no action had been taken it was determined that the reserves of your Welfare Fund would have been depleted and the Fund would have been operating in a deficit position by 2007.

2005 REPORT

The financial status of all of the Millwright Regional Council Trust Funds is closely monitored by the Board of Trustees as outlined above. This includes a review of the unaudited financial statements and projections of the per member and overall financial experience for the current year plus the next three years; the financial reports in 2005 projected experience for the years' 2005 through to 2008. This continual review of the actual experience of the Welfare Trust Fund plus updated projections identifies trends in the work environment, contributions, premiums paid, operating expenses and the reserves including the hour bank liability. It also provides a measure of the affordability of the current benefit plan and benefit improvements or changes being considered.

In addition to overseeing the contributions and premiums ratio for active, unemployed, disabled and retired members, the other indicators of the financial status in a welfare trust fund monitored by the Trustees include:

- Total contributions received and total revenue (contributions plus investment income),
- Total premiums paid and total operating expenses paid,
- Revenue over expenditure,
- Change in the hour bank liability,
- Total hour bank liability– cost of promised benefits accumulated in member's hour bank accounts, and
- Reserves for subsidization.

The strict principals of sound welfare fund management established and maintained by your Board of Trustees require a reserve over and above a fully funded Hour Bank liability. The purpose of this reserve is to subsidize benefit coverage and to protect the Fund against economic downturn. The target for this reserve is to be a value equal to 12 to 24 months of Welfare Plan expenses. Standard "Cost of Living" type benefit improvements such as the annual increase to the ODA dental tariff will be considered when the reserve is at least equal to 12 months. Major benefit improvements like the increase to the LTD benefit from \$1,600 to \$2,000 per month in 2000 will be considered only when the reserves exceed 24 months.

Gradual contribution rate increases have occurred since January 1, 2003 have included \$0.10 directed from the Legal Assistance Plan effective January 1, 2003; \$0.10 from wages effective May 1, 2004 and \$0.25 directed from the SUB Plan effective September 5, 2004; and a \$0.50 contribution increase May 1, 2005. The contribution and Plan changes that have occurred since January 1, 2005 are outlined in the following section. The overall impact of these changes realigned the payment for benefits with the cost of the plan of benefits in 2005.

WELFARE PLAN BENEFIT IMPROVEMENTS AND CHANGES

(1) Effective February 1, 2005

IMPROVEMENT – Spousal benefit coverage when a member dies on or after age 55 but has not retired was reviewed. **Effective February 1, 2005 it became policy that when an Active Member age 55 or older dies prior to retirement and has a dependent spouse eligible for continued welfare plan coverage, that spouse, upon electing an immediate pension as a death benefit, shall be considered in the same manner as the spouse of a deceased retired member for purposes of continuing welfare coverage** for their lifetime by direct debit of the required self payment after the hour bank extension, if any, is exhausted.

(2) Effective May 1, 2005

- a. **INCREASE** – Retiree self-payments are the contributions that retirees pay directly for continued benefit coverage. Due to compounding premium cost increases, in conjunction with the contribution increase paid by the Active Members, self payments for retirees increased. **Effective May 1, 2005 the self payment rates for retirees increased by \$25 per month. This cost increase was offset by a \$50 pension increase effective January 1, 2005.** The self payment level for retirees/survivors who retired prior to January 1, 2004 increased from \$30 per month to \$55 per month plus RST. The self payment level for retirees/survivors who retired on or after January 1, 2004 increased from \$75 per month to \$100 per month plus RST.
- b. **CHANGE - Prescription drug plan-** Your Drug Card program is a "**managed drug card**" program designed to preserve coverage while controlling costs. This allows members to be educated consumers who shop to find the best cost available when purchasing drugs that require a prescription. To preserve your prescription drug program against the escalating costs year over year, **effective May 1, 2005, your managed drug program became a three tier program that promotes the use of generic drugs.** *Remember generic drugs in Canada legally have the same medicinal ingredients as their brand name counterparts.*
 - **SAME - Level 1 – 100% coinsurance – all generic and life sustaining drugs (no change)**
 - **NEW - Level 2 – 90% coinsurance – all non-generic drugs on the Ontario Drug Benefit (ODB) formulary**

- **SAME - Level 3 – 80% coinsurance – all non-ODB drugs that legally require a prescription in Canada.**

Note: Prior authorization is required for prescribed list of drugs including drugs that also have a non-medical application. Erectile dysfunction drugs are Level 3 drugs paid at 80% and have an annual maximum of \$500.

- c. **ADD – Effective May 1, 2005**, the Millwright Plan reimburses for eye examinations up to \$80 in any period of 2 calendar years for active members and their dependents and retired members and their dependents under the age of 65. Provincial health care continues to pay for eye examinations for members and dependents under the age of 20 and 65 or older.
- d. **CHANGE – Effective May 1, 2005**, the Millwright Plan will pay up to \$1,000 per practitioner (including all paramedical and physiotherapy professionals) up to an overall calendar year maximum of \$2,500 per insured.
- e. **CHANGES –**To align costs, **effective May 1, 2005** the monthly deduction increased from 120 hours to 140 hours for active and retired members and at year-end **effective December 31, 2005**, the maximum a member can accumulate in his or her hour bank is 2,520 hours.
- f. **CHANGES – Effective May 1, 2005**, oral exams, topical fluoride applications and bite-wing x-rays paid once every nine months for the member, spouse and dependent children 18 or older. Also **Effective May 1, 2005**, the coinsurance level for Major Dental services including major restorative and dentures is 90%.

(3) Effective January 1, 2006

- a. **IMPROVEMENT** –Since 1994, the policy, is to provide reimbursement of eligible expenses in accordance with the "previous year's dental tariff". Eligible dental expenses incurred on or after **January 1, 2006** will be paid recognizing the **2005** ODA fee guide maximums. ***The dental tariff increase is no longer automatic. The cost of the increase will be reviewed by the Board of Trustees annually to determine if the ODA increase is affordable.***
- b. **IMPROVEMENT - The Electronic Filing of Dental Claims is now available.** This will reduce your out-of-pocket expense, reduce paper work and expedite payment. Revised Certificate of Insurance Cards were sent to all Members and Retirees. These new cards outline the information needed by your Dentist to utilize the electronic dental services. Your drug card should be retained for prescription drug coverage and for those under age 75 should retain the Out of Country wallet card.
- c. **INCREASE-** Members, who were disabled before the LTD benefit maximum was \$2,000 per month, received a cost-of-living increase of \$40 per month **effective January 1, 2006**.
- d. **IMPROVEMENT - the \$1,000 per practitioner limit was removed**, therefore the Plan will pay up to \$2,500 per insured in total for all paramedical and physiotherapy services received from recognized professionals.
- e. **CHANGE – Effective January 1, 2006**, the Life Insurance benefit for New Members or Members reinstated following a period of 12 or more continuous months of being out-of benefit (treated as new) **will be \$60,000** and when they retire they will have Life Insurance coverage up to 50% of the level provided when they were active (i.e. maximum of \$30,000).
- f. **CHANGE –** To be consistent with the Hour Bank maximum, **for Unemployed Members who begin self-payments on or after January 1, 2006**, the maximum number of monthly consecutive self payments will be 18.
- g. **CHANGE – Members who retire on or after January 1, 2006 will be provided with retiree Life, Major Medical and Dental coverage from their date of retirement.** Initially this will be paid by the hours accumulated in their hour bank (as applicable) and subsequently through direct debit as directed by the retiree.

(4) Effective May 1, 2006

INCREASE - the welfare contribution rate by \$0.20 per hour from \$2.70 to \$2.90 per hour earned effective May 1, 2006. At that time self payment levels and contributions required for 2007 will be assessed.

Executive Summary of the Pension Plan- 2005

LOOKING BACK OVER THE PAST TEN YEARS

Policy: "As Trustees, our main objectives are to manage your trust funds and plans to provide comprehensive benefit programs and to upgrade or expand the benefit coverage whenever financially possible while controlling costs. Preservation of capital remains a top priority and the investment managers are mandated to invest your Pension Fund assets to provide fair investment returns without exposing the Fund to undue risk."

The Millwright Pension Plan is a defined benefit pension plan. With this type of pension plan, the pension benefit at normal retirement (age 65) is known. In 2005, the defined benefit or target benefit for Members of your Plan was \$7.00 of monthly pension for each 100 hours earned reported to the Pension Plan.

The Millwright Pension Fund has achieved an excellent record of providing annual improvements to the retired Members as well as the active Members. In the past 10 years (January 1, 1996 to January 1, 2005) there have only been three years when the Trustees were unable to approve benefit increases being 2002, 2003 and 2004. The following outlines the benefit improvements and changes that occurred in the past ten years:

- **January 1, 1996** – 2% increase for active, disabled and retired members change, to eligibility for supplement from age 50 to 15 years of Credited Service, and pre-retirement death benefit based on 2 continuous years of Plan Membership.
- **January 1, 1997** – 2% increase for active, disabled and retired members, add income life funds as a portability option and provide unreduced early retirement on or after age 59 – Rule of 90.
- **January 1, 1998** – Current service increased to \$6.20 per 100 hours, 2% increase for active, disability and retired members, pro-rated bridge available prior to age 60, and unreduced early retirement pension on or after age 58 with 32 years of service – Rule of 90.
- **January 1, 1999** – Current service increased to \$6.50 per 100 hours and 2% increase for active, disabled and retired members.
- **October 1, 1999** – Increase the bridge benefit to \$400 per month.
- **January 1, 2000** – Current service increased to \$6.70 per 100 hours and 4% increase for active, disabled and retired members.
- **January 1, 2001** – Current service increased to \$6.80 per 100 hours, 4 % increase for active, disabled and retired members and unreduced early retirement pension on or after age 58 – Rule of 89.
- **January 1, 2003** – vesting and locking-in of pre-87 benefits now two years membership in Plan (previously age 45 and 10 years)
- **January 1, 2005** – Current service increased to \$7.00 per 100 hours and \$50.00 per month increase for retired members.

Financial planning for a Defined Benefit Pension Plan is long-term; Members join the plan at a young age and the majority retire from the plan 20 to 30 years later. Years of contributions and investment returns provide for the pension benefits earned by these Members (the contributions plus an average investment return of 6.5% per year is required to pay for the benefits earned). The above confirms your Trustees' philosophy which is to make moderate benefit improvements over time and as affordable while maintaining a reasonable reserve to protect your pension benefits against increasing costs associated with the increasing average age of the members, the increasing length of life after retirement, prevailing low interest rates and periods of economic weakness. This reserve must also protect your Plan against periods of poor investment performance as occurred from 2000 to 2002.

Investment Manager Results - 2005

The Trustees minimize investment risk by dividing the investment responsibility among three investment managers with varying but complimentary investment styles and philosophies. This multi-manager approach allows the blending of investment styles and strategies of several managers to further reduce risk and take advantage of each manager's skills. This is a form of risk reduction through diversification of the stocks and bonds held in the pension portfolio, as well as the expanded availability of research resources and the blended innovative ideas of several firms.

All investments are made by the investment managers and their performance is monitored by the Trustees within the guidelines of the Statement of Investment Policies and Procedures and Investment Directives for the Millwright Pension Plan. Investment results vary year over year, depending on several factors. These factors include the style and philosophy of the manager as it relates to the economic and market conditions and security selection. The Trustees of the Millwright Pension Fund require that, over a moving four-year period, each investment manager's performance must achieve rates of return that are at least mid-range when compared to the universe of balanced pension fund managers in Canada. The rates of return that are compared are for periods of up to five years. The review period of four to five years represents an average market cycle and recognizes the long-term investment horizon of the Millwright Pension Plan. **No private investments are allowed.**

Your Trustees have carefully monitored the performance of your Fund's investment managers. In 2005, the Trustees met with the investment managers and received presentations from them four times. Your Trustees are pleased with the performance delivered by all three managers in 2005 being Jarislowsky Fraser (JF), KBSH and Foyston, Gordon & Payne (FGP). During 2005 your Trustees addressed the relatively high cash investments maintained in JF's balanced portfolio that are now being deployed in global markets. Concerning FGP, your Trustees carefully monitored FGP's U.S. equity investment performance and their organizational changes. KBSH had been monitored closely for relatively poor performance over the past two years, however, the Trustees are pleased that their performance improved significantly in 2005.

The Millwright Pension Plan

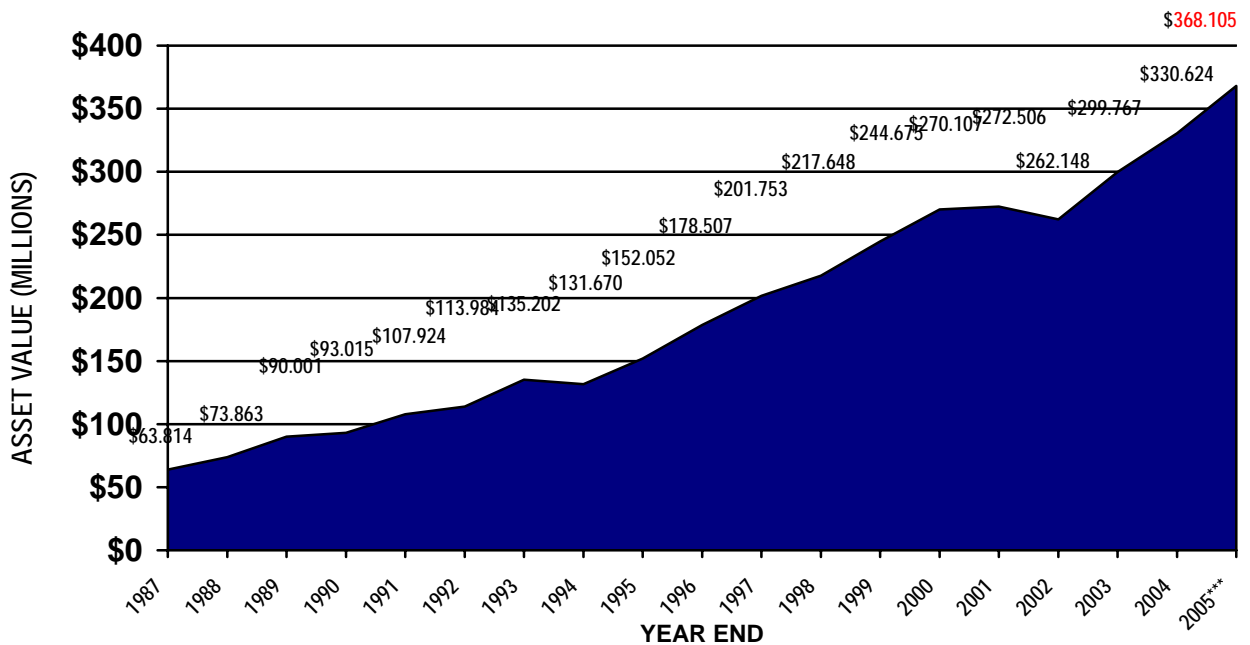
The chart below illustrates the investment performance of each of your Plan's investment managers and the total pension fund in 2005 in comparison with the "median" of Canadian pension fund managers with a balanced investment mandate.

One, Four and Five Year Performance of the Millwright Investment Managers December 31, 2005

INVESTMENT MANAGER	Annual Rate Return	4 Year Annualized Rate of Return	5 Year Annualized Rate of Return
Foyston Gordon Payne from November 2003	12.9%	N/A	N/A
KBSH	14.4%	6.3%	4.5%
Jarislowsky Fraser	11.4%	7.7%	7.2%
Median of Canadian Pension Plans RBC Median	11.75%	7.8%	6.67%
Total Performance of the Millwright Fund (Unaudited)	12.8%		

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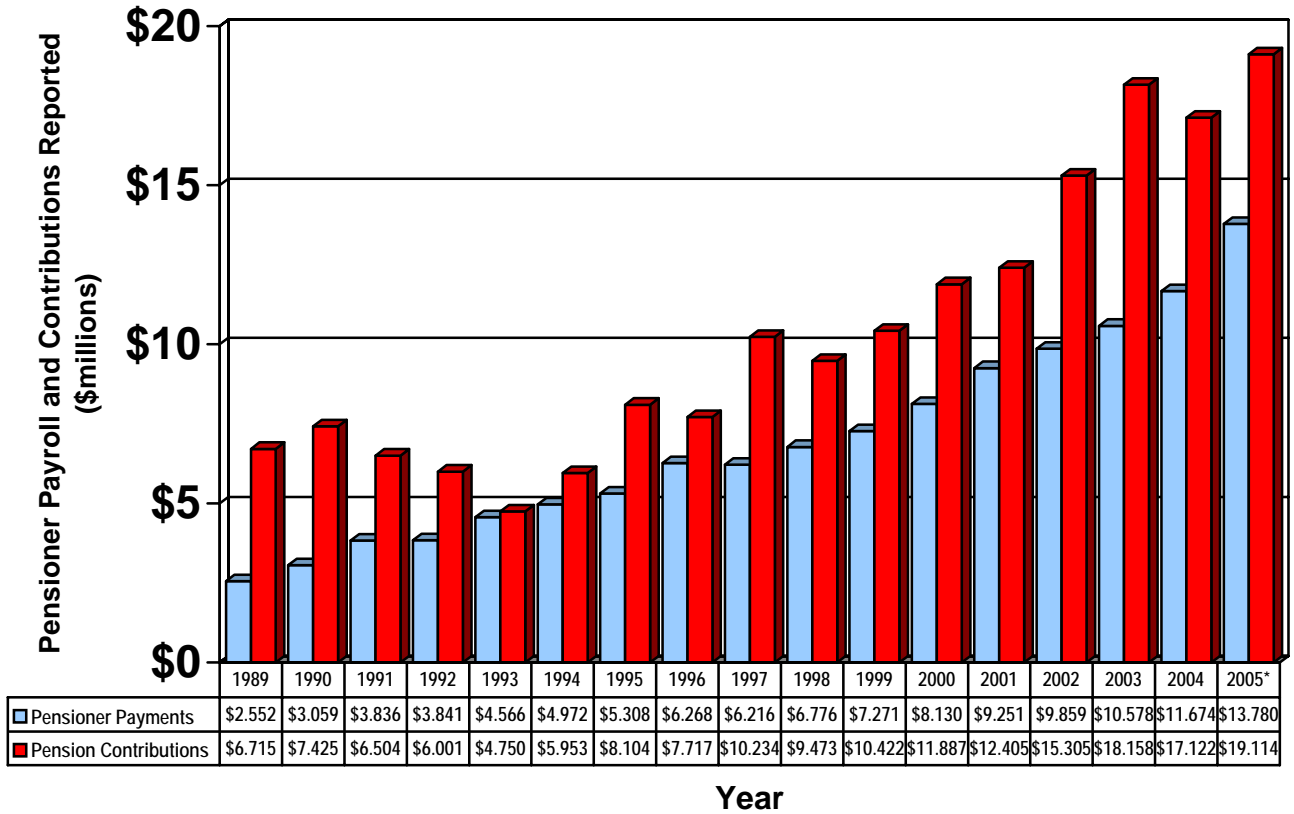
ASSETS OF THE PENSION PLAN



PAYROLL OF RETIRED MEMBERS VERSUS PENSION CONTRIBUTIONS

As the number of retirees and the monthly pension benefits continue to increase, the monthly pensioner/beneficiary payments have increased accordingly. This is illustrated below:

(*) Unaudited Figures



If you have any questions or require further information, please contact the Plan Administrator's Call Centre -

The Plan Administrator's Call Centre hours are:
 7:30 a.m. to 7:30 p.m. Monday to Thursday
 7:30 a.m. to 5:00 p.m. on Fridays

 Telephone Numbers:
 416-234-3511 or 1-800-263-5621

Yours very truly,

The Board of Trustees of the Millwright Regional Council of Ontario
Welfare and Pension Benefit Plans

Mr. Larry Brokenshire

Mr. Robert LeChien

Mr. Denis Magne

Mr. Ian McIsaac

Mr. Daniel Trudel

Mr. Wayne Vankoughnett