PENSION REPORT

Canadian Piping Trades®
LOCAL 67

Trustees of the Plumbing and Pipefitting Workers' Pension Plan

October 2019

Message from the Board of Trustees

Plan remains fully funded

As a member of the UA Local 67 pension plan, you have the advantage of a strong and stable pension that's ready for you when *you're* ready to stop working. This newsletter provides an update on our pension plan's health.

Given our plan's ongoing financial strength, we aren't required to do another valuation until December 31, 2020. However, to ensure we're monitoring that the UA Local 67 plan is on track, the Board of Trustees asked our actuary to prepare a funding estimate as of December 31, 2018.

On a going concern basis, the plan's funding ratio at the end of 2018 was estimated at 104.4% – similar to the 104.9% reported in the last valuation, as of December 31, 2017. That's good news for our members: not only does it mean the plan is fully funded, but it's also an important measure of the plan's future sustainability.

Our plan's ability to pay the promised benefits to members depends on two main factors: contributions and investment returns. While the end of 2018 had its challenges from an investment standpoint, markets bounced back in early 2019, and it has been a good year so far for our plan. We have also continued to experience strong work levels, resulting in greater than expected plan contributions. Together, these factors have bolstered the plan's financial health.

One of the key advantages of belonging to a large multiemployer plan is stability: unlike single-employer plans, we benefit from substantial size and scale, and the ability to pool pension risk. But there are still some external factors that are beyond our control – like increased longevity, volatile investment markets and low interest rates – which continue to put pressure on our plan.

The Trustees and our team of expert advisors are committed to monitoring these factors and managing the plan in the best interests of our members – and keeping you informed as we move forward.

Sincerely,

Your Board of Trustees

What's inside:

A secure plan for the future

Most recent funding estimate shows our plan remains strong

Our plan's financial status is formally reviewed at least once every three years by the plan's actuary through an *actuarial valuation*. The rules for measuring the financial health of a pension plan are set by Ontario's pension regulations. Each valuation looks at how healthy the plan is based on two different tests: going concern and solvency. The table below summarizes the health of our plan according to both tests:

Type of valuation	Plan's funding level on Dec. 31, 2018 (estimated)	Plan's funding level on Dec. 31, 2017
Going concern – measures our plan's health on the valuation date assuming that contributions will continue to come into the plan, and members will continue to retire and be paid pensions, for years to come.	104.4%	104.9%
Solvency – measures our plan's health assuming that the plan suddenly closed down on the valuation date. In this unlikely event, the plan would have to immediately pay out all benefits earned by active and retired members.	66.2%	67.7%

When looking at these results, it's important to remember that going concern is the measure that matters the most for plans like ours. Solvency is measured only for information and administration purposes, and has no impact on the plan's funding requirements. That's because our plan is a **Specified Ontario Multi-Employer Pension Plan (SOMEPP)** – a special class of pension plan that has many participating employers and is therefore highly unlikely to be shut down. As a SOMEPP, our plan isn't required to pass the solvency test.

2018 – particularly the end of the year – brought with it considerable market volatility and political uncertainty, which had an impact on our plan's investment performance. The plan earned a net return of -0.4% in 2018 (after investment and operating fees) – lower than the 5.75% long-term target set in our valuation.

However, markets have rebounded significantly in 2019. The plan's six-month rate of return (from January to June 2019) was approximately 9.0% (net of expenses) – an impressive result.

It may be concerning to occasionally see lower (or negative) returns, but keep in mind that pension investing is a long-term proposition. When we invest the plan's assets, we're not aiming for high short-term gains but for ongoing stability for our members. Our 10-year average return, net of all expenses, is 6.9%, which exceeds our long-term target of 5.75%.

Industry updates

FSCO becomes FSRA

As of June 8, 2019, Ontario has a new regulator of pension plans and financial services: the Financial Services Regulatory Authority (FSRA) of Ontario. FSRA replaces the Financial Services Commission of Ontario (FSCO) as an integrated, independent and self-funded regulator for pensions. It's important to know that this change is purely administrative – it won't affect your pension in any way.

CPP/QPP enhancements start this year

As you may know, the Canada Pension Plan (CPP) is being enhanced starting in 2019, with the overall goal of replacing 33.3% of your average earnings (instead of 25%). Your contributions and your employer's contributions will change as a result. Before, you contributed 4.95% of your earnings between $3,500 and an annual earnings limit called the yearly maximum pensionable earnings (YMPE), and your employer made a matching contribution of 4.95%. Contributions (for both you and your employer) will increase incrementally, reaching 5.95% in 2023.

In 2024, a second, higher limit will be introduced, called the year's additional maximum pensionable earnings (YAMPE). This new maximum pensionable earnings limit will go up incrementally and equal 114% of the YMPE by 2025. If you earn more than the YMPE, you'll make contributions on earnings between the YMPE and YAMPE as well, meaning your earnings are subject to two limits. Both the YMPE and the YAMPE increase each year to reflect wage growth in Canada.

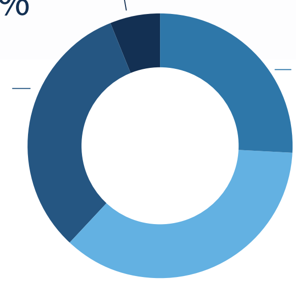
The goal of these enhancements is to provide better pension coverage and greater retirement income security for Canadians.

By the numbers: *2018 highlights*

Pension fund ins and outs

	2018	2017
Assets at beginning of year	**$334,260,000**	**$319,331,000**
Money in		
• Contributions:	$11,308,000	$10,779,000
• Investment income:	$507,000	$27,431,000
Money out		
• Benefit payments:	$22,429,000	$21,189,000
• Fees & expenses:	$1,941,000	$2,092,000
Assets at end of year	**$321,705,000**	**$334,260,000**

Asset mix *(as of December 31, 2018)*

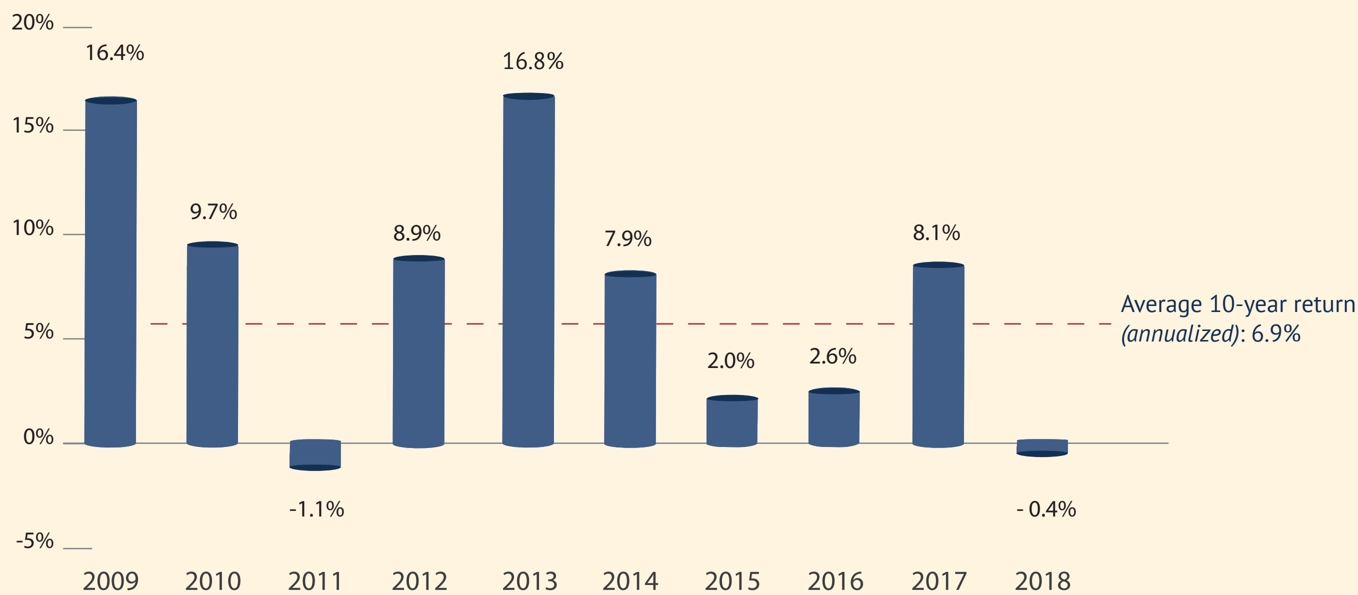


Got a question?

Ask Reliable Administrative Services Inc.
We're here to help!

By phone: 905-387-5861
Toll free: 1-855-387-5861
By fax: 905-387-4146
Email: **local67@reliableadmin.com**
Website: **www.reliableadmin.com**

Annual rate of return *(after all expenses)*



Plan Q&A

Want to know more about your plan and how it works? Here are some common questions and answers.

Q: I'm thinking about retiring; when am I eligible to retire?

A: The normal retirement date is age 62. You can retire on a reduced pension as early as age 52, but retiring early can have a significant impact on the amount of pension you receive. Keep in mind, you must stop working for all contributing employers before you can start collecting your UA Local 67 pension. It's a big decision, so be sure to carefully consider your options.

Normal retirement – You can retire with an unreduced pension on the 1st of the month on or after your 62nd birthday.

Early retirement – You can start collecting your pension as early as the 1st of the month following your 52nd birthday. However, your pension will be reduced by 6% for each year you retire early, to reflect the fact that you are starting your pension earlier and will likely receive it longer (see plan booklet for details).

Delayed retirement – If you retire after age 62 and continue to work in the trade, your employer(s) will continue to make contributions and your pension will continue to grow. You must – by law – start collecting your pension by December 1 in the year you turn age 71, even if you are still working.

Q: Who is responsible for running the plan?

A: The Pension Trust Fund is administered by an independent, eight-member Board of Trustees: seven Trustees elected by the union membership, plus the Business Manager of the union. Reliable, our plan administrator, supports the plan's day-to-day operations.

The following table outlines their roles and responsibilities:

Who	Key responsibilities
Board of Trustees	• Managing the plan • Making plan changes (when needed) • Establishing investment policy • Monitoring investment performance • Overseeing plan administration (provided by Reliable Administrative Services) • Selecting and monitoring advisors (e.g., actuary, auditor, lawyer, investment consultant)
Reliable Administrative Services (plan administrator)	• Signing up new members • Receiving contributions from employers • Administering agreements with other unions • Keeping track of bank hours • Collecting union field dues • Answering member questions • Preparing statements