



Local 1460 Alberta
Millwrights 

**MILLWRIGHTS LOCAL 1460
PENSION TRUST FUND**

AND

**MILLWRIGHTS'
HEALTH & WELFARE
TRUST FUND FOR ALBERTA**

**ANNUAL REPORTS
for the Year Ending
December 31, 2016**

LOOKING TO THE FUTURE



Dear brothers, sisters and plan participants:

2016 has been a very interesting year indeed, with many changes in our industry continuing to pose challenges to our benefit plans.

The most important matter, that the Boards of Trustees are carefully monitoring, is the impact of rising health plan costs. Those increases due to rising health plan costs have been compounded recently by lower worked hours being reported on behalf of our working members. The year ahead is projected to see work prospects continue to lag compared to prior years, thus impacting all levels of benefits being provided.

The Board of Trustees continue to closely monitor the situation and are cognizant that more changes may be required to maintain the core benefits for our working members.

Thank you for utilizing the benefit plans responsibly. That responsible benefit plan use will ensure the plans' long term viability, for both today's and tomorrow's plan participants.

Gord

Gord Evers

Chairman, Boards Of Trustees

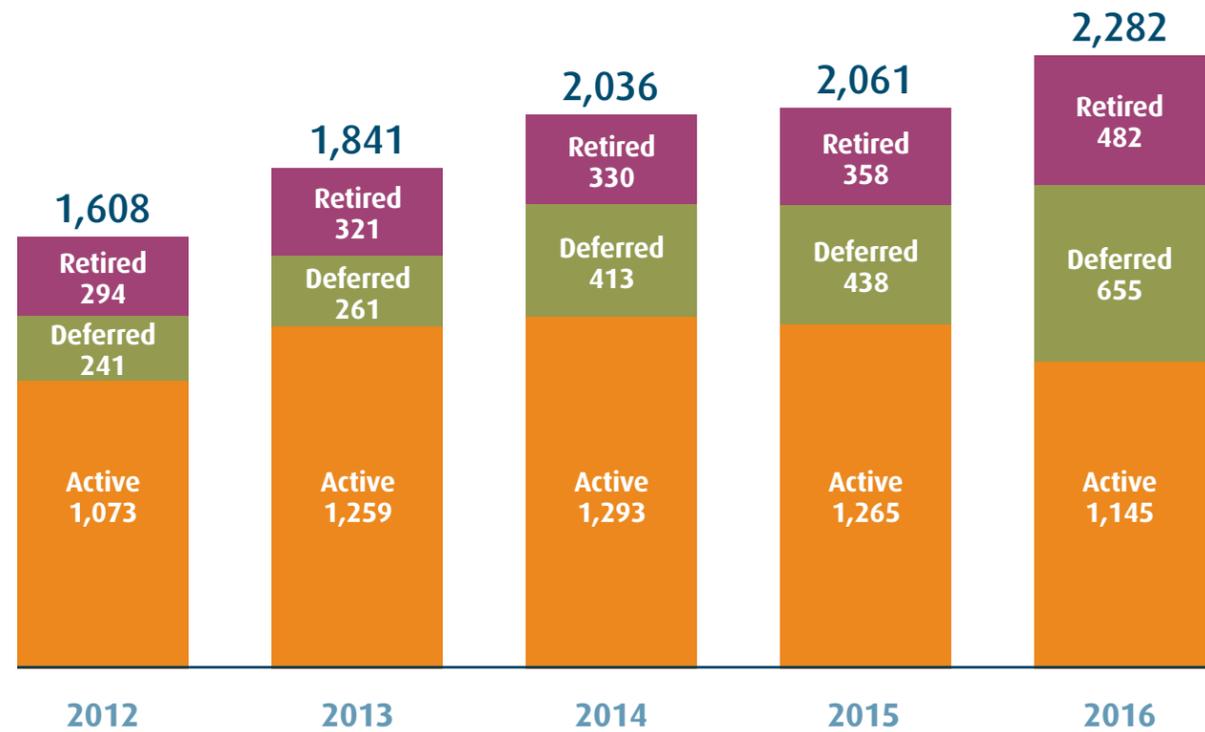
November 20, 2017



PENSION PLAN MEMBERSHIP

YOUR PENSION PLAN

The Millwrights pension plan was established in 1972, to provide pension benefits to unionized millwrights in Alberta.



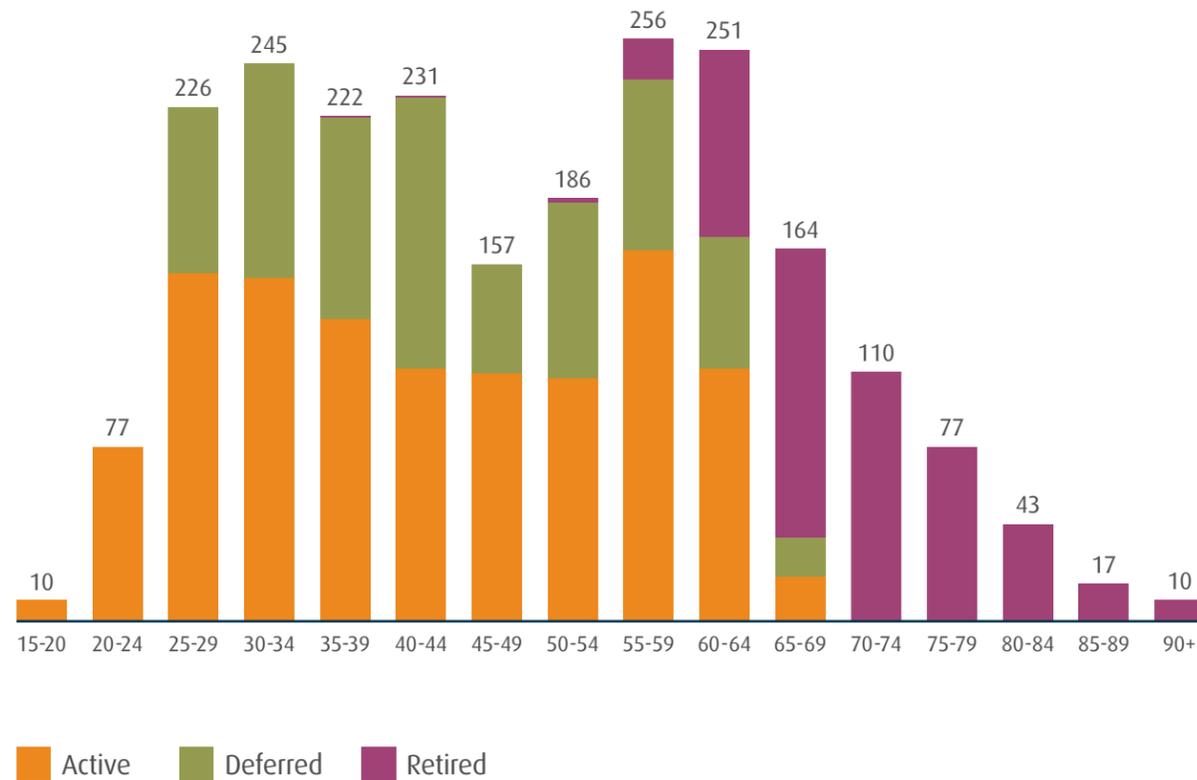
Over the last 45 years, membership in the plan has grown to 2,282 members. Of those members, 1,145 Local 1460 union members are actively working in the unionized millwrighting industry, 655 have ceased working and will take a future pension, and 482 have retired and they or their beneficiary are currently receiving a pension.

The total number of plan members increased in 2016, from 2,061 to 2,282, due to the merger with the Calgary Millwrights Pension Fund. A decrease in active members, and increase in deferred members, is a consequence of a softening Alberta economy.

MONITORING PENSION PLAN DEMOGRAPHICS

The Trustees monitor the demographics of the plan, to verify that sufficient numbers of younger members are joining, to replace experienced members as they retire. A recent demographic report reveals that the plan has a reasonable balance of young and experienced members.

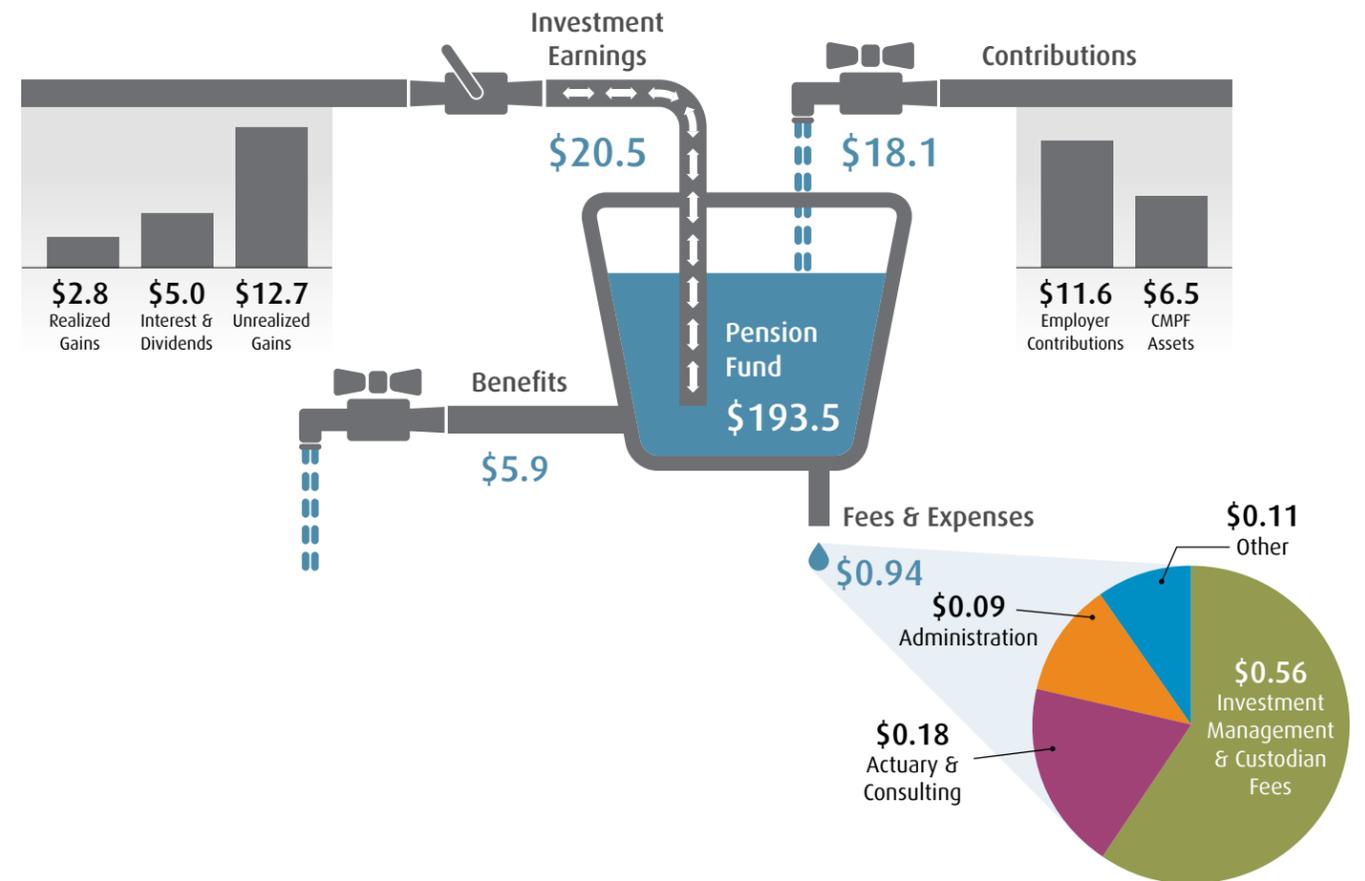
Membership Demographics



GROWING PENSION PLAN ASSETS

The pension plan assets grew from \$161.7 to \$193.5 million in 2016. Contributions of \$11.6 million were accompanied by a one-time \$6.5 million transfer of assets from the Calgary Millwright Pension Fund, and investment earnings of \$20.5 million, offset by pension payments of \$5.9 million and \$0.94 million in expenses.

What happened to the Pension Plan in 2016?
(\$ millions)

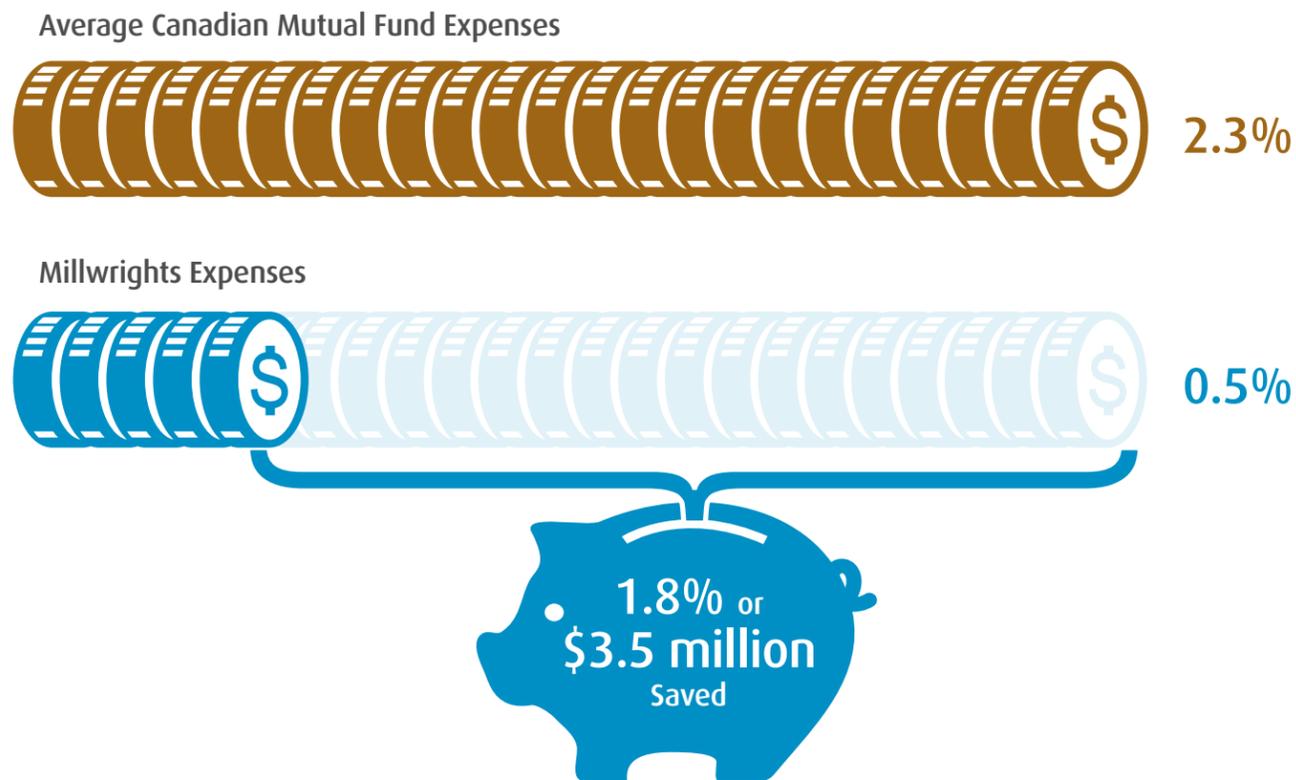


CONTROLLING PLAN EXPENSES

Plan expenses in 2016 were \$0.94 million, up by \$0.14 million from 2015. The 2016 expenses included \$0.11 million in other expenses (such as trust fund insurance, trustee education, auditing, registration, and meeting expenses). As a percentage of assets, plan expenses are unchanged from 2015, at 0.5% of assets.

By investing collectively, members benefit from reduced expenses, saving money and improving the stability of the plan. The diagram below compares the Millwrights expenses to the average expenses charged by Canadian Mutual Funds.

Expense Comparison



INVESTING THE PENSION PLAN ASSETS

In 2016, Foyston, Gordon & Payne (FGP), the investment manager, delivered a \$2.8 million realized gain on the sale of investments, and a \$5.0 million gain from interest and dividends paid on stocks and bonds in the investment portfolio. There was also a \$12.7 million increase in the value of the investments retained in the portfolio, resulting in an overall \$20.5 million return in 2016.

In considering the continued suitability of FGP, the Trustees also reviewed their performance over each of the last 5 years. In doing so, they noted that FGP delivered excess returns above the benchmark, before fees, in three of the last five years.

The Trustees are satisfied with the 5 year performance of FGP. They are in the midst of an investment management study to ensure the continued alignment of the plan's long-term goals and requirements with the performance and style of FGP.

During 2016, as part of a plan merger, assets of the Calgary Millwrights Pension Fund, and Calgary's investment manager, CI Institutional Asset Management (CI), were incorporated into this plan. As at December 31, 2016, the combined assets are \$193.5 million, and CI invests \$7.0 million of those. The Trustees are monitoring CI's performance to ensure it aligns with the plan's long-term goals.

Investing Plan Assets

	1 Year	5 Years
FGP	12.2%	8.6%
Plan Benchmark	9.9%	7.8%
Difference	+2.3%	+0.8%

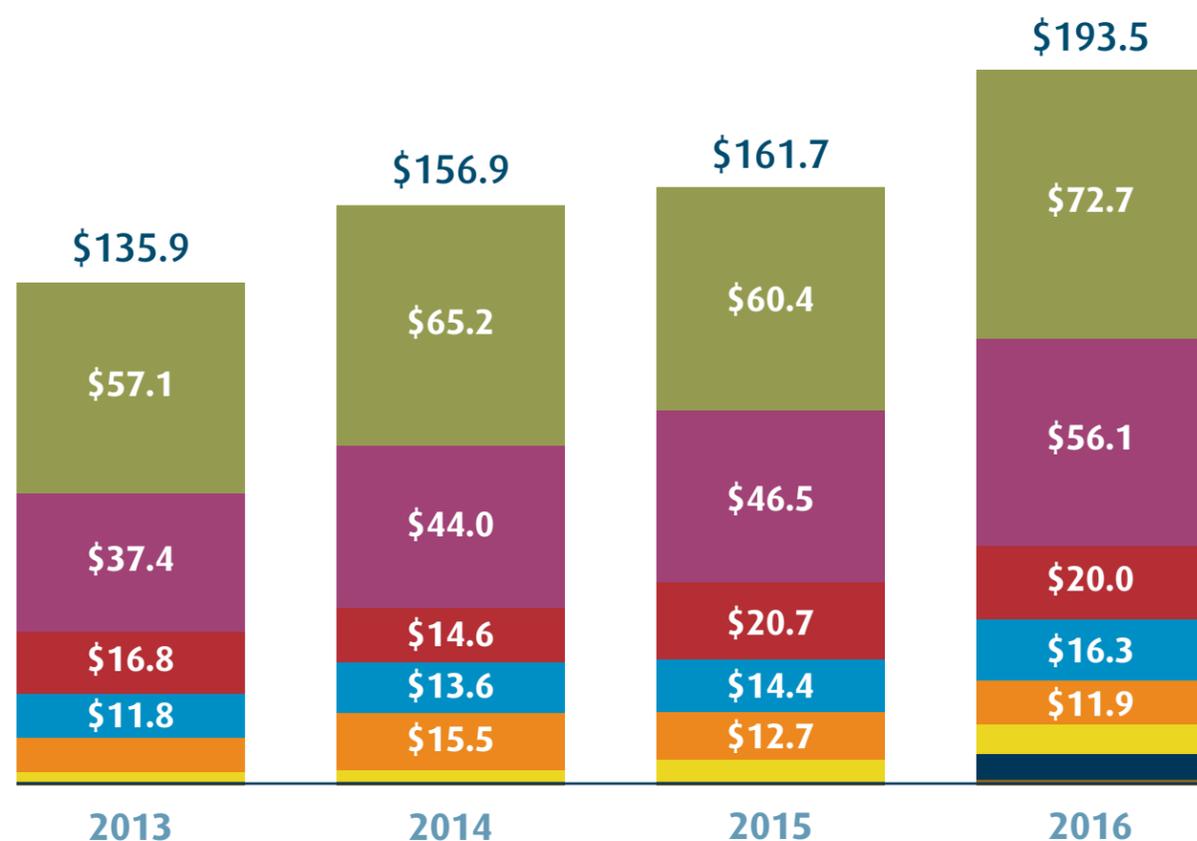
The Trustees regularly assess the performance of the pension investment manager. FGP has exceeded the plan benchmark over 5 years, delivering an annualized 8.6% rate of return. FGP delivered average excess returns, before fees, of 0.8% annually.

FGP 5 Year Performance

	2012	2013	2014	2015	2016
FGP	8.1%	16.6%	8.1%	-1.1%	12.2%
Plan Benchmark	6.9%	11.2%	9.7%	1.5%	9.9%
Difference	+1.2%	+5.4%	-1.6%	-2.6%	+2.3%

PENSION PLAN INVESTMENTS (\$ millions)

	2013	2014	2015	2016
Canadian Equities	57.1	65.2	60.4	72.7
US Bonds	37.4	44.0	46.5	56.1
International Equities	16.8	14.6	20.7	20.0
US Equities	11.8	13.6	14.4	16.3
Short Term	9.3	15.5	12.7	11.9
Canadian Small Cap / Bonds	2.7	3.1	6.2	8.1
CI Investments	-	-	-	7.0
Cash & Others	0.8	0.9	0.8	1.4



VALUING THE PENSION PLAN

At the end of 2016, the Trustees performed a valuation of the plan.

Growth in plan assets, from \$135.9 million in 2013 to \$193.5 million in 2016, resulted in a going concern surplus of \$45.3 million. Compared to 2013, the going concern ratio increased from 122% to 139%.

On a hypothetical wind-up (solvency) basis, the plan's liabilities increased from \$121.2 million in 2013 to \$209.9 million in 2016, resulting in a solvency shortfall of \$16.9 million. Compared to 2013, the solvency ratio decreased from 112% to 92%. That solvency ratio decreased primarily due to benefit improvements implemented January 1, 2014 for active, deferred and retired members and their beneficiaries.

An explanation of the difference between the going concern and hypothetical wind-up (solvency) valuations can be found on the next two pages.

FUNDING & BENEFITS POLICY

The Trustees have a Funding & Benefits Policy that provides guidance on plan design and benefits. In accordance with that policy, and as a result of the solvency shortfall, the Trustees are prevented

from making further benefit improvements at this time. However, the pension regulator has granted waivers to all plans on making special solvency payments. Of the \$7.25 per hour paid to the plan for hours worked by members, contributions are allocated as follows:

Negotiated Contribution Rate	\$7.25
Service Cost For Current Hours	\$4.47
Provision for Adverse Deviations	\$0.73
Special Payments (Unfunded Liability)	n/a
Special Payments (Solvency)	n/a
Adjustment For Apprentice Hours	\$0.42
Contingency Reserve	\$1.63
Balance	\$0.00

In the event that a future valuation reveals both going concern and solvency surpluses, plan design changes may be made in accordance with the Funding & Benefits Policy.

VALUING THE PENSION - GOING CONCERN (\$ millions)

Every three years, the Trustees have the plan actuary perform valuations, to establish the plan's funded status. The last three valuations were performed at the ends of 2010, 2013 and 2016.

During valuations, the actuary performs two tests.

One test determines the funded status, based on the plan continuing indefinitely into the future (a "going concern").

A second, hypothetical test, required by the pension regulators, assumes the plan will wind-up on the date of calculation (a "wind-up").

When performing going concern tests, the liabilities of each group of plan members (active, deferred and retired) are calculated by the actuary and matched against plan assets.

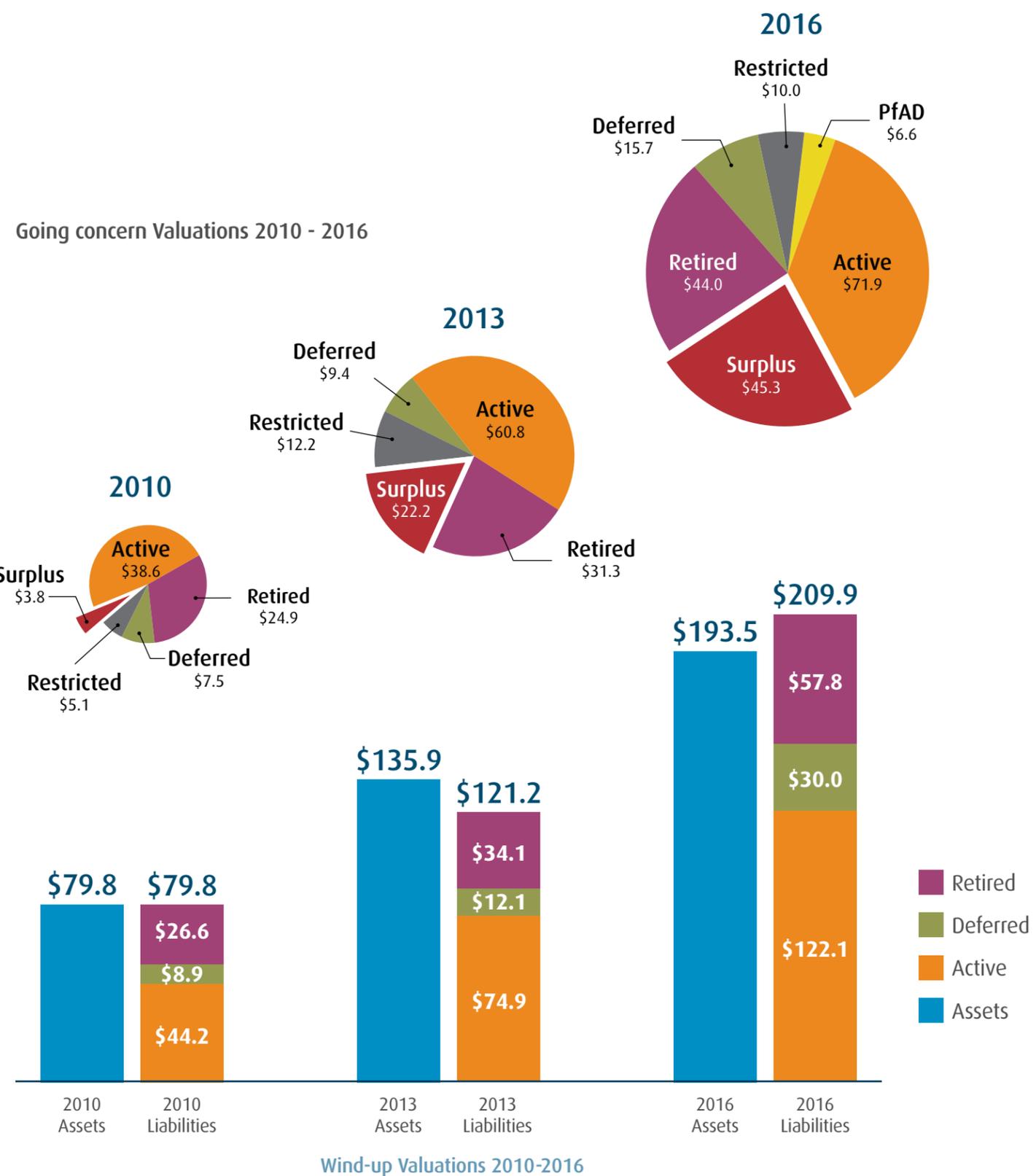
Two reserves are also set aside: one to adjust for prior positive investment returns ("restricted" reserves) and another to account for potential future adverse experience ("PfAD" reserves).

Based on the going concern test, the plan continues to be in good financial shape. At the date of the last going-concern test, the plan had a \$45.3 million surplus.

VALUING THE PENSION - HYPOTHETICAL WIND-UP (\$ millions)

The wind-up test assumes that the plan ceases to operate, all of the existing assets of the plan are distributed to individual members, and each member becomes responsible for their own investment decisions. It assumes that members achieve a much lower rate of the return than the plan has historically achieved.

Based on that legislated test, the plan had neither a surplus nor a deficiency in 2010, a surplus in 2013 and a deficiency in 2016, the result of prior benefit improvements. The Trustees have no intention of winding-up the plan, and expect that it will continue indefinitely into the future.





YOUR HEALTH & WELFARE PLAN

For 50 years, your health plan has been there, providing financial support to you and your family during periods of medical necessity. The health plan is funded by employer contributions, and the Trustees are responsible for providing for the needs of plan members and their families, given the financial resources available. This report provides a snapshot of those efforts.

KEEPING YOUR FAMILY HEALTHY

The health plan experienced a 9% increase in claims in 2016.

Long Term Disability (LTD) and life insurance premiums represented the largest increase.

LTD and life insurance premiums experienced a 38% increase. Those increases were driven by higher LTD and life insurance claims than were originally anticipated, resulting in a request from the insurer to increase the premium rates.

Health assets shrunk from \$7.47 million to \$5.40 million in 2016.

Reductions in the health assets of this magnitude are unsustainable. Changes to the health plan design were approved and announced on December 23, 2016. The purpose of these changes is to bring the plan back into a neutral or positive cash-flow position.

Members are encouraged to continue making prudent decisions when it comes to their health care purchases.

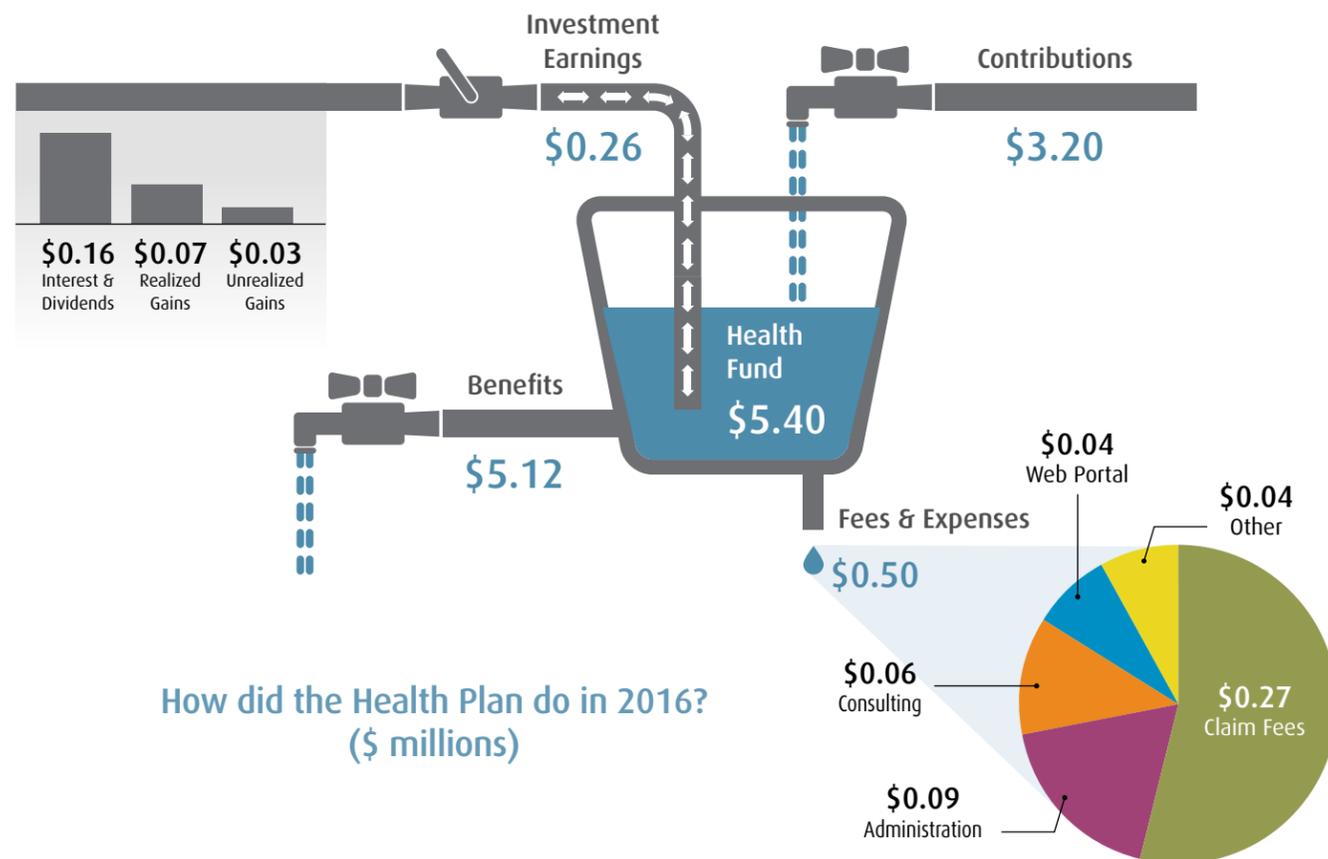
HEALTH PLAN OPERATIONS

In the 2016 calendar year, the health plan received \$3.20 million in contributions from participating employers.

The investment manager provided earnings of a positive \$0.26 million in 2016. Interest and dividends of \$0.16 million were accompanied by \$0.07 million in realized gains and \$0.03 million in unrealized gains. The Trustees continue to closely monitor the

performance of the investment manager to ensure their performance is market competitive and aligns with the goals of the health plan.

Fees and expenses in 2016 totalled \$0.50 million. That amount increased by \$0.16 million from 2015. The Trustees will continue providing affordable benefits given the assets and cash flow available.



HEALTH PLAN CHANGES

In order to provide members with the best possible coverage, given the available contributions and plan reserves, the Trustees regularly review the financial position of the plan.

In 2014, 2015 and 2016, some deficit financing was necessary in order to maintain the existing level of benefits. That deficit financing was made possible by drawing on the plan's unallocated reserves. Total reserves decreased, from \$9.15 million in 2014, to \$7.47 million in 2015, to \$5.40 million in 2016.

Draws on the plan's unallocated reserves were required principally due a reduction in the employer contribution rate and fewer worked hours in a softening Alberta economy, accompanied by increased dental, drug, retiree and other plan costs, claims inflation, and insurance premium increases.

On December 23, 2016, the Trustees announced several changes to the plan to bring it back into a cost-neutral position. Those changes include:

- Hourbank changes to set a maximum hourbank of 720 hours (equivalent to six months of future coverage).
- Generic substitution of brand name prescription drugs, pre-approval for certain expensive drugs, and health case management for complicated medical matters.

- A prescription drug dispensing fee cap of \$10 per prescription, and 80% reimbursement of prescription drug costs.
- 80% reimbursement of most extended health care claims (50% for medical supplies and equipment).
- An annual maximum for paramedical services, per practitioner, of \$400 per claimant.
- Elimination of massage therapy and acupuncture benefits.
- An annual dental reimbursement maximum of \$3,000 per claimant.
- The elimination of critical illness, long-term disability and travel benefits.

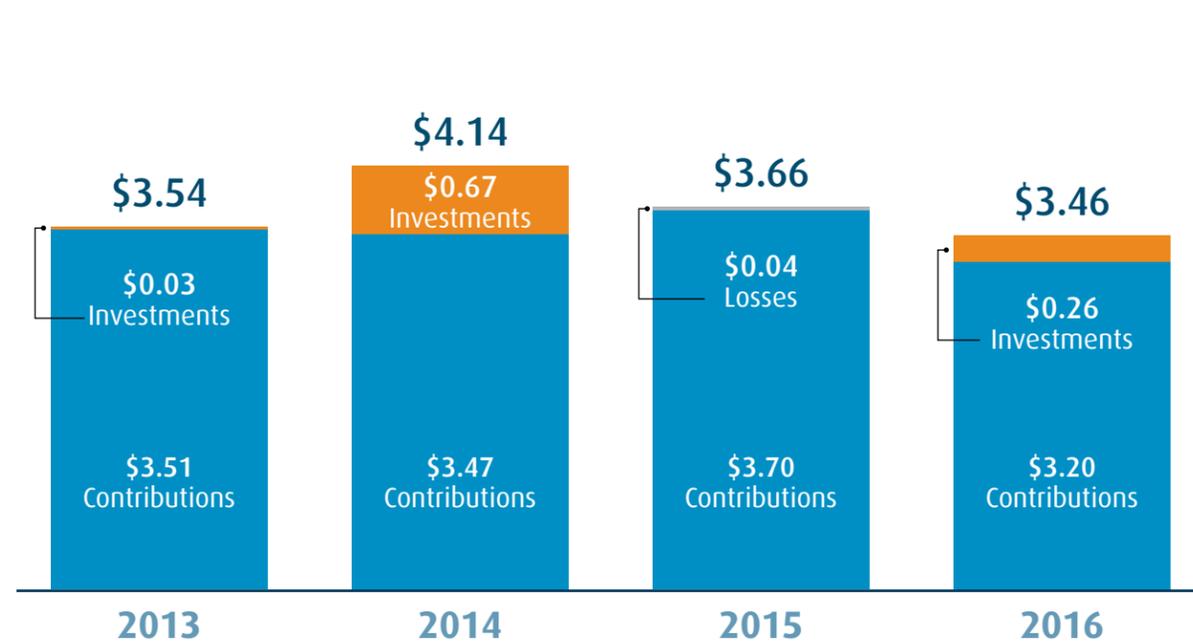
An updated benefit booklet, describing your plan benefits, was mailed to members in early 2017. A strengthening Alberta economy may present future opportunities to improve existing or re-introduce discontinued plan benefits.

The Trustees will continue to carefully monitor the financial position of the plan in order to provide the highest level of benefits possible given the available contributions and plan reserves.

HEALTH PLAN INCOME, 2013 - 2016 (\$ millions)

Over the last four years, contributions and investment income have not kept pace with the increase in benefit payments made to plan

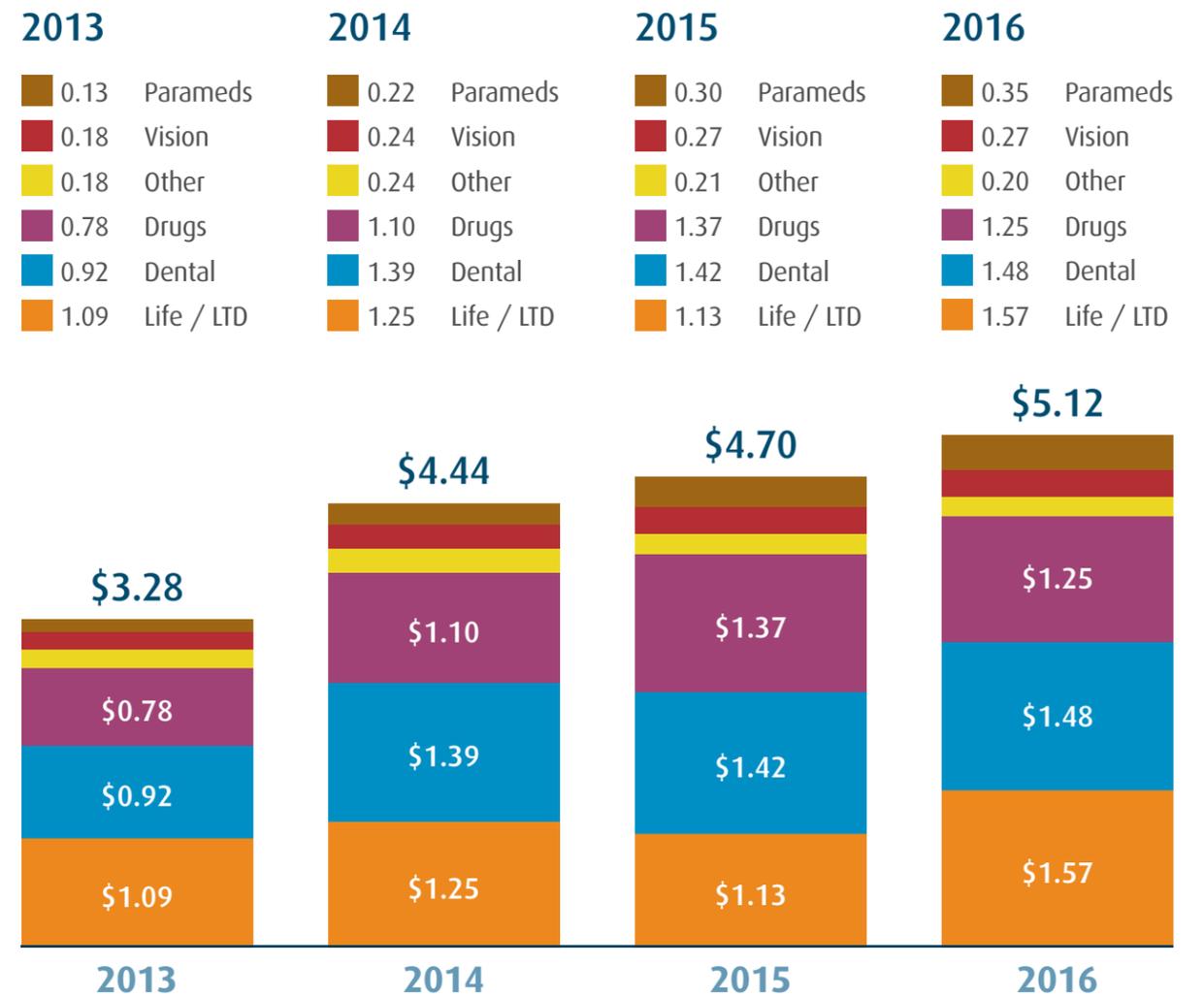
members. The chart below compares the plan's income from 2013 to 2016.



HOW WAS THE HEALTH PLAN USED IN 2016? (\$ millions)

The chart below compares the 2013 through 2016 premiums and claims paid on behalf of plan members. Life and LTD premiums represented the

number one cost of the plan in 2016, followed by dental and drug benefits.



HEALTH PLAN RESERVES (\$ millions)

The health plan holds allocated and unallocated reserves. The purposes of those reserves are as follows:

- Unallocated reserves are held in the plan to be used as a buffer against future claims increases.
- Allocated reserves are set aside to cover such things as incurred but not reported claims and

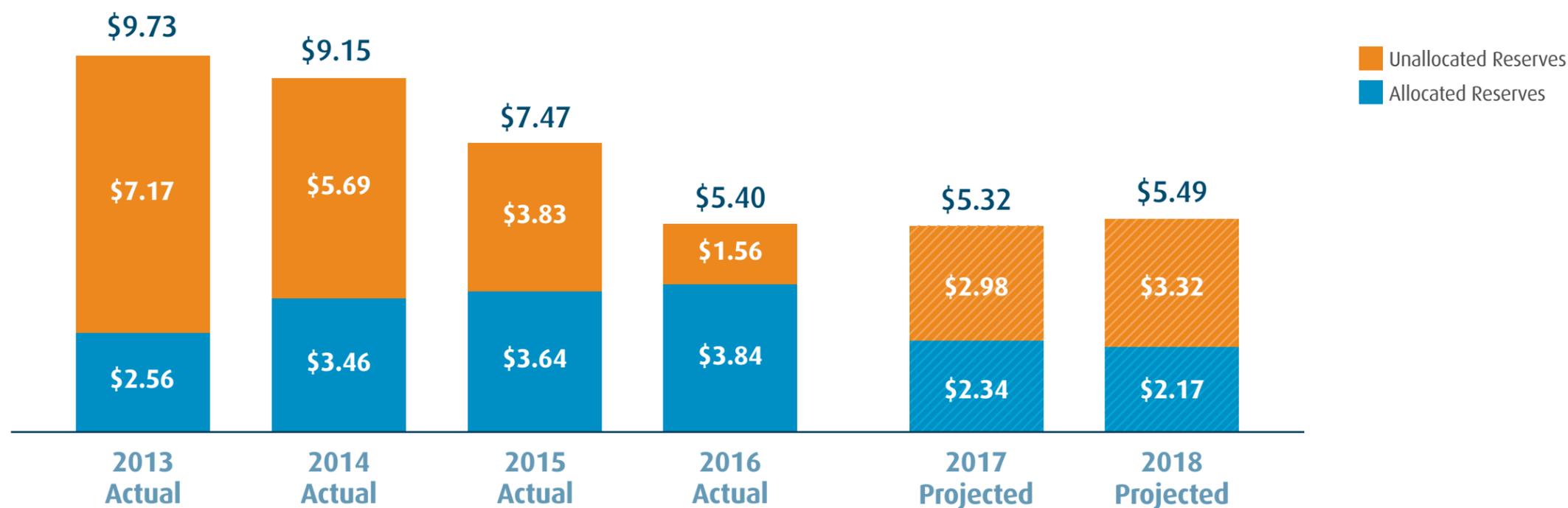
hour banks that members have accumulated to provide their families with future coverage. With the introduction of the hourbank, the 2014 allocated reserves of the health plan increased to recognize the additional hourbank liabilities.

Over the past three years, increasing member claims have resulted in a draw on the unallocated reserves.

As the Trustees do not have the power to augment the plan's revenues, effective January 1, 2017, the plan design was modified to curtail the draws on the unallocated reserves, and bring the plan's revenues and expenses back into balance.

The projected effect of those plan design modifications is revealed below.

The Trustees continue to closely monitor the position of the health plan and consider their re-balancing options.





ACCESSING YOUR PLAN DETAILS

A new online portal has been developed for plan members. That portal will allow you to check your hourbank, manage your spouse and dependant records, change your mailing address, update your beneficiary, access plan booklets and other plan information, print your drug card, submit claims online, access details about your claims history, and more.

You can access the online portal at any time, day or night, and find immediate answers to common questions you may have about the plan.

In order to access the portal, follow these four easy steps:

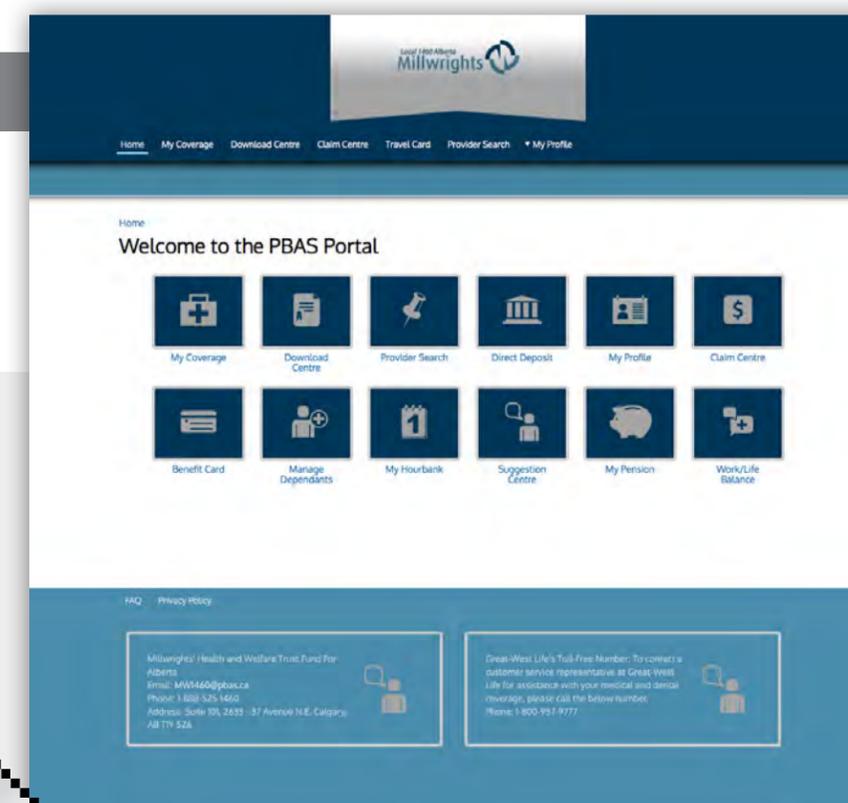
1. Go to www.pbas.ca
2. Select the Member Portal
3. Select the Create New Account tab
4. Complete the registration process.

Once you have finished registering, you can immediately start accessing the member portal.

Prior to registering on the portal, make sure you have personal information, such as your social insurance number or health plan certificate number, handy. You will be required to verify your

identity, by confirming your name, as spelled in your health plan records, your date of birth, and your SIN or plan certificate number. You will also need to provide a valid email address and create a secure password.

If you have questions about the registration process, or how to navigate the portal, call the Administrator at **1-888-525-1460**, or email them at mw1460@pbas.ca.



YOUR BOARDS OF TRUSTEES

Two Boards of Trustees oversee your plans. Three Employer Trustees and four Union Trustees share the related governance responsibilities.

Union Chair



Gord Evers
 Chair

Employer Trustee



Shawn Campbell

Employer Trustee



Tammy Temple

Employer Co-Chair



Jarret Serediak
 Co-Chair

Union Trustees



Ted Remenda
 Union Trustee



Joe Chambers
 Pension Trustee



David Maitland
 Health Trustee

THE SUPPORTING CAST

The Trusts are supported by teams of professionals that deliver various services. Some of these professionals are mentioned below.

Your administrator, Prudent Benefits Administration Services Inc., performs the day-to-day administration functions of receiving contributions and maintaining your eligibility records.

The Great-West Life Assurance Company, your health plan insurer, adjudicates and pays your health benefit claims.

Al Scherbarth Professional Corporation is auditor to the plans, performing annual audits that are available for review by plan members.

Three investment managers work to protect and grow your plans' assets. Foyston, Gordon & Payne Inc. and CI Institutional Asset Management invest the Pension plan assets, while Rouleau Investment Group invests the Health plan assets.

Your actuary, Mercer Canada, provides pension advice, confirms the pension plan's funding, and files reports with the Alberta government.

Benchmark Decisions Ltd. provides consulting advice on plan design, regulatory compliance, benefit costing and insurance underwriting.

OBTAINING MORE INFORMATION

If you are looking for more information about the operation of the benefit plans, or if you need to contact someone about your benefits, you can contact one of our professionals using the information below.

For General Inquiries About Health Plan Eligibility

Prudent Benefits Administration Services Inc.
1-888-525-1460
mw1460@pbas.ca

For Health Plan Claims Payment Inquiries

Great-West Life Assurance Company
1-800-957-9777
www.greatwestlife.com

For Inquiries About the Pension Plan

Prudent Benefits Administration Services Inc.
1-855-250-3534
mw1460@pbas.ca



Local 1460 Alberta
Millwrights 

Millwrights 1460 Pension Trust Fund

1-855-250-3534

Millwrights' Health & Welfare Trust Fund for Alberta

1-888-525-1460

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