

A photograph of a male worker in a blue hard hat and safety glasses, wearing a blue long-sleeved shirt and white gloves, is focused on adjusting a large, dark industrial gear. The gear has several sharp, metallic teeth. The background is dark and industrial, suggesting a factory or mining environment.

*Local 1460 Alberta*

**Millwrights** 

**MILLWRIGHTS 1460  
PENSION TRUST FUND**

**AND**

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

**ANNUAL REPORTS  
for the Year Ending  
December 31, 2015**

## OVERCOMING THE CHALLENGES



Millwrights are well-known for their ability to overcome challenges.

Millwrights overcome those challenges by using their renowned skills of innovation, patience and precision.

Your Boards of Trustees face their own sets of challenges. Those challenges also require innovation, patience and precision, and include reduced hourly contributions as a result of lagging oil prices, a struggling Alberta economy, increased drug and dental costs, and an unsettled investment climate.

In dealing with those and other challenges, we continually search for innovative ways to deliver member services at an affordable cost. We monitor your investment managers, who are retained for their skill in patiently identifying and taking advantage of investment opportunities. We also regularly assess and modify the design of your benefit plans, to ensure they deliver affordable and sustainable benefits, precisely tailored to your family's needs.

As an example of innovation in member service delivery, the Health Plan recently launched an online member portal, which allows members to check their hour banks, and obtain plan information at any time, day or night. More information about this portal is contained within this report. We encourage you to take advantage of this innovative new member service.

We remain committed to the long-term health of the Pension and Health Plans. Thank you for trusting us to deliver affordable benefits on your behalf.

*Gord*

**Gord Evers**  
**Chairman, Board Of Trustees**

**October 31, 2016**



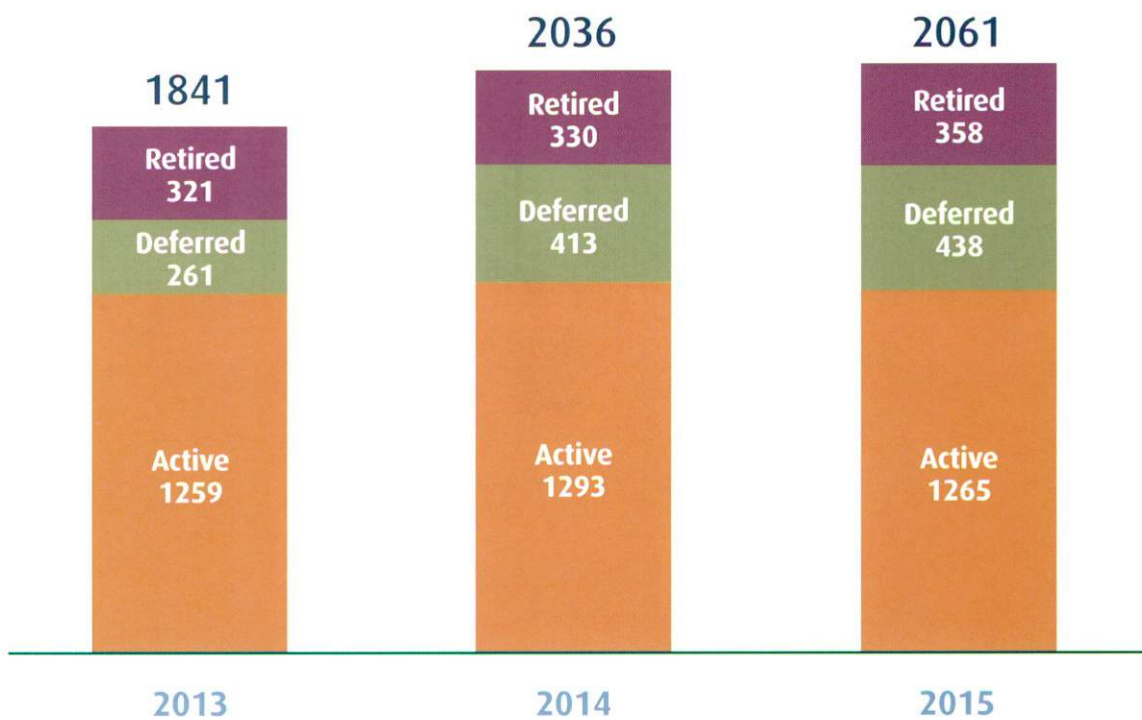
---

# YOUR PENSION PLAN

---

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

## A STABILIZING PENSION PLAN MEMBERSHIP



Over the last 45 years, membership in the plan has grown to 2,061 members. Of those members, 1,265 are actively working in the unionized millwrighting industry, 438 have ceased working and will take a future pension, and 358 are currently receiving a pension.

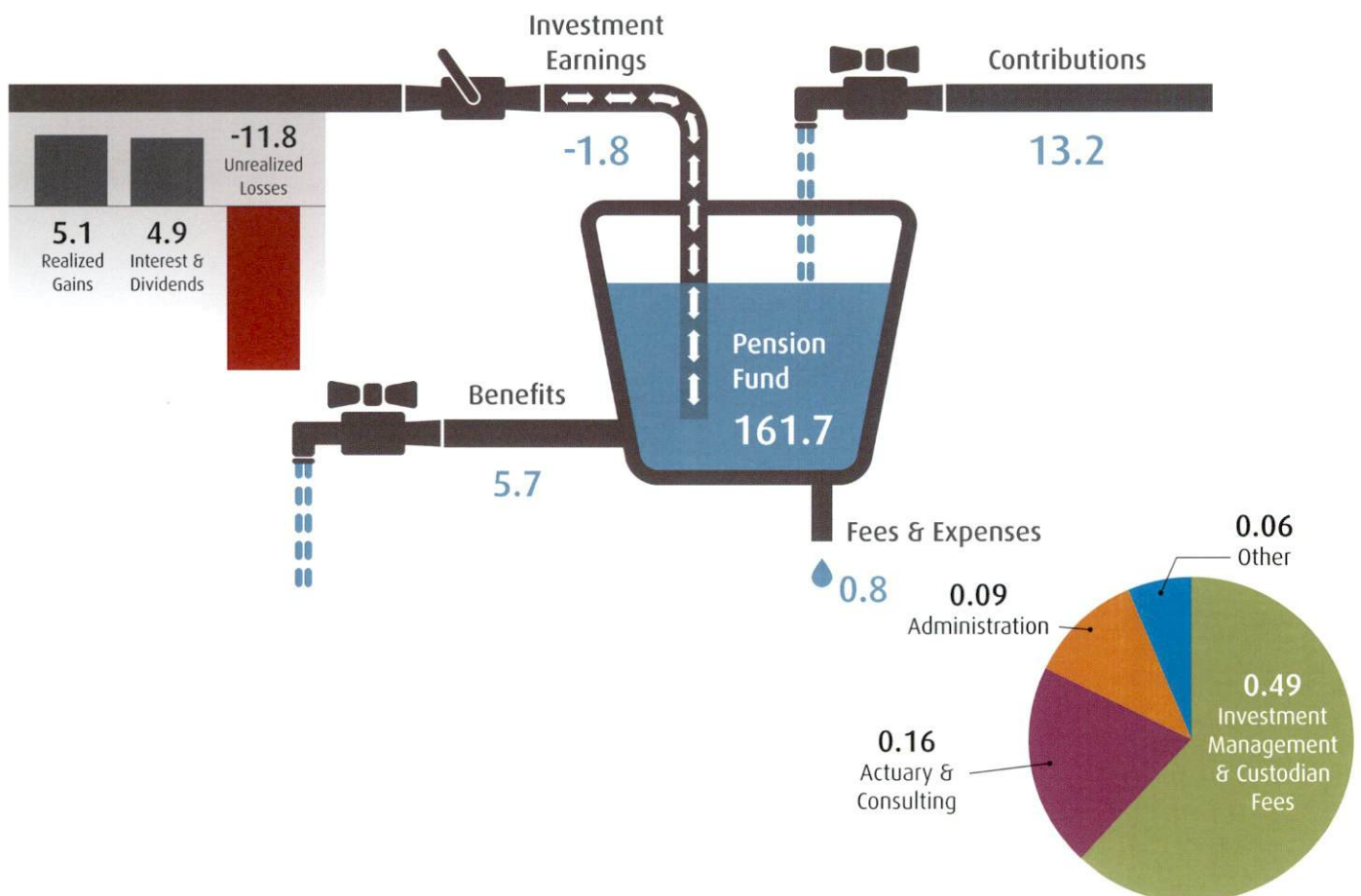
While the total number of plan members increased slightly between 2014 and 2015, from 2,036 to 2,061, the number of actively working members decreased. That decrease is a consequence of a softening of the Alberta economy.

## GROWING PENSION FUND ASSETS

The pension fund assets grew from \$156.9 to \$161.7 million in 2015. Contributions of \$13.2 million to the pension plan were partially offset

by negative investment earnings of \$1.8 million, pension payments of \$5.7 million and \$0.8 million in expenses.

### What happened to the Pension Fund in 2015? (\$ millions)



## CONTROLLING EXPENSES

Fund expenses in 2015 were \$0.8 million, unchanged from 2014. The 2015 expenses included \$0.06 million in other expenses (such as trust fund insurance, trustee education, auditing, registration, and meeting expenses).

By investing collectively, members benefit from reduced expenses, saving money and improving the health of the fund. The diagram below compares the Millwrights expenses to the average expenses charged by a Canadian Mutual Fund.

### Expense Comparison

#### Average Canadian Mutual Fund Expenses



#### Millwrights Expenses



## INVESTING THE PENSION FUND ASSETS

In 2015, Foyston, Gordon & Payne (FGP), the investment manager, delivered a \$5.1 million realized gain on the sale of investments, and a \$4.9 million gain from interest and dividends paid on stocks and bonds in the investment portfolio. There was an \$11.8 decrease in the value of some

investment manager's performance over the last calendar year was below expectations, FGP has exceeded the Fund benchmark over 5 years, delivering an annualized 6.8% rate of return. FGP delivered excess returns, before fees, of 1.2%.

### Investing Fund Assets

	1 Year	5 Years
FGP	-1.1%	6.8%
Fund Benchmark	1.5%	5.6%
Difference	-2.6%	+1.2%

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

investments retained in the portfolio, resulting in an overall negative \$1.8 million return in 2015. FGP expresses confidence in the long-term value of those underlying investments and recommends their continued retention.

The Trustees are satisfied with the 5 year performance of the investment manager. They have commenced an investment management study to ensure the continued alignment of the Fund's long-term goals with the performance and style of the investment manager.

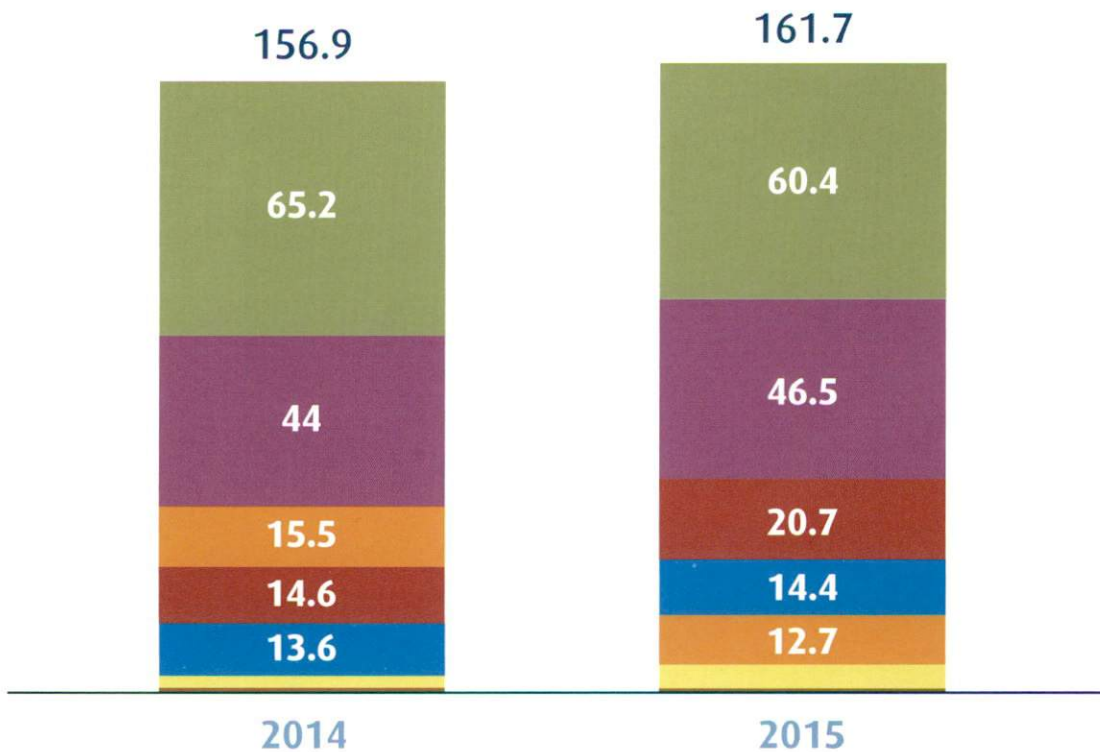
The Trustees regularly assess the performance of the pension investment manager. While the

### FGP 5 Year Performance

	2011	2012	2013	2014	2015
FGP	2.9%	8.1%	16.6%	8.1%	-1.1%
Fund Benchmark	-0.9%	6.9%	11.2%	9.7%	1.5%
Difference	+3.8%	+1.2%	+5.4%	-1.6%	-2.6%

## PENSION PLAN INVESTMENTS (\$ millions)

 65.2	Canadian Equities	 60.4	Canadian Equities
 44	US Bonds	 46.5	US Bonds
 15.5	Short Term	 20.7	International Equities
 14.6	International Equities	 14.4	US Equities
 13.6	US Equities	 12.7	Short Term
 3.1	Canadian Bonds	 6.2	Canadian Small Cap
 0.9	Cash & Others	 0.8	Cash & Others





## IMPROVING THE PENSION PLAN

At the end of 2013, the Trustees performed a valuation of the Fund.

Growth in Pension Fund assets, to 111.9% of legislated solvency requirements, provided an opportunity for the Trustees to improve pension benefits at the beginning of 2014, in accordance with the Funding & Benefits Policy.

### Active Members

Active members received two benefit improvements. The first was a retroactive increase in pension benefits accrued from 2008 to 2013, from \$90 to \$95.40 per 1,500 hours of credited service. The second increase was for pension benefits accrued for 2014 and future years, from \$90 to \$100 per 1,500 hours. Notice of those increases was included with the annual benefits statements mailed to each active member in June 2015.

### Retired Members

Retired members were given three pension increases: a 2% increase, retroactive to January 2014, a second 2% increase retroactive to January 2015, and a third 2% increase for January 2016. Mid-year retirement commencements will receive a prorated increase to their benefits.

### Deferred Members

Deferred members were also given three increases, similar to the retired members, of 1% per year, at the beginning of 2014, 2015 and 2016. Deferred members are also provided with the option of transferring their pensions elsewhere.



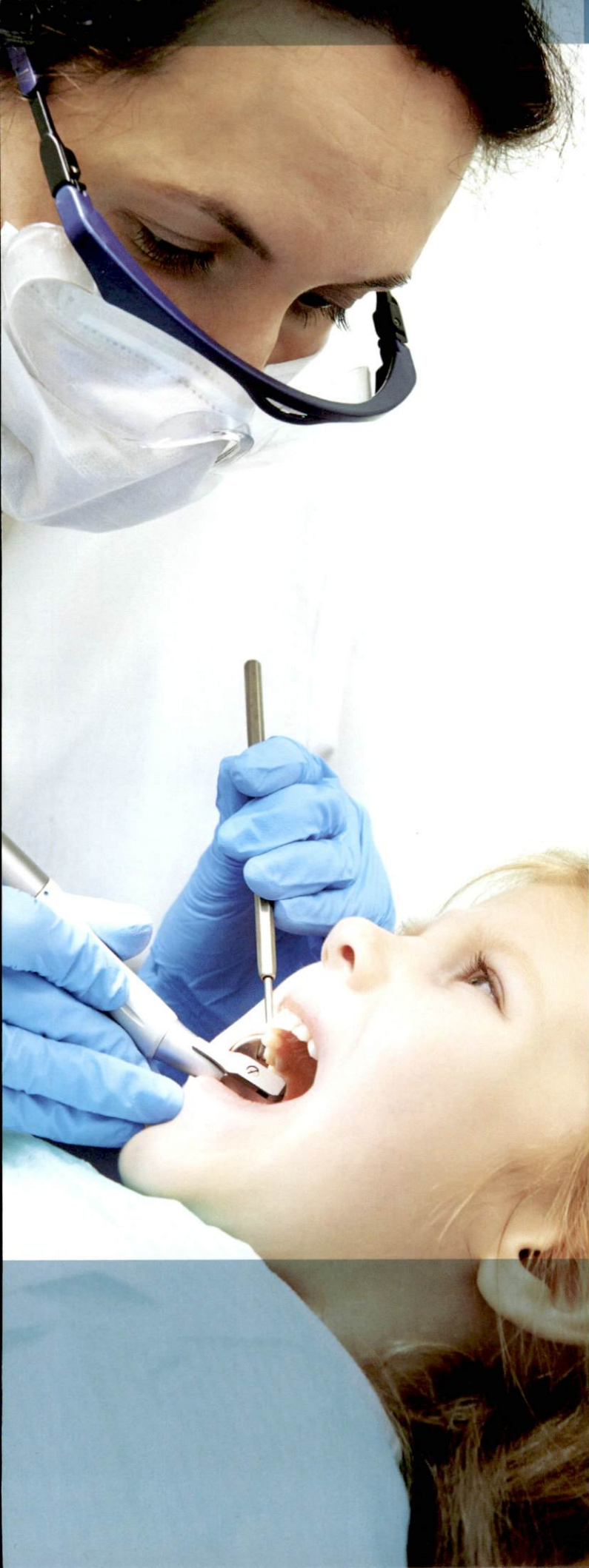
## MERGING WITH THE CALGARY MILLWRIGHTS

In 1997, the Calgary and Edmonton Millwrights Unions merged. However, the related pension plans remained separately administered. With the approval of the pension regulator, we are now in the process of merging the Calgary and Edmonton pension plans.

The merger of the Funds will have no effect on the pension promises made to existing members of this Fund. Your pension amounts will not change.

All of the Calgary pension assets will be transferred to this Fund, and the pension promises made to Calgary members will be funded from those transferred assets. Once the merger is complete, those former Calgary members, whose employers contribute the same amount for their worked hours, will accrue new benefits in this plan and be treated the same as any other existing plan members.\*

\* The merger was completed in 2016.



---

# YOUR HEALTH & WELFARE PLAN

---

For 49 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 5% increase in claims in 2015.

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

LTD and life insurance premiums experienced a 10% 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 \$9.15 million to \$7.47 million in 2015.

Over the longer term, reductions in the health assets of this magnitude are unsustainable and will require additional funding or a modification to benefits. The Trustees will carefully weigh options for managing the Fund's deficit.

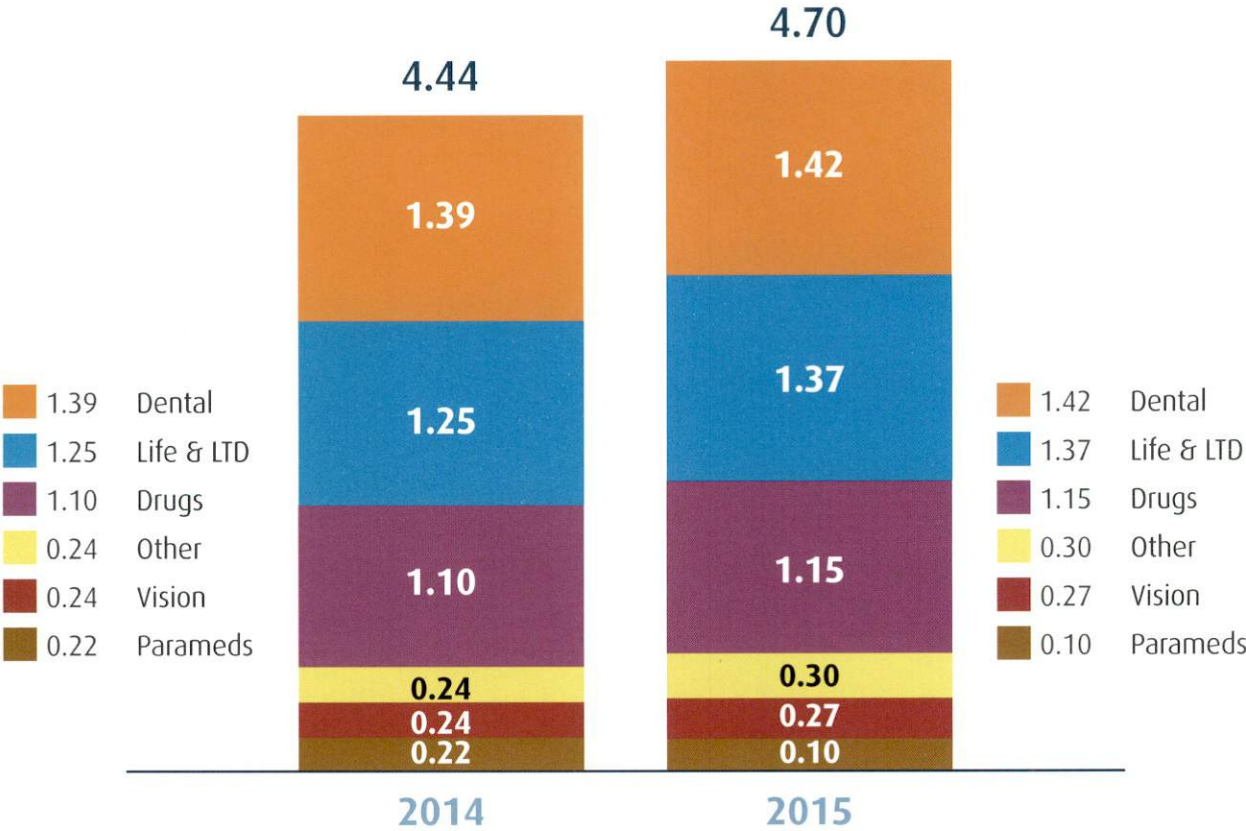
Members are encouraged to continue making prudent decisions when it comes to their health care purchases.

# HEALTH PLAN PREMIUMS AND CLAIMS

The Chart below compares the 2014 and 2015 health plan premiums and claims. Dental claims continued to be the number one cost to the

Fund, followed closely by LTD and life insurance premiums, and drug benefits.

How was the Health Plan used in 2015?  
(\$ millions)



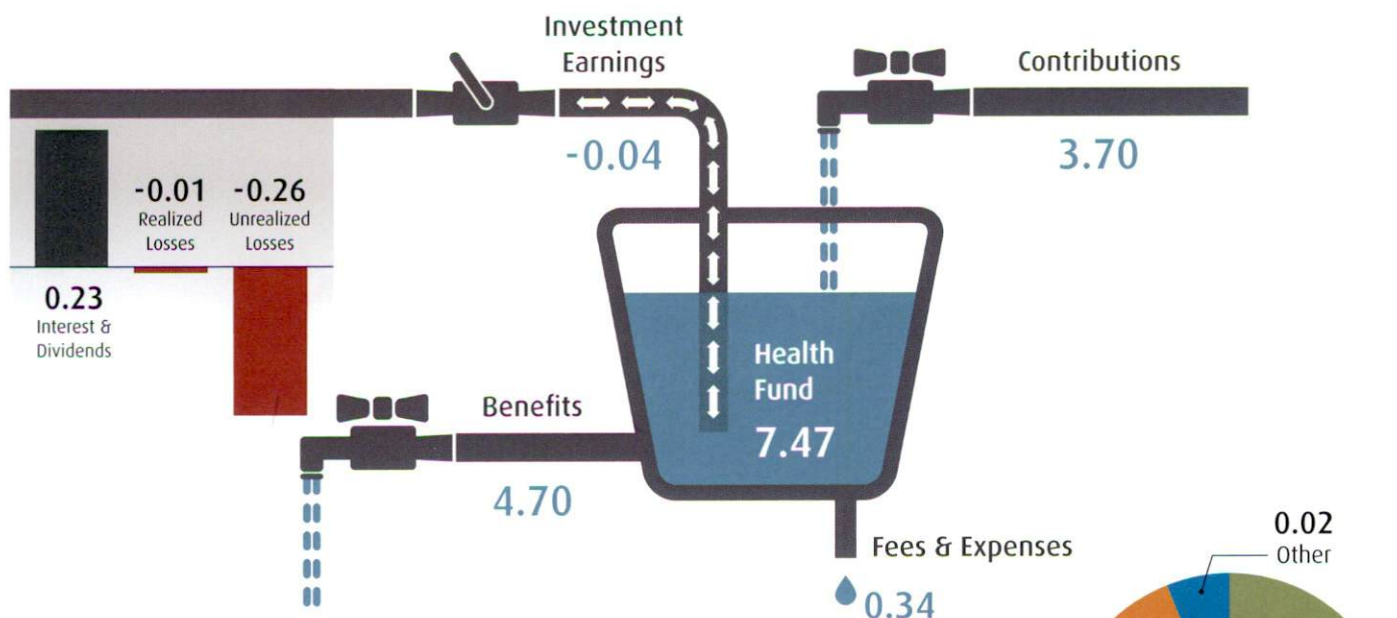
## HEALTH PLAN OPERATIONS

In the 2015 calendar year, the health plan received \$3.7 million in contributions from participating employers.

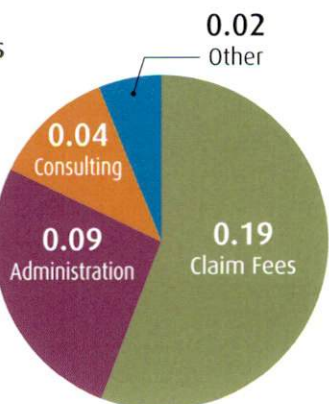
The investment manager provided earnings of a negative \$0.04 million in 2015, having returned a positive \$0.7 million in 2014. Interest and dividends of \$0.23 million were offset by a negative \$0.01 million in realized losses and \$0.26 million in

unrealized losses. The Trustees continue to closely monitor the performance of the investment manager to ensure their performance aligns with the goals of the health plan.

Fees and expenses in 2015 totalled \$0.34 million. That amount was unchanged from 2014. The Trustees will continue providing affordable benefits given the assets and cash flow available to them.



How did the Health Plan do in 2015?  
 (\$ millions)



## HEALTH FUND ASSETS & LIABILITIES

The health plan holds allocated and unallocated reserves within the Fund.

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.

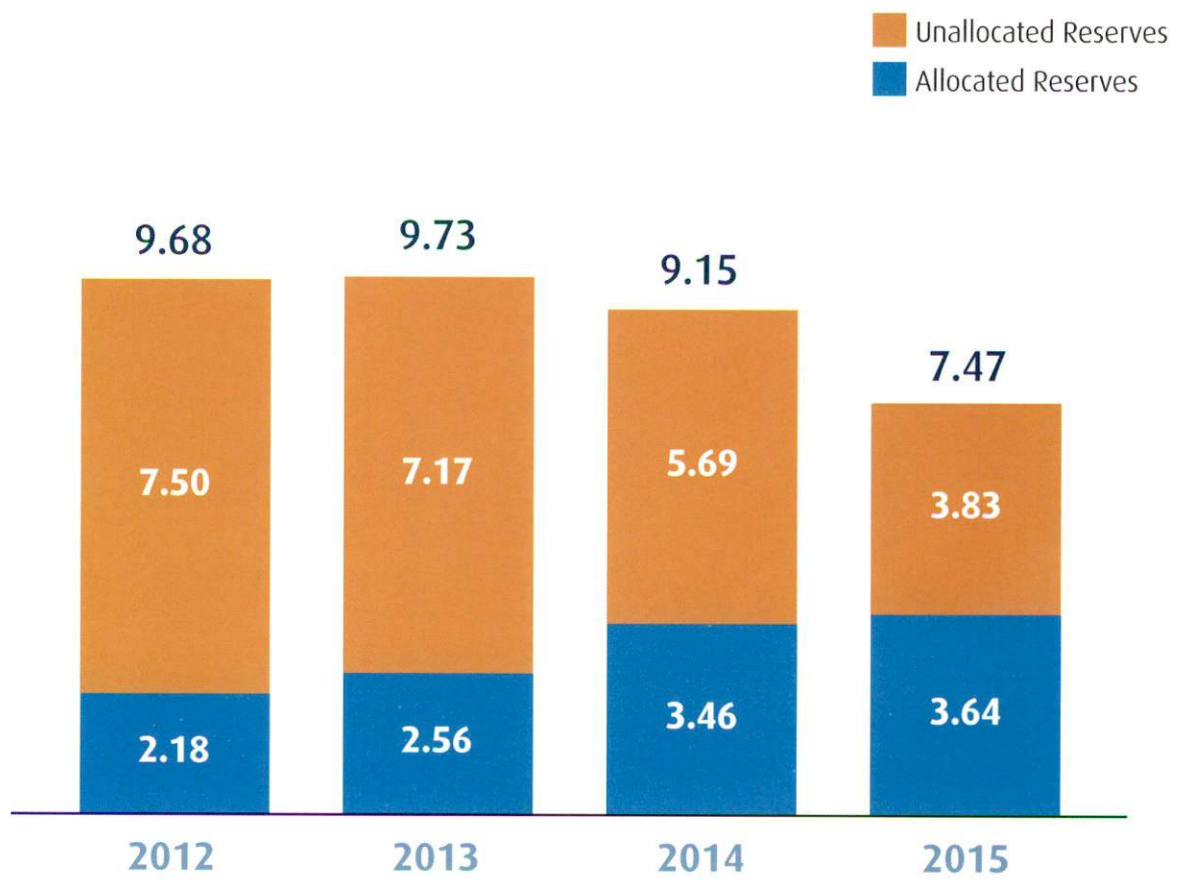
Unallocated reserves are held in the fund to be used as a buffer against future claims increases.

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

At some point the draw on those unallocated reserves must be curtailed and the health plan assets brought back into balance, either through increased revenue or plan design modifications.

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

### Health Fund Assets & Liabilities (\$ millions)







---

# 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.

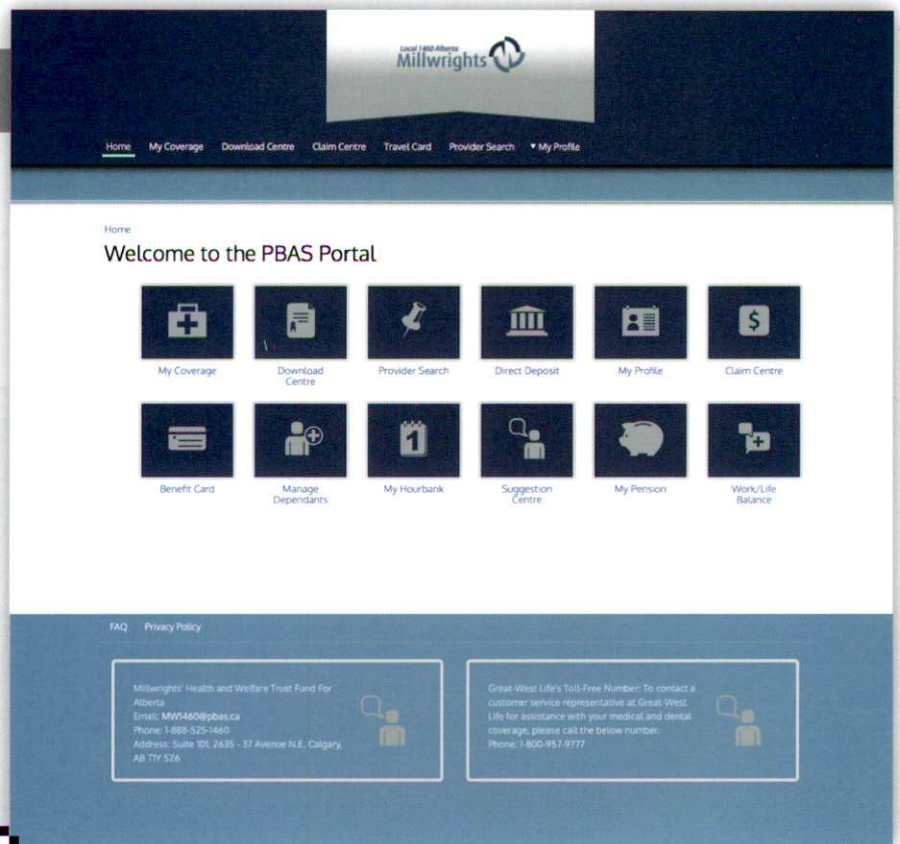
You can access the online portal at any time, day or night, and find immediate answers to common questions you may have about the plan.

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

1. Go to [www.pbas.ca](http://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 H&W Plan certificate number, handy. You will be required to verify your identity,



by confirming your name, as spelled in your H&W 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](mailto:mw1460@pbas.ca).

## YOUR BOARDS OF TRUSTEES

Two Boards of Trustees oversee your Trust Funds. Three Employer Trustees and five Union Trustees share the related governance responsibilities.

### Union Chair



Gord Evers  
Chair

### Employer Co-Chair



Ursula Buller  
Co-Chair

### Employer Trustees



Monica Norminton  
Employer Trustee



Jarred Serediak  
Employer Trustee

### Union Trustees



Joe Chambers  
Pension Trustee



Neal Hugh  
Health Trustee



Kyle Middleton  
Pension Trustee



Ted Remenda  
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 Funds, performing annual audits that are available for review by plan members.

Two investment managers work to protect and grow your Funds' assets. Foyston, Gordon & Payne Inc. invests the Pension Fund assets, while Rouleau Investment Group invests the Health Fund 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](mailto:mw1460@pbas.ca)

### **For Health Plan Claims Payment Inquiries**

Great-West Life Assurance Company

1-800-957-9777

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

### **For Inquiries About the Pension Plan**

Prudent Benefits Administration Services Inc.

1-855-250-3534

[mw1460@pbas.ca](mailto: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

---

Suite 101, 46 Hopewell Way NE  
Calgary, Alberta T3J 5H7

Suite 312, 14925 - 111 Ave.  
Edmonton, Alberta T5M 2P6

