

# FUNDING AND BENEFITS POLICY

OCTOBER, 2024

## THE ALBERTA SHEET METAL WORKERS' RETIREMENT TRUST FUND

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# 1

## INTRODUCTION

The Alberta Sheet Metal Workers' Retirement Trust Fund (the "Plan") was established on October 1, 1972 (the "Effective Date of the Plan") to provide retirement pensions and related benefits (the "Retirement Benefits") for members of the Sheet Metal Workers' International Association Local Union No. 8, or its predecessors including Local 558, Local 254, and Local 271 (the "Union").

The Plan is structured as a combination of defined benefits for members, funded through defined contributions (the "Standard Contribution Rates") that are stipulated in the applicable Collective Agreements between the Union and the Participating Employers.

This type of arrangement is considered a collectively bargained multi-employer plan (a "CBMEP") under the *Employment Pension Plans Act* (the "EPPA") of Alberta and is registered as a specified multi-employer plan (a "SMEPP") under the *Income Tax Act* of Canada.

The Plan is governed by a Board of Trustees (the "Trustees") who have been appointed to act in accordance with the provisions of a pension Trust Agreement (the "Trust Agreement") which was amended and restated as of November 12, 2019.

The "Mission" of the Trustees includes:

- To prudently manage the financial assets and protect the future benefits promised, so that members can retire with financial security and dignity.
- To provide the best possible pension benefits to retiring or disabled members and their beneficiaries.
- To amend the terms of the Trust as required from time to time to keep it current with future needs or changes in law.

To assist in the realization of the stated mission and to be consistent with the terms of the Trust Agreement, the Trustees have developed and adopted this Funding and Benefits Policy (the "Policy"). Specifically, this Policy's goals include, but need not be limited to:

- Promoting and achieving security of the benefits promised to the Plan Members;
- Setting forth rational and systematic funding and benefit guidelines to assist the Trustees in the proper governance of the Plan;
- Identifying and assessing the financial and other risks to which the Plan and the Plan Members are exposed;
- Adding structure and discipline to the monitoring and oversight duties of the Trustees; and
- Establishing principles to be applied when considering any enhancements or improvements to the retirement pensions and related benefits promised under the Plan.

The Policy reflects the on-going development and evolution in the approaches and methods used to evaluate the financial position of the Plan. It is the intent of the Trustees to review the Policy on an annual basis, coincident with the end of each Plan Year, and to amend it where necessary. As such it should be viewed as a work in progress which will continue to change over time. One component of the Policy is full and complete disclosure which will permit the Trustees, Plan Members, and regulators to assess more easily the levels and types of risk to which the Plan and the Plan Members are subjected.

The funded position of the Plan reflects the economic environment in recent years. Effective January 1, 2011, the valuation date was changed from December 31 to January 1 in order to produce a closer alignment between interest rates for solvency purposes and the interest rates on the Plan's fixed income assets. The intent of this change was to produce a more stable and predictable solvency ratio.

The following tables illustrate the financial condition, excluding accumulated member flexible contributions with interest, of the Plan since December 31, 1997:

### Going-Concern Valuation

Actuarial Valuation as at	In \$Millions		
	Actuarial Value of Assets	Accrued Liabilities	Funded Ratio
December 31, 1997	\$68.6	\$68.4	100.3%
December 31, 1998	\$85.8	\$82.2	104.4%
December 31, 2000	\$96.1	\$91.7	104.8%
December 31, 2001	\$95.0	\$89.5	106.1%
December 31, 2002	\$101.8	\$96.3	105.7%
December 31, 2003	\$104.7	\$99.0	105.7%
December 31, 2004	\$112.8	\$106.9	105.5%
December 31, 2005	\$124.7	\$119.5	104.3%
December 31, 2006	\$144.0	\$127.5	113.0%
December 31, 2007	\$146.5	\$131.3	111.6%
December 31, 2008	\$140.4	\$136.9	102.5%
December 31, 2009	\$151.9	\$143.3	106.0%
January 1, 2011	\$171.5	\$162.8	105.3%
January 1, 2012	\$204.3	\$207.7	98.4%
January 1, 2013	\$215.1	\$216.9	99.2%
January 1, 2014	\$201.8	\$194.3	103.8%
January 1, 2015	\$246.6	\$231.9	106.4%
January 1, 2016	\$257.5	\$236.5	108.9%
January 1, 2017	\$264.8	\$239.2	110.7%
January 1, 2018	\$284.5	\$249.1	114.2%
January 1, 2019	\$279.1	\$250.3	111.5%
January 1, 2020	\$315.5	\$245.2	128.7%
January 1, 2021*	\$339.3	\$258.6	131.2%
January 1, 2022*	\$328.6	\$283.3	116.0%
January 1, 2023	\$254.2	\$209.6	121.3%
January 1, 2024*	\$263.9	\$219.8	120.0%

\*These actuarial valuations have not been filed.

**Solvency Valuation**

Actuarial Valuation as at	In \$Millions			Solvency Interest Rates	
	MV of Assets <sup>1</sup>	Solvency Liabilities	Solvency Ratio	Commuted Value Basis <sup>2</sup>	Annuity Proxy Rate <sup>3</sup>
December 31, 1997	\$84.6	\$84.4	100.3%	6.50%	5.80%
December 31, 1998	\$92.7	\$92.2	100.6%	6.00%	5.50%
December 31, 2000	\$97.0	\$96.9	100.1%	6.25%	6.00%
December 31, 2001	\$97.9	\$97.7	100.1%	6.25%	6.00%
December 31, 2002	\$102.3	\$98.6	103.8%	6.25%	5.75%
December 31, 2003	\$107.4	\$103.9	103.4%	6.00%	5.75%
December 31, 2004	\$117.6	\$111.6	105.4%	5.50%	5.25%
December 31, 2005	\$133.4	\$128.8	103.6%	4.50%-5.00%	4.50%
December 31, 2006	\$143.3	\$133.5	107.3%	4.75%-4.75%	4.60%
December 31, 2007	\$145.7	\$133.7	109.0%	4.75%-5.00%	4.50%
December 31, 2008	\$139.6	\$136.5	102.2%	4.20%-5.70%	4.85%
December 31, 2009	\$151.0	\$149.4	101.1%	3.90%-5.40%	4.49%

<sup>1</sup> The Market Value of Assets excludes the present value of going concern unfunded liability special payments (applicable for January 1, 2012 and January 1, 2013 actuarial valuations).

<sup>2</sup> Prior to 2005, the CIA Commuted Value Basis refers to the interest rate for a 15 year select period, after which a fixed interest rate of 6.0% per year applies. Effective February 1, 2005, the interest rate basis is changed to a medium-term variable rate for a 10 year select period and a long-term variable rate thereafter. Effective April 1, 2009, the interest rate basis reflects an additional 40 basis point upward adjustment which is reflected in the December 31, 2008 valuation. Effective from the January 1, 2021 valuation, the commuted value basis reflects the Plan's going concern best estimate return, net of investment expenses.

<sup>3</sup> Prior to 2004, the Annuity Proxy Rate is applied in conjunction with the GAM-83 Mortality Table. Effective January 1, 2005, the UP-1994 Mortality Table (with projection to 2015) is used. Effective December 31, 2009, the UP 1994 Mortality Table (with projection to 2020) is used. Effective January 1, 2012, the UP-1994 Mortality Table with future generational improvements is used. Effective January 1, 2016, the 2014 Canadian Pensioners Mortality table with future generational improvements (Scale B) is used.

January 1, 2011	\$170.7	\$160.0	106.6%	3.70%-5.00%	4.48%
January 1, 2012	\$203.5	\$201.4	101.0%	2.40%-3.90%	3.31%
January 1, 2013	\$214.3	\$212.0	101.0%	2.50%-3.70%	2.96%
January 1, 2014	\$201.0	\$189.3	106.1%	3.10%-4.60%	3.93%
January 1, 2015	\$245.8	\$225.4	109.0%	2.40%-3.70%	2.53%
January 1, 2016	\$256.6	\$238.7	107.5%	1.90%-3.60%	3.02%
January 1, 2017	\$263.9	\$234.5	112.6%	2.30%-3.70%	3.11%
January 1, 2019	\$278.2	\$242.7	114.6%	2.80%-3.20%	3.23%
January 1, 2020	\$314.6	\$249.4	126.2%	2.50%-2.60%	2.95%
January 1, 2021*	\$338.5	\$236.3	143.3%	3.48%	2.48%
January 1, 2022*	\$327.8	\$269.9	121.5%	3.45%	2.83%
January 1, 2023	\$253.4	\$198.8	127.4%	4.99%	4.91%
January 1, 2024*	\$263.0	\$206.8	127.2%	4.67%	4.55%

\*These actuarial valuations have not been filed.

The following table summarizes the standard contribution rates and the cost to provide benefits per standard contribution rate hour. Current service costs are as reported in the actuarial valuation completed January 1 (December 31 of the previous year end prior to 2011), with the exception of the 2000 current service cost which was determined in the December 31, 1998 actuarial valuation. The realized gains and losses are those reported in the next actuarial valuation.

**Contribution Rate Requirements**

<b>Calendar Year</b>	<b>Standard Contribution Rate per Hour</b>	<b>Current Service Cost</b>	<b>Special payments to meet Deficiencies</b>	<b>Surplus/ (Shortfall)</b>	<b>Realized Gain/(Loss)</b>
1998	\$1.50	\$1.28	\$0.00	\$0.12	\$80,000
1999	\$1.50	\$1.73	\$0.00	(\$0.23)	(\$201,000)
2000	\$2.00	\$2.23	\$0.00	(\$0.23)	(\$191,000)
2001	\$2.00	\$2.52	\$0.00	(\$0.52)	(\$579,000)
2002*	\$2.46	\$2.68	\$0.00	(\$0.22)	(\$217,000)
2003*	\$2.73	\$3.07	\$0.00	(\$0.34)	(\$302,000)
2004*	\$2.73	\$3.38	\$0.00	(\$0.65)	(\$617,000)
2005	\$3.38	\$3.63	\$0.00	(\$0.25)	(\$247,000)
2006	\$3.38	\$4.25	\$0.00	(\$0.87)	(\$962,000)
2007	\$4.25	\$4.52	\$0.00	(\$0.27)	(\$267,000)
2008	\$4.25	\$4.58	\$0.00	(\$0.33)	(\$439,000)
2009	\$4.25	\$4.49	\$0.00	(\$0.24)	(\$312,000)
2010	\$4.50	\$4.40	\$0.00	\$0.10	\$150,000
2011	\$4.50	\$4.98	\$0.00	(\$0.48)	(\$941,000)
2012	\$5.00	\$6.85	\$0.19	(\$2.04)	(\$2,678,000)
2013**	\$7.40	\$7.19	\$0.17	\$0.04	\$1,101,000
2014**	\$7.40	\$5.66	\$0.00	\$1.74	\$2,248,000
2015**	\$5.66	\$7.44	\$0.00	(\$1.78)	(\$2,331,000)
2016**	\$7.44	\$7.60	\$0.00	(\$0.16)	(\$162,000)
2017**	\$7.60	\$7.54	\$0.00	\$0.06	\$58,000
2018**	\$7.54	\$7.84	\$0.00	(\$0.30)	(\$279,000)
2019**	\$6.98	\$7.23	\$0.00	(\$0.25)	(\$185,800)
2020**	\$6.14	\$7.31	\$0.00	(\$1.17)	(\$784,000)
2021**	\$5.72	\$8.23	\$0.00	(\$2.51)	(\$1,751,000)
2022**	\$5.00	\$7.64	\$0.00	(\$2.64)	(\$1,690,000)
2023	\$5.00	\$4.44	\$0.00	\$0.56	\$358,000
2024	\$4.44	\$5.17	\$0.00	(\$0.73)	

\* For the years 2002-2004 three standard contribution rate bands were in place. The values shown for these years represent a weighted average of these bands.

\*\* There was an increase in benefits accrued between January 1, 2013 to December 31, 2021 for members who were active within these dates, such that the benefit earned in each year is based on a Standard Contribution Rate (SCR) of \$5.00 per hour.



**Annual Contributions**

	<b>Standard Contribution Rate Hours</b>	<b>Total Contributions</b>	<b>Contributions as percentage of Solvency Liability</b>
1997	456,100	\$850,400	1.0%
1998	674,100	\$1,192,500	1.3%
1999	1,152,500	\$1,793,100	1.9%
2000	1,199,000	\$2,267,600	2.3%
2001	1,141,300	\$1,495,700	1.5%
2002	1,093,900	\$2,828,700	2.9%
2003	972,300	\$2,668,500	2.6%
2004	999,300	\$3,256,200	2.9%
2005	989,100	\$3,556,500	2.8%
2006	1,105,400	\$4,003,900	3.0%
2007	1,134,600	\$4,939,800	3.7%
2008	1,376,700	\$5,904,100	4.3%
2009	1,623,800	\$7,111,200	4.8%
2010	1,605,900	\$7,293,100	4.5%
2011	1,680,000	\$7,659,800	3.8%
2012	1,435,600	\$7,268,500	3.4%
2013	1,097,900	\$8,172,300	4.3%
2014	1,314,000	\$9,797,000	4.3%
2015	1,294,500	\$7,655,400	3.2%
2016	1,022,400	\$7,595,400	3.2%
2017	875,200	\$6,591,200	2.8%
2018	737,200	\$5,652,000	2.4%
2019	592,000	\$4,147,500	1.7%
2020	669,800	\$4,118,400	1.7%
2021	697,600	\$4,017,200	1.7%
2022	640,000	\$3,224,200	1.6%
2023	639,600	\$3,210,500	1.6%

# 2

## OBJECTIVES OF THE BOARD OF TRUSTEES

The following points summarize the objectives and the mission of the Trustees as they pertain to the Plan Members.

### 1. Security of accrued Retirement Benefits

This is the primary objective of the Trustees and, in general, takes precedence over the other objectives identified below.

Individuals can work their entire careers in preparation for their retirement. One of the advantages of a defined benefit plan is that it provides a Plan member with the ability to determine, in advance, the level of retirement income they will have accumulated at their anticipated retirement date. Such projections can influence an individual's behaviour in many ways, including the extent to which an individual may save for retirement outside of the pension plan.

Accordingly, once a benefit has been provided or promised, it is extremely undesirable to reduce such benefits. In other words, the promise must be sustainable. This would suggest the selection of investments which will deliver more moderate but stable yields over the long term. This approach would not be inconsistent with the adoption of a lower rate of return assumption for funding purposes and taking into account returns on any higher yielding investments predominantly when they are realized. Consistent with the nature of the returns produced by these types of investments, the risks to the Plan and Plan Members are reduced.

### 2. Providing Plan Members with the maximum level of retirement income that can be provided by the employer contributions paid to the Fund plus the investment earnings thereon

Through their participation in the Plan, the members receive part of their total compensation package in the form of contributions to the Plan in lieu of wages. One objective is to provide members with the best possible Retirement Benefits which can be supported by the contributions remitted to the Fund and its investment earnings. This would suggest the selection of investments which will deliver the highest yield over the long term. These types of investments tend to be more volatile which can expose the Plan and members to higher levels of risk.

### **3. Stability of the benefit accrual**

In preparing each actuarial valuation, the total funding requirement per Standard Contribution Rate Hour is calculated and compared to the contribution amount per Standard Contribution Rate. As the average age of the membership, as well as the assumptions used in the calculation of each actuarial valuation may vary, the benefit accrual that can be sustained per Standard Contribution Rate Hour will vary each actuarial valuation.

While it is the intent of the Plan to provide benefits that are sustainable, this may result in a change to the Standard Contribution Rate each and every year. The Trustees will consider the impact of the variability of the rate at each actuarial valuation and whether to defer a change to the rate. This may entail the Plan maintaining a surplus current service cost contribution, or sometimes a contribution amount that would not meet the funding requirements for a promised benefit.

### **4. Achieving equity between various classes and generations of Plan Members**

As stated above, the retirement income provided to individuals participating in this type of pension plan results from deferred wages. In this type of environment, it is desirable to avoid the creation of intergenerational transfers of wealth. For the purposes of the pension plan, a generation is best defined as a group of individuals born, living, and working within the industry at about the same time. Intergenerational transfers occur when contributions of one group and the investment income earned in respect of those contributions are used to provide benefits for another group. Ideally, the contributions of each generation of members, plus the investment income associated with such contributions, should be applied to provide benefits for that generation of members.

At any point in time, the Plan membership consists of different classes of individuals. Members within any class share certain attributes and have traits in common. Examples of different classes include active union members, deferred members, pensioners and their beneficiaries. Where differences in benefits and provisions do exist between the various classes, it is desirable that the differences be reasonable and defensible.

## 5. Distributing the responsibilities of planning for retirement

The retirement income for the majority of Canadians will originate from the following three sources:

- Government provided;
- Employment related; and
- Individual savings.

The government of Canada provides basic retirement income by means of the Canada Pension Plan and Old Age Security. For individuals working within the sheet metal industry, these programs alone are insufficient to maintain the standard of living enjoyed prior to retirement over the individual's remaining lifetime. The remaining shortfall is reduced by the combined retirement income derived from the pension plan and each member's individual savings.

The defined benefit design of the Plan provides members with an estimate of their Retirement Benefit in relation to their expected service in the industry on the assumption that the Plan continues on a going-concern basis. The "locking-in" provisions required under the provincial legislation ensure that the retirement savings are ultimately used to provide periodic income after retirement and protect against the diversion of the funds for other uses. The mandatory nature of the government provided benefits and the negotiated nature of the contributions made to the Plan ensure that individuals will be relatively well prepared for their retirement years. The level of desired retirement income by any individual then dictates to what extent he must supplement these sources of retirement income through savings in individual RRSPs.

# 3

## FINANCING CONSIDERATIONS

### KEY RISK FACTORS AFFECTING THE FUNDED POSITION OF THE PLAN

#### Investment Performance

The financial health of a pension plan is dependent to a significant extent on the relationship between the actual and expected rates of return.

The *Statement of Investment Policies and Procedures* (the “SIPP”) adopted by the Trustees states its main objective is to avoid incurring a solvency deficiency while earning a long-term return that supports the going-concern funded status of the Plan.

Relative to the Plan’s investment performance, the Plan is subject to the following risks:

- Investment returns under-perform the net change in solvency liabilities, and
- Expected returns on the fund are so low that benefits provided towards current contributions are insufficient for member requirements.

#### Activity Levels

In the event the Plan develops a deficit position, a portion of every dollar of contribution received is allocated towards paying off the deficit. The deficit must be amortized over a period of five years in the case of a solvency deficiency. The elimination of the deficit is dependent on the realization of the assumed hours over the remainder of the amortization period. Should the actual hours worked in the future fall short of the expectation, the deficit will not be fully eliminated within the amortization period.

While not currently foreseen, there is the risk the industry will see a permanent decline in activity levels once the industry has matured. Accordingly, the level of risk assumed by the Plan and the Plan members increases with the duration of the amortization period.

The foregoing risk is magnified when you consider that during most periods of declining activity levels, the least experienced members usually see their hours reduced first. Since the least experienced members are typically the younger members, the reduction in hours is usually accompanied by an increase in the average age of the membership and a corresponding increase in the cost of benefits being accrued by members.

#### Defined Contributions

The contributions to the pension plan are defined by the terms, and for the duration, of the collective agreement. The Trustees have no ability to force either the employers or the Plan members to increase contributions over the duration of the collective agreement, nor can they force the

negotiation of higher contributions in future agreements. While there is an implied assumption that the negotiated contribution rate would never decrease, even this aspect is subject to risk.

The total annual contributions as a ratio of the total liabilities provide a measure of risk tolerance. As the ratio of annual contributions to total liabilities increases, the Plan has a greater ability to fund a deficiency as opposed to reducing benefits. While the Plan's ratio of annual contributions to total liabilities increased in the years 2005 through to 2009, it has reduced since that time and remains low.

### **Proper Governance and Management of the Plan**

One of the mission objectives for the Trustees is to ensure good governance of the pension Trust Fund, including the prudent investment of assets and cost effective management. Consistent with best practice, the Trustees have directed the Plan Actuary to conduct an annual actuarial valuation, unless the Trustees decide to opt out for a given year.

In the absence of proper governance and management of the Plan, many of the objectives and goals can be derailed or significantly curtailed. By setting forth guidelines for the Trustees to follow within this policy, along with the recent development of the Trustees governance and policies handbook, much of the governance risk is being mitigated.

# 4

## FUNDED STATUS AND DISCLOSURE

The Plan Actuary shall disclose as part of the actuarial funding report the following information:

- The assumptions and methods used in the calculations;
- The Plan liabilities;
- The current service cost;
- The total funding requirement including the amortization of any unfunded liabilities;
- A statement regarding the adequacy of the negotiated contribution rate vis-à-vis the total funding requirement;
- Where the contributions are insufficient to fund the total funding requirement, the expected funding shortfall over each of the following three years, as well as the aggregate shortfall over the three years; and
- Where an unfunded liability exists, the expected period of time until the unfunded liability will be eliminated (assuming no further changes in the contribution rate or benefit structure).
- The potential impact on the Plan's funding position of selected plausible adverse scenarios in accordance with the CIA Standard of Practice for Valuation of Pension Plans. This is to assist the Trustees in assessing and managing key risks that could impact the Plan, in addition to studies of funding position volatility that are conducted from time to time.

The report shall further disclose the following information:

- A summary of the data upon which the valuation was based;
- A description of the benefits valued;
- The Plan assets on a market value and a smoothed basis, if applicable; and
- Any other disclosure requirements included in the CIA Standard of Practice for Valuation of Pension Plans or the CIA Report of the Task Force on Multi-Employer Pension Plans

It is anticipated that these disclosures will be provided on an annual basis.

# 5

## APPLICATION OF SURPLUS, ELIMINATION OF DEFICIENCIES

### PRINCIPLES

The primary objective of the Trustees at this time is to ensure that a solvency deficiency does not develop in the Plan, i.e. that a Solvency Ratio of at least 100% is maintained. The Trustees will also target a Funded Ratio on a going concern basis of at least 100%. The Trustees recognize that to balance the competing forces of benefit security and inter-generational equity, flexibility will be needed as to the magnitude of surplus that should be maintained in the Fund.

In the event a solvency deficiency develops, the following principles shall apply.

1. One of the primary purposes of the development of this Policy is to minimize the possibility of ever being required to reduce benefits due to funding requirements which cannot be met. If possible, the deficiency should be addressed through the use of active member contributions.
2. Where the benefit reductions are required due to the Plan's funded status, the exact nature of the benefit reductions shall be determined by the Trustees based on various options to be provided by the Plan Actuary, subject to the approval of the Superintendent of Pensions in accordance with the EPPA.

When funds are available to enhance benefits to Plan Members, the following principles shall apply subject to any benefit limitations imposed pursuant to the *Income Tax Act*.

3. In the 1990's, an extremely low ratio of annual contributions to total liabilities made the Plan intolerant to any type of deficiency. In order to protect the accrued benefits of all members, the majority of which were pensioners and deferred pensioners, the Plan adopted an investment policy that took very little risk, and correspondingly provided conservative returns for the Plan. This reduction in risk resulted in the benefits provided for a given contribution being less than had a riskier return being adopted.

Over the years, the investment policy has introduced some moderate investment risk, but the continued decline in the long term expected return of the Plan has resulted in active members with a smaller pension accrual per contribution.

The active membership also carries the greatest burden in the event of deficiency developing.



It is the intent of the Trustees, when sufficient surplus exists, to supplement the current service accrual of the active membership.

Whenever possible, current service accrual should remain at a relatively constant level.

While the active membership will carry the largest burden in the event of poor investment experience, there is an underlying risk that all benefits could be reduced in the event of poor investment experience. These include the benefits belonging to pensioners, beneficiaries and deferred pensioners.

It is the intent of the Trustees to consider increases to the benefits of each class of Plan Members in a fair and equitable manner.

## BENEFITS POLICY

In the event the Solvency Ratio is greater than 112%:

- The Trustees will not provide benefits in respect of current contributions that would be expected to reduce the Solvency Ratio below 112% within three years;
- The Trustees will not, except in special circumstances, provide benefits in respect of current contributions that would be expected to incur funding liabilities more than 133% of the current contributions, subject to the requirements of the EPPA;
- The Trustees shall periodically, but not less frequently than every third year, examine the impact of possible past service benefit enhancements to all classes of Plan Members; and
- The Trustees will make no past service benefit enhancements that would cause the Plan to have a Solvency Ratio less than 112%.

In the event the Solvency Ratio is greater than 100% and less than 112%:

- The Trustees will not provide benefits in respect of current contributions that would be expected to reduce the solvency ratio below 100% within three years;
- The Trustees will not provide benefits in respect of current contributions that would be expected to incur funding liabilities more than 100% of the current contributions, except when the going concern funded ratio exceeds 105% and subject to the requirements of the EPPA; and
- The Trustees will make no past service benefit enhancements.

In the event of a Plan deficit:

- The Trustees will reduce benefits in respect of current contributions so that a portion of each contribution will be used to fund the Plan deficit in accordance with the EPPA;
- The Trustees will not provide benefits in respect of current contributions that would be expected to incur funding liabilities less than 67% of the current contributions; and
- The Trustees shall reduce accrued benefits only in the event current contributions cannot be expected to eliminate the deficiency within the time frame set in the EPPA.

This policy has been set based on the Trustees' risk tolerance given the Plan's current SIPP and ability to eliminate solvency deficiencies through means other than benefit reductions. It is the intent of the Trustees to review this policy at least every year, or at a sooner date if there is a material change to the SIPP.

# APPENDIX A

## GLOSSARY OF TERMS

“**Active Plan Member**” shall mean all Employees for which an Employer is making contributions.

“**Actuary or Plan Actuary**” shall mean a person or firm retained by the Trustees who is, or one of whose employees is, a Fellow of the Canadian Institute of Actuaries.

“**Commuted Value**” shall mean, in relation to benefits that a person has a present or future entitlement to receive, a lump sum amount which is the actuarial present value of those benefits computed using rates of interest, the actuarial tables and other assumptions that are adopted by the Trustees on the recommendation of the Actuary for purposes of the Plan, subject to any requirements of the *Employment Pension Plans Act* and the *Income Tax Act*.

“**Effective Date of the Plan**” shall mean October 1, 1972.

“**Employee**” shall mean any person who is covered by a collective bargaining or other agreement that requires contributions be made by an Employer to the Plan.

“**Employer or Participating Employer**” shall mean an employer who required to contribute to the Plan as part of a collective bargaining or other agreement.

“**Employment Pension Plans Act or EPPA**” shall mean the *Employment Pension Plans Act, Statutes of Alberta, 2012*, chapter E 8.1, and the Regulations there under, as amended or replaced from time to time.

“**Funded Ratio**” shall mean the ratio of the actuarial value of the assets to the total accrued liabilities as determined under the results of a going-concern actuarial valuation.

“**Inactive Plan Member**” shall mean all members who remain entitled to a benefit after cessation of active membership, whether by termination or retirement.

“**Income Tax Act**” shall mean the *Income Tax Act, Revised Statutes of Canada, 1985*, chapter 1, Fifth Supplement, and the Regulations there under, as amended or replaced from time to time.

“**Plan**” shall mean The Alberta Sheet Metal Workers’ Retirement Trust Fund.

“**Plan Member**” shall mean all Employees for which an Employer is making contributions, and all members who remain entitled to a benefit after cessation of active membership.

“**Plan Year**” shall mean the twelve month period from January 1 to the succeeding December 31.

**“Retirement Benefit”** shall mean any payment provided for in accordance with the Plan.

**“Solvency Ratio”** shall mean the ratio of the market value of the assets (net of any termination expenses) to the total solvency liabilities as determined under the results of a solvency actuarial valuation.

**“Specified Multi-Employer Plan or SMEP”** shall mean a pension plan administered for Employees of two or more Participating Employers for which a board of trustees is the administrator, the plan is maintained pursuant to contributions required under a collective agreement and the number of trustees representing Employees must not be less than the number representing the Participating Employers.

**“Standard Contribution Rate”** in respect of any Plan Year shall be the applicable hourly rate as defined in the Plan.

**“Standard Contribution Rate Hour”** of a Plan Member in a Plan Year means a number of hours, determined by dividing the total contributions of Employers to the Plan on behalf of that Plan Member in that Plan Year by the Standard Contribution Rate.

**“Trust Account”** shall mean the fund maintained to provide benefits under or related to the Plan.

**“Trust Agreement”** shall mean the Agreement and Declaration of Trust made and entered into on April 1, 1972, as amended or replaced from time to time.

**“Trust or Trust Fund”** shall mean the trust established by the Trust Agreement.

**“Trustees”** shall mean the Board of Trustees of the Fund, whose duties shall be that of the administration of the Plan and the Trust Account, and whose members shall be appointed pursuant to the applicable provisions of the Trust Agreement.

**“Union”** shall mean the Sheet Metal Workers’ International Association Local Union No. eight and includes its predecessors, Local 588, Local 254 and Local 271; and its successors and assigns.

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