

IATSE Local 873 Health & Welfare Trust

2012 Annual Report



KEEPING YOU IN THE LOOP

Welcome to the 2012 annual report for the IATSE Local 873 Health & Welfare Trust. The Trust has now been up and running for well over a year. During that time, our Board of Trustees has been working hard to ensure you have the benefits coverage you need. This report summarizes our progress to date and provides a snapshot of the plan's current financial health. It also provides a quick refresher on how the plan is run.

Your IATSE Local 873 benefits plan provides you and your family with valuable protection. To make the most of it, however, you need to understand how it works. We encourage you to read this report – and the plan booklet – to learn more about your plan.

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ABOUT THE TRUST

Like the benefits plans of most large IATSE locals, our plan is run by a trust. The IATSE Local 873 Health & Welfare Trust was established in November 2011, following approval by union members at the October 2011 general meeting.

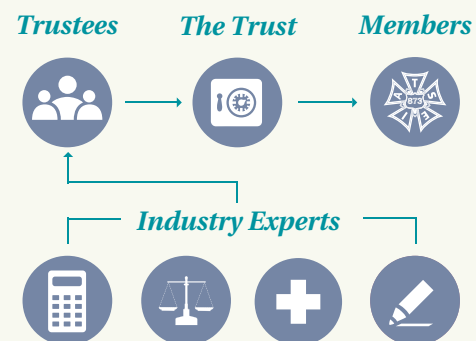
The Trust is responsible for overseeing all operations of the plan, including investment of the plan's assets. Because it is a separate legal entity, the Trust operates at arm's length from IATSE Local 873. Before the Trust was created, the plan and its assets were managed by the Local.

The Trust is governed by a five-member Board of Trustees. The current Board is made up of the Local 873 President, the Local 873 Treasurer, and three other trustees who are not members of the Local's executive board (referred to as trustees-at-large). This initial group of trustees was appointed to help launch the Trust; however, elections will be held for all five trustee positions in December 2013.

It's important to note that trustees have a legal duty to act in the best interest of plan members – not the union or any other group. While trustees are not paid for their role, they are reimbursed for reasonable expenses. They also participate in regular education sessions to ensure they remain up to date with current standards in the benefits industry.

To help ensure the plan is properly managed, the Board of Trustees hires the services of various experts, including an auditor, lawyer, benefits consultant, and investment consultants. It also delegates part of the plan's administration to J&D Benefits Inc.

Certain benefits offered under the plan – such as health, dental and short-term disability benefits – are self-insured by the Trust. This means claims are reimbursed directly from the assets of the Trust. Other benefits – such as life insurance – are insured with Great-West Life. Together, these insured and self-insured benefits provide members with a comprehensive benefits package.



Message from the Trustees

2012 was a very successful year for the Trust. We accomplished a great deal in a short period.

The Trust was formally launched on January 1, 2012. By the end of 2012, we had:

- Introduced a number of plan improvements, including improved drug coverage and better dental coverage.
- Joined the IATSE Canada Health Plan – allowing us to leverage the group’s bulk buying power to achieve savings on group insurance costs.
- Paid out more than \$4.0 million on everything from drug claims to life insurance premiums – ensuring members have the benefits coverage they need.
- Offered a 30-day “open enrolment window” during which all members in good standing who were not already part of the plan had an opportunity to join.

The 2011/2012 plan year was also a busy year for members. Various productions across the region helped keep work levels high. As a result, 85% of members had enough employer contributions to fully cover the cost of their plan membership.

For details on our achievements in 2012, read 2012 in Review on page 3

Growing our assets

A key responsibility of the Trust is to protect and grow the plan’s assets. Contributions that aren’t needed right away to cover benefit costs are invested to generate investment income, which is used to help cover plan costs. Investment income can also be used to improve the benefits offered to members.

2012 was a relatively good year for investment income. Many plans saw positive investment returns and our plan was no exception. We generated a return of 5.74% – despite the challenges of low interest rates, continued market volatility, and a slower-than-expected economic recovery in the developed world.

Thanks to high work levels, steady contributions, and favourable investment returns, we ended 2012 with a surplus of \$387,848. Surplus funds are what’s left after we subtract plan expenses from plan income (including contributions and investment income). Surplus funds provide an important financial cushion that can be used to help pay plan expenses in the future when benefit costs go up, investment returns go down, and/or work levels decline.

Moving forward in 2013

The plan’s strong financial position has enabled the Board of Trustees to move forward with a number of new initiatives aimed at serving members better. For example, since the start of 2013 we have:

- extended the short-term disability period to 30 weeks;
- added contact lenses and laser eye surgery as eligible vision care expenses;
- increased coverage for generic drugs to 100%;
- increased the maximum for a number of paramedical services to \$1,000;
- expanded dental coverage to include orthodontics, periodontics and endodontics; and
- added coverage of smoking cessation drugs and preventive vaccines.

Focusing on good governance

While providing quality benefits coverage is a priority, it is not our only focus. Efficient plan administration and effective member service are also key priorities for the Trust. With this in mind, the Board of Trustees transferred part of the administration of the plan to J&D Benefits Inc. in March 2013. As administrator for the IATSE Canada Health Plan, J&D Benefits offers a number of behind-the-scenes efficiencies. They also provide members with access to a call centre (905-477-7088) and a convenient online re-enrolment tool.

The Board of Trustees is also committed to effective plan governance. To that end, trustees continue to take advantage of educational opportunities to stay up to date with industry best practices. Three trustees have earned their Foundations of Trust Management Standards certificate from the International Foundation of Employee Benefit Plans (IFEFP), while two others have received equivalent certification. Two trustees have recently received their Advanced Trust Management Standards certificate from IFEFP.

In short, the Trust is now well established and in good shape. Given our strong governance framework, solid investment strategy, and flexible plan design, we believe the Trust is well-prepared to protect the interests of plan members.

Sincerely,

Your Board of Trustees

2012 in review

- ▶ We offered a 30-day “open enrolment window” for extended health, drug and dental coverage. The window was open to all members in good standing not already part of the plan. More than 200 members used the window to join the plan.
- ▶ We joined the IATSE Canada Health Plan. Membership in the 12,000-member national plan allows us to:
 - take advantage of the group’s bulk buying power, saving us about \$40,000 a year in group insurance premiums;
 - offer members optional life coverage – in addition to their regular coverage; and
 - offer members access to a Great-West Life call centre dedicated to IATSE members (you can reach the call centre at 1-855-729-1839).
- ▶ We introduced a number of plan improvements. During 2012, we:
 - Added catastrophic drug coverage. The plan now covers 100% of drug claims (including claims for brand-name drugs) once you’ve reached the annual maximum for co-payments.
 - Raised the reimbursement for generic drugs to 90% from 80% (in 2013, it was increased again to 100%). Reimbursement for brand name drugs remains at 80%. Using generic drugs generates savings that are re-invested to provide members with improved coverage.
 - Increased the dispensing fee cap to \$9.50.
 - Added major restorative dental coverage (crowns, bridges and dentures). The plan now pays 60% of major restorative dental costs, up to an annual maximum of \$2,000 per person per calendar year.
 - Increased the weekly rate for short-term disability to \$485 from \$468.
 - Increased health spending account allocations for the 2012/2013 plan year to \$500 for single, \$800 for couple and \$1,000 for family.
 - Eliminated the need for medical evaluations prior to enrolling in the health and dental plan.
 - Introduced a contribution rollover. Members with surplus employer contributions in one year can now “roll” the excess into the next year and, if needed, use them to pay for any coverage “top up”. The rollover helps prevent the loss of extended health coverage caused by a work interruption.

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INVESTMENTS

Annual rate of return for 2012

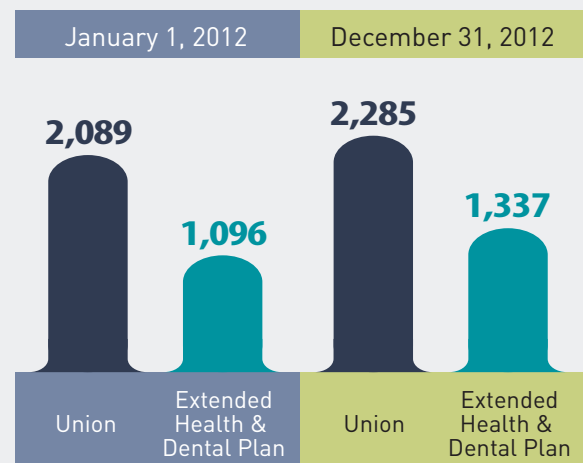
5.74%

ASSET MIX

%	December 31, 2012	\$
46.9%	Bonds	\$2.90M
29.5%	Equities	\$1.82M
9.6%	Real estate funds	\$0.60M
5.6%	Money market	\$0.35M
5.4%	Dividend funds	\$0.33M
3.0%	Resource funds	\$0.19M

Based on total assets of
\$6.19 Million

CHANGE IN MEMBERSHIP



- Introduced a 50% rate reduction – for up to three years – for members of the extended health benefit plan on distressed dues status for more than one year.
- ▶ We achieved a 5.74 % investment return on the assets held by the Trust during 2012.
- ▶ We adopted a *Statement of Investment Policies and Procedures*. This document outlines how and where the assets of the plan can be invested and sets performance expectations.
- ▶ We monitored the plan's investments on an ongoing basis to ensure they meet performance expectations. Adjustments were made as appropriate.
- ▶ Our trustees took advantage of educational opportunities to ensure they are up to date with best practices in the benefits industry.

Benefit costs in 2012

(reimbursements and premiums)

Prescription Drugs	\$850,819
Vision Care	78,560
Other Health	660,873
Dental	1,145,277
Health Spending Account	259,565
Short Term Disability	169,765
Life Insurance	455,048
Critical Illness Insurance	258,405
Accidental Death & Dismemberment	30,400
Death Benefit	28,000
Member Assistance Plan	45,217
Total	\$3,981,929



Who runs the Trust?

Board of Trustees

Joe Fraser, *Chair*
 David Charles, *Vice-Chair*
 Pauline Chung
 Wayne Goodchild
 Lisa Russo (Pacitto)

Plan administrator

J&D Benefits Inc.

Board advisors

Auditor – Baratz, Judleman, Preisz, Pajak
 Legal – Koskie Minsky LLP
 Benefits consultant – Ideal Benefits
 Actuary – Eckler Ltd.

Statement of changes in net assets

(for the year ending December 31, 2012)

Balance at beginning of year	\$ 0
Income & contributions	
Contributions from employers	8,722,252
Contributions from members	506,565
Investment income	145,085
Total income & contributions	9,373,902
Disbursements & expenses	
Increase in claim reserves	2,938,985
Increase in dollar bank reserves	1,725,132
Benefit premiums and payments	3,981,929
Administration fees	268,757
Investment management fees	10,004
Other expenses	61,247
Total disbursements & expenses	8,986,054
Surplus at December 31, 2012	\$ 387,848

Want more information?



Check out the Health & Welfare Trust website at www.873healthplan.com or refer to the detailed benefits booklet prepared by Great-West Life.

About this bulletin

This annual report is intended to inform members of the IASTE Local 873 Health & Welfare Trust about certain aspects of their benefits plan. Complete descriptions of the plan can be found in the official plan documents. Care has been taken to provide an accurate summary of plan features, the financial status of the Trust, and the work of the Trust. If there are any differences between the information contained in this report and legal documents, the legal documents will rule. While it is our intention to continue the plan indefinitely, the Board of Trustees reserves the right to change, amend or terminate the plan at any time, and may be required to do so if there are changes in legislation.