

# NOTICE

## To Members and Former Members Entitled to Benefits from the Teamsters and Toronto & Vicinity Ready-Mix Producers' Pension Plan (the Plan)

Registration Number: 0395152

**This letter is for your information. It does not require any action on your part.**

The Board of Trustees wishes to inform you that an actuarial valuation of the pension plan was recently completed to report on the financial position of the Plan as of December 31, 2024. As required by pension legislation, this valuation was conducted on two bases.

The first, which is called the going concern valuation, assumes that the Plan will continue indefinitely, in accordance with the intentions of the Trustees. On a going concern basis, the contributions and current assets together with future investment earnings are expected to be sufficient to cover the cost of all future benefits.

The second basis is called the solvency valuation. This valuation assumes the Plan ceases to operate, liquidates all its investments and pays out all benefits as of the valuation date (this is called a wind up or plan termination). *There is no intention whatsoever to wind up the Plan – the results are purely hypothetical and only reported on this basis to comply with pension legislation.* As with many pension plans today, this basis shows that the Plan would have faced a shortfall (a solvency deficit) if it had been wound up on the valuation date. Pension legislation provides that most pension plans that report a solvency shortfall that cannot be made up through future contributions must either increase contributions or reduce benefits. This requirement does not apply if the Plan is granted Specified Ontario Multi-Employer Pension Plan (SOMEPP) status. This special SOMEPP status is granted upon request to multi-employer pension plans like this one, where there is very little chance that the Plan will be terminated.

The Board of Trustees have elected for the Plan to be a Specified Ontario Multi-Employer Pension Plan in accordance with section 6.01 of the Ontario Pension Benefits Regulations.

**As this election has been made, benefits will not be reduced.**

The decision to become a SOMEPP does not change the amount of money coming into the Plan (because contribution rates are set by the collective agreements) and it does not change the amount of funding available for benefits. On a going concern basis, the latest valuation shows that the contributions and assets are sufficient to provide the benefits provided for under the Plan. However, in the unlikely event that the Plan were to be terminated, benefits would have to be reduced.

The transfer ratio was 0.97 as of December 31, 2024. This means that if the Plan had wound up as of December 31, 2024 benefits would have been reduced by 3%. Again, as this is a multi-employer plan, the likelihood of Plan termination is very low.

If you have further questions, you may contact the Administrative Agent for the Plan.

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## **SOMEPP Notice: Some Background Information**

### **What's a valuation?**

It's a financial check-up of the pension plan. As a registered pension plan providing target benefits, our Plan must file a valuation with the Ontario pension authority (FSRA) at least every three years. The most recent one was effective December 31, 2024.

Valuations are done by actuaries, independent professionals with special expertise in this area. They use commonly accepted methods and assumptions to assess whether the plan's assets are sufficient to meet its obligations to pay benefits, both now and in the future. They consider information already known for certain (e.g., members' ages and accrued benefits, the plan's benefit formula, the fund's assets, and employers' current contribution rates). They also make very long-term, conservative assumptions about what will happen in the future (e.g., at what age will members retire? how long will they live after they retire? how much investment income will the fund earn, on average, while members are building up and eventually receiving their benefits?)

### **What's a going concern valuation?**

This kind of valuation assumes the pension plan will keep operating indefinitely. It takes a long-term view, recognizing that pension benefits are typically earned, funded and paid out over many years. For example, a member may earn benefits over 30-40 years and receive a pension for another 25+ years. Similarly, the plan's assets are expected to have many years in which to accumulate and earn investment income. On this basis, short-term fluctuations in investment results are not very important - it's the overall long-term rate of return that matters.

### **What's a wind-up/solvency valuation?**

A wind-up/solvency valuation looks at what would happen if the plan were wound up immediately. As required by provincial law, it takes a very short-term approach and measures the level of benefit security in case a plan is suddenly terminated. This could be a real concern with a single-employer plan, but is less likely in a multi-employer pension plan like ours where many employers are involved and contribution rates are set out in negotiated agreements.

### **Should we be concerned about the shortfall?**

It's not unusual for pension plans to have a solvency shortfall. In fact, most pension plans of this type have solvency shortfalls these days, some significantly larger than this Plan's shortfall.

The solvency valuation is just one measure of a pension plan's financial health, and doesn't actually fit the situation of a multi-employer pension plan, where plan windups are very rare due to the fact that there are so many different employers participating in the funding of the plan. ***Our Plan is expected to continue to operate well into the future.***

### **How healthy is our Plan?**

Based on the going-concern valuation, the contributions and current assets together with future investment earnings are expected to be sufficient to cover the cost of all future benefits.

Our Pension Fund is invested for the long term, so time is on our side. It's diversified among various asset classes, designed to withstand short-term market fluctuation. Since the Plan began many years ago, the Fund has come through many cycles of market volatility.