CARPENTRY WORKERS PENSION PLAN

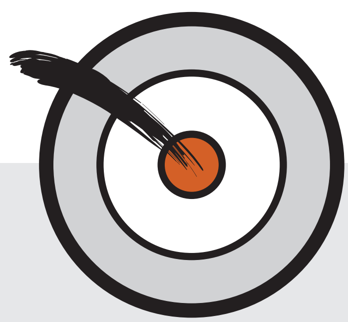
Your Pension Plan Update

It’s official: the transition to a Target Benefit Plan is now complete

We recently completed a valuation that concludes the transition of your Carpentry Workers’ Pension Plan (“CWPP”) to a Target Benefit Plan. The valuation results show your plan is in a strong financial position.

In fact, we’re able to improve your benefits!

Read on for details



Refresher

What is a Target Benefit Plan?

Target Benefit Plans were introduced as part of B.C. pension legislation in 2015. Since then, many administrators of pension plans like yours have made the decision to transition to a Target Benefit Plan to help improve long-term sustainability.

The CWPP started this transition in early 2016, and it was completed in March 2017. The transition will allow your plan to better withstand short-term financial fluctuations and help ensure stable benefit levels.

As you’ll recall, this transition did not affect the plan provisions – your pension continued to accumulate the same way, using the same formula. What changed was the way we measure the funded status of the plan.

Please refer to your at-a-glance plan summary and frequently asked questions document, which were mailed to you in June 2016, or visit the plan website at **www.cwbp.ca**

June 2017

How benefits are improving

As a result of the plan's strong financial position, the Trustees have passed a motion to improve benefits, while continuing to ensure that the plan is sustainable over the long-term.

Did you accrue pension in the plan prior to July 1, 2010?

On September 1, 2017, your **accrued pension** will increase for service **prior to July 1, 2010**

2.2%

Increase for **active members** and **deferred members** on **September 1, 2017**

EXAMPLE		
Accrued monthly pension	***Before* improvement**	***After* improvement**
• For service *before* July 1, 2010	$200.00	$204.40 ***increase*** of $4.40
• For service *after* June 30, 2010	+ $150.00	+ $150.00 (no change)
• Total pension	= **$350.00**	= **$354.40**

4.4%

Increase for **members receiving a pension** **on September 1, 2017**

EXAMPLE		
Accrued monthly pension	***Before* improvement**	***After* improvement**
• For service *before* July 1, 2010	$250.00	$261.00 ***increase*** of $11.00
• For service *after* June 30, 2010	+ $50.00	+ $50.00 (no change)
• Total pension	= **$300.00**	= **$311.00**

Accrued pension

The amount of pension you've earned based on your reported hours while you were a plan member, adjusted for historical benefit reductions, if applicable.

Will you accrue pension in the plan after June 30, 2017?

5.4¢

New, increased **accrual rate** for hours worked after June 30, 2017

	Accrual rate
• *Before* July 1, 2017	5¢ per hour worked
• *After* June 30, 2017	5.4¢ per hour worked

Accrual rate

Used to calculate the pension you earn for each hour worked. It can go up or down depending on how much money your employer contributes to the plan and the financial health of the plan.

The accrual rates shown are based on standard contribution rates – if the negotiated contribution rate for your employer is different than the standard contribution rate, your accrual rate will be prorated accordingly.

Q. Why are the benefits improving in this way?

The Trustees carefully considered a number of factors when determining how to improve benefits in a way that is fair to plan members. Benefits for service prior to July 1, 2010 are increasing in light of the plan's historical benefit reductions, with a focus on retired members who did not necessarily benefit from the increase in the accrual rate to 5¢ per hour worked on July 1, 2011. Combined with the increase in the accrual rate effective July 1, 2017, the Trustees determined that the improvements presented here are both equitable and sustainable.

Q. What will the benefit improvements mean for YOU?

Watch out for your annual pension statement, mailed to active and retired members each fall. Your June 30, 2017, statement will show the breakdown of your accrued pension for service before July 1, 2010, and after June 30, 2010, and your June 30, 2018, statement will reflect the impact of the benefit improvement.

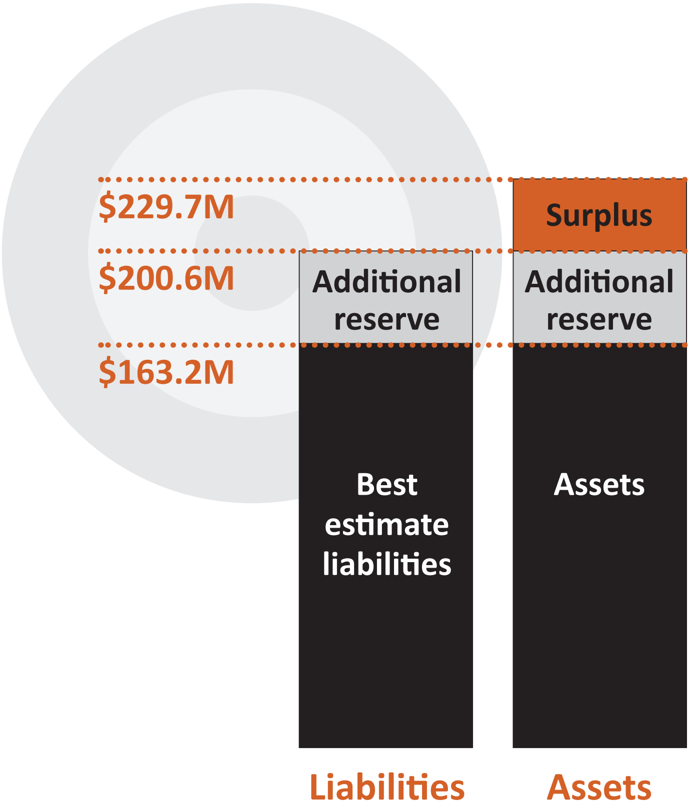
The plan's financial position is strong

The plan's funded status depends on reported hours, benefit payments, interest rates and investment performance. The Board of Trustees reviews the funded status of the plan through regular valuations that compare the plan's assets and liabilities.

June 30, 2016 valuation results

The last valuation was completed as at June 30, 2016, using the funding rules that apply to a Target Benefit Plan. These rules require the plan to hold an additional reserve to protect against adverse experience, such as lower-than-expected investment returns, interest rates and reported hours.

As at June 30, 2016, the funded ratio of the plan is 114.5% after reflecting the additional reserve, which indicates a comfortable surplus (i.e., the plan has more than enough funds to pay for all benefits). This is thanks to strong investment returns, stable demographics and consistent reported hours. In addition, the plan is well positioned to withstand fluctuations in market conditions and increased life expectancy in the future.



How is the plan invested?

In 2016, the Trustees commissioned an asset liability study to optimize the investment strategy under the new Target Benefit Plan funding rules, which allow for a longer-term investment focus. As a result of the study, the plan's target asset allocation will be updated to realign the investment strategy with the funding objectives and requirements of the new plan structure. The new target asset allocation will include a diverse mix of equity, fixed income, and alternative investments such as real estate, mortgages, and infrastructure.

What does the future look like?

The Trustees are committed to helping ensure you have a secure, comfortable retirement. By carefully managing the plan's risks and realigning the plan's investment strategy, the Trustees have improved benefits to levels that are sustainable over the long-term. The Trustees will continue to monitor the financial health of your plan to ensure a high level of benefit security, with the next full valuation scheduled to be completed as at June 30, 2019.

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