

**Alberta Sheet Metal
Workers' Retirement
Trust Fund**

The Soldering Iron: July 2008

Alberta Sheet Metal Workers'
Retirement Trust Fund
4990 93 Avenue
Edmonton AB T6B 2L6

Phone: 780-466-1999
Fax: 780-466-2095
Toll-Free: 1-800-642-3881 (AB Only)
www.absheetmetalpension.com

Regular Office Hours:
8:30 a.m. to 12 Noon and
1:00 p.m. to 4:30 p.m.
Monday to Friday



Plan Performance

As of June 30, 2008

Plan assets: **\$144,012,868**
(market value)

Rate of return:

1-year: **3.02 %**
4-year (avg): **9.02 %**

THE SOLDERING IRON

Valuation Results

The Board of Trustees received the actuarial valuation as of December 31, 2007. The valuation measures the cost of all liabilities (promised benefits) to determine if the fund assets are enough to cover all liabilities. We are pleased to report that the Fund has sufficient assets to cover all benefits promised to and for 2007.

Three distinct calculations are performed for the valuation - Going Concern, Solvency, and Current Service Cost.

1. **Going Concern Financial Position**—This calculation assumes the Plan will continue to infinity receiving contributions and paying pension to retirees, along with all other ancillary benefits. The Actuary uses assumptions that conform with the Canadian Institute of Actuaries regarding demographics, mortality, interest rates, and other factors.
2. **Solvency Financial Position**—This calculation assumes the Plan was wound up on the date of the valuation. Legislation requires this calculation to determine if the fund is financially sound at that snap shot point in time. The Actuary uses assumptions that must reflect market conditions as at the date of the valuation.

The **December 31, 2007** Valuation Reported these two calculations as follows:

	<u>Going Concern</u>	<u>Solvency</u>
Fund Assets	\$146,476,000	\$145,676,000
Fund Liabilities	\$131,266,000	\$133,686,000
Funding Excess (Or Deficiency)	\$ 15,210,000	\$ 11,990,000
Funding Ratio	111.5%	109%

The Board of Trustees' current Funding & Benefits Policy states that the primary objective of the fund is the security of promised benefits; to at all times protect all benefits promised to all vested Plan Members. To obtain this objective, the Board has agreed that no plan improvements be made if the **Solvency** ratio is below 107%. As of December 31, 2007 this ratio is at 109% however, at the time the Trustees reviewed the report the market fluctuations that occurred over the six months in 2008 caused the Actuary to report that this number is likely back down to 107%, therefore, the Board made no directive for plan improvements primarily due to the volatility of the markets.

Cont'd on page 3

Provincial Collective Agreements Pension Contribution Rates

The Agreements provide that the Contractors submit pension plan contributions on your behalf effective May 4, 2008 as follows:

Commercial Sheet Metal Workers:	\$3.45 / Worked Hour
Commercial Sheeters & Deckers:	\$3.45 / Worked Hour
Industrial Sheet Metal Workers:	\$4.50 / Earned Hour
Industrial Sheeters & Deckers:	\$4.70 / Earned Hour

If you work for an Employer with an Individual Agreement the rate per hour paid on your behalf may differ from the above standard agreement rates.

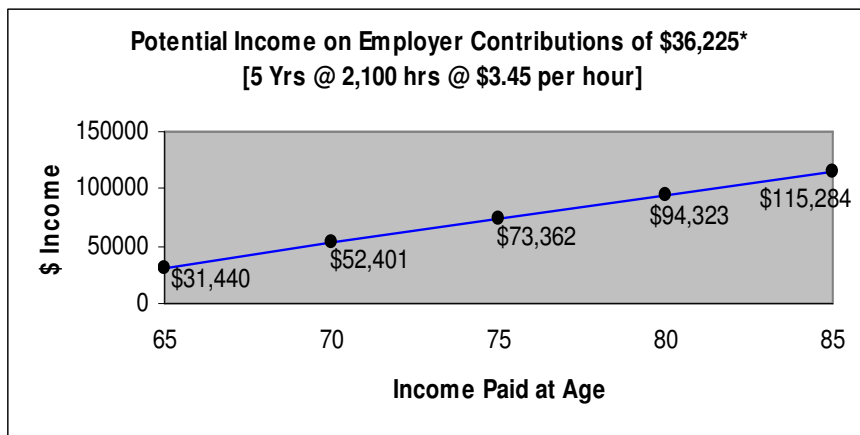
To date, in 2008, the Pension Fund has received 26 different rates as noted on to the right. All hours received are converted to \$4.25 per hour (less 1% to the Funeral Benefit Plan) and you earn 4.14 cents for each standard contribution rate hour.

If you work 2,100 Hours in a year:

- ↪ **at \$3.45 / hr you earn \$69.87 per month lifetime pension***
-Your Employer(s) would pay \$7,245.00 [\$36,225 over 5 yrs - see chart]
- ↪ **at \$4.50 / hr you earn \$91.13 per month lifetime pension****
-Your Employer(s) would pay \$9,450.00
- ↪ **at \$4.70 / hr you earn \$95.18 per month lifetime pension*****
-Your Employer(s) would pay \$9,870.00

If you have **5 years of employment** at the same rate and hours you would receive a retirement income at age 60 of:

- ↪ **\$349.35 / mth for your life; and \$174.68 to age 65 *** [see chart]
- ↪ **\$455.65 / mth for your life; and \$227.83 to age 65 ****
- ↪ **\$475.90 / mth for your life; and \$237.95 to age 65 *****



*Lifetime Pension is payable **unreduced** at age 60 and a **supplementary pension is also earned equal to 50%** of the lifetime pension. Supplementary pension is **paid until age 65**. You can retire as early as age 55 however at a reduced amount and **no** supplementary pension is earned. If you retire at age 57 or later the reduction is 3% per year (maximum of 9%); reduction to supplementary pension is also 3% per year.*

The Pension Planner

Statistics as at June 30, 2008:

Membership

	Total	Average Age
Active Members*	1,237	38.13
Inactive Members	1,019	49.62
Pensioners / Survivors	988	65.9
Total	3,244	

*of which 745 had over 100 hours reported in 2008 to date (60 % substantially employed)

Hours of Contribution

Jan to June 30/07: 557,537
Jan to June 30/08: 570,847

2008 Contribution Rates Received To Date:

\$0.26/hour	\$3.45/hour
\$1.44/hour	\$3.70/hour
\$1.55/hour	\$3.75/hour
\$1.75/hour	\$4.25/hour
\$2.00/hour	\$4.50/hour
\$2.08/hour	\$4.70/hour
\$2.24/hour	\$4.86/hour
\$2.50/hour	\$4.90/hour
\$2.65/hour	\$5.50/hour
\$2.70/hour	\$5.57/hour
\$2.80/hour	\$5.64/hour
\$2.93/hour	\$5.69/hour
\$3.20/hour	\$6.20/hour

Valuation Resultscontinued from front page

3. Current Service Cost—The third calculation is the average cost per hour to provide “future” earned benefits to all **active** Plan Members who currently have employer contributions submitted to the fund on their behalf.

The December 31, 2007 Valuation reported this calculations as follows:

	2008	2007
Total Current Service Cost:	\$4,971,000	\$4,128,000
Divided by Assumed SCR Hour for the year:	1,084,900	912,800
Average Cost per SCR Hour:	\$4.58	\$4.52
*Standard Contribution Rate Hour:	\$4.25	\$4.25
Contribution Shortfall:	\$0.33	\$0.27

Effective January 1, 2007 the current Standard Contribution Rate (SCR) was set at \$4.25 due to the valuation report as of December 31, 2005 [received in 2006], which reported a shortfall of 87 cents. The average cost per hour for 2008 is \$4.58, therefore, there is a current contribution shortfall of 33 cents per hour. In other words, for each hour converted to \$4.25 the Plan pays 33 cents more to provide the benefit earned and promised in 2008; the Active Plan Members are being subsidized by 33 cents for each Standard Contribution Rate Hour.

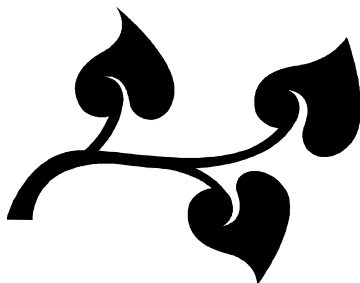
The Board’s current policy is to make no change to the SCR unless the shortfall is greater than plus or minus 10%. Therefore, the SCR will remain at \$4.25 per hour for 2008.

Based on the Alberta Superintendent of Pension Annual Report as at June 30, 2007, your Pension Plan was more securely funded on a solvency basis than 85% of the specified multi-employer pension plans registered in Alberta.

In summary, your Pension Plan funding is in a very positive position; the best it has been for many years.

In Remembrance...

On behalf of the Board of Trustees, Administration Staff and the Plan Membership, we extend sincere condolences to the families of ~



- | | | |
|-------------------|----------------|-----------------|
| Andre Chasse | Bertrand Ducas | Walter Duda |
| Shigero Goshinmon | Wally Grohn | Jeanette Jones |
| Ian McQueen | Duncan Milmine | Richard Paynter |
| Robert Powell | Rocky Sawchuk | Frank Szautner |
| Gordon W Taylor | John Watters | G Gordon Wilson |

How Do the Pension Plan and an RRSP Compare?

While the Alberta Sheet Metal Workers' Retirement Trust Fund (the Pension Plan) and an individual RRSP share some things in common – they both accumulate assets to be used to provide income in retirement, for example – they are quite different in other ways.

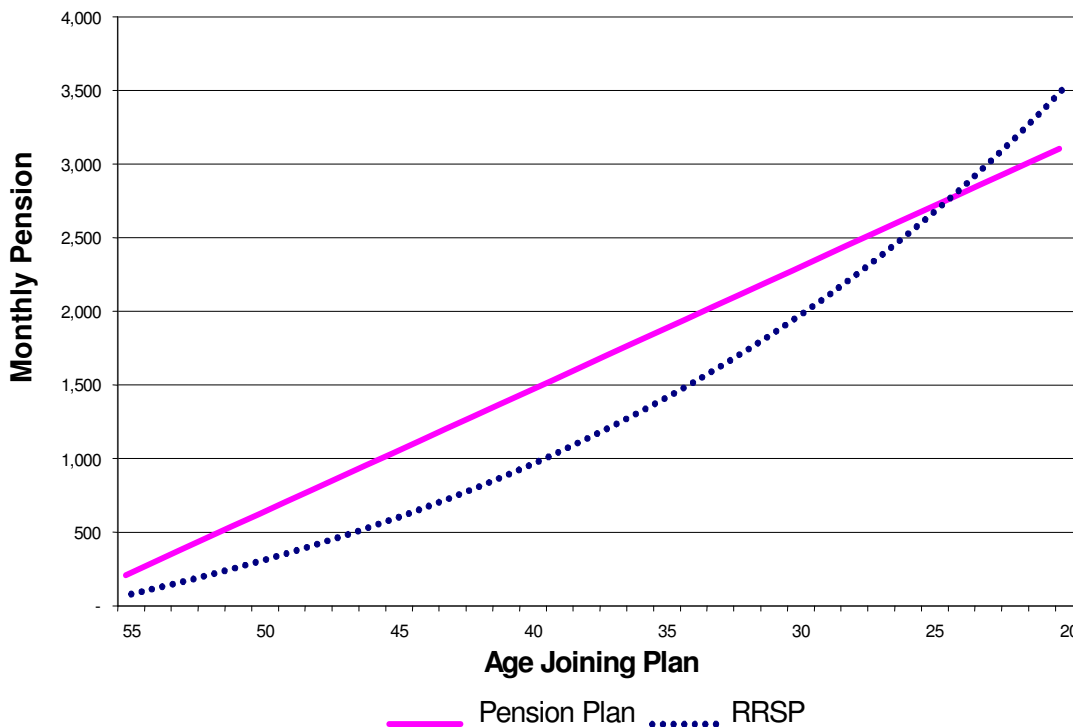
The Pension Plan receives and invests money collectively on behalf of the entire group of members, and provides benefits on a defined benefit formula basis. The Trustees hire investment managers and other professional advisors to manage the investment of the entire fund, for the benefit of all.

An RRSP, on the other hand, receives and invests money on behalf of a single individual. The individual member decides how the funds are invested – this might be just once when deciding which financial institution's RRSP to buy, or continuously by directing all investment trades, or somewhere in between by retaining the services of a investment advisor. At retirement, the individual member also decides how to manage the retirement income, whether by taking periodic cash withdrawals or buying an annuity.

So, the same amount of money paid into the Pension Plan or into an RRSP could produce quite different retirement incomes, depending largely on the investment and other decisions the individual member makes.

If we consider a hypothetical individual who chooses to invest his / her RRSP funds like the way the Pension Plan is invested, and who chooses to retire at age 57 and buy an annuity that matches the form of pension provided by the Pension Plan, then we can compare the likely retirement incomes provided by the two arrangements. The following chart shows the resulting monthly retirement income for a member whose contributions represent 2,000 standard contribution rate hours every year from joining the plan to age 57, for different starting ages.

Benefits from Pension Plan vs RRSP



Some of the things that this chart shows are:

- ↳ for both programs, the earlier you start, the higher the retirement income will be.
- ↳ the Pension Plan line is straight because the Pension Plan provides a fixed amount of retirement pension for a given amount of contributions, regardless of the member's age.
- ↳ the RRSP line is curved because contributions made earlier on have more time to earn investment income – in other words, the older you get, the less bang the same amount of RRSP contribution has.

Assumptions: The current provisions of the Alberta Sheet Metal Workers' Retirement Trust Fund remain unchanged.

The contributions are constant at \$8,500 per year from joining until retiring at age 57.

RRSP funds are invested 80% in long bonds and 20% in equities using publicly available mutual funds, with an average management expense ratio of 1.25%, and no sales charges or commissions.

Current bond yields and other economic variables remain constant.

At age 57, RRSP funds are used to purchase an annuity providing a 100% lifetime survivor benefit to a spouse age 54, and a 50% temporary supplement payable until the member is age 65. The price of such annuity is based on annuity price quotes on July 3, 2008.