



**BOILERMAKERS'
NATIONAL
HEALTH AND
WELFARE FUND
(CANADA)**

January 1 to December 31, 2007

**2 0 0 7 A N N U A L R E P O R T
NATIONAL HEALTH & WELFARE FUND**

To Our Plan Members,

Each year the Trustees provide Plan Members with an Annual Report which sets out an overview of the prior year's activities. This Annual Report, covering the Fund for the year ended December 31, 2007, is an important part of the Trustees' communication plan. The Trustees have, as an important goal, the education of Plan Members. Providing information about the Plan will help Members manage their health care benefits, during their working careers, and in retirement. Along with the Annual Report, the Plan offers a web site, www.boilermakersbenefits.ca. We recommend you visit the Plan's web site often to remain current with developments of the Plan. The Plan issues a Newsletter to Members at least twice per year. On an annual basis, the Trustees provide education to Plan Members in the form of retirement planning or other seminars. Retirement planning seminars inform Members about how to plan for their retirement and the considerations for maintenance of the Plan's health care benefits. This Annual Report is an additional communication tool to provide you with statistics and commentary regarding the Plan Year ended December 31, 2007.

The Plan's Dollar Bank Drawdown remains at \$270 per month. The maximum Dollar Bank remains at \$4,050 which is equal to 15 months of Benefit Plan coverage. The Plan's Dollar Bank Drawdown has not changed since 1994. We believe that this is an important feature of

the Plan. Many health care plans must pass on to their plan members the cost of health care inflation or benefit improvements, usually on an annual basis. Because of the good management of the Plan and Fund, the Benefit Stabilization Reserve has been able to pay the ever-rising cost of Health Care and Benefit Improvements.

The Fund and Plan have been managed to achieve stability in the Contributions required by Members and Retired Members. It is the Trustees' objective to continue to manage the Plan prudently.

Contributions are the most significant source of income to the Plan. Investment income plays a supporting role. Participating Employers are obliged to make Contributions to the Fund based on Collective Agreements. You can see from the Income Statement that the Fund received Contributions totaling \$21.2 Million in 2007, an increase of 12.1%, or \$2.3 Million, over 2006 Contributions.

Pay Direct Contributions may be made by eligible Plan Members who are unable to maintain their benefits by working Contributions. There are four basic Pay Direct Options available to Active Members. The Plan offers three Benefit Options to its Retired Members. The Early Retiree Benefit Plan is available to eligible Members up to age 65. There is also a Basic Retiree Benefit Plan and an Upgraded Retiree Benefit Plan. Most Retired Members make Contributions to the Fund to pay for the selected Benefit Option.

Eligible Retired Members are given their options when their Active Member coverage expires.

On a continuous basis, the Board of Trustees reviews the funding status of the Plan. The objective of the Trustees' due diligence is to gain assurance that the existing Plan of Benefits is adequately funded at all times. It is critical to the Trustees that they provide benefit security to Plan Members. This means that there must be adequate funding, now and in the future, to deliver the Benefits already promised. While it is impossible to give absolute guarantees, the Trustees are confident that the Health and Welfare Plan is on solid financial ground.

As part of their duties, the Board of Trustees regularly considers whether the Plan of benefits can be improved and, if so, what improvements would be reasonable and sustainable. Benefit improvements are considered once the Trustees are confident that the Benefits already included in the Plan can be provided into the foreseeable future.

Benefit Improvements made during 2007 were:

- a) The Dental Benefit, for all classifications, was improved to reimburse eligible expenses based on the 2006 provincial dental fee guides or a proxy.

The Trustees made no changes to the amounts Retired Members and others are required to

pay in order to maintain benefits in the Plan. The growth in the Fund's Benefit Stabilization Reserve has allowed the Trustees to continue the high subsidies given to Retired Members.

The activities of the Fund and Plan during 2007 built on the important changes made to the Plan in 2006:

- a) The Paramedical Benefit was improved to cover the services of a Homeopathic Doctor (\$200.00 Maximum Benefit per calendar year);
- b) The Paramedical Benefit was improved to cover the services of a Registered Massage Therapist (\$200.00 Maximum Benefit per calendar year; a 50% co-insurance factor is applied to these claims);
- c) The Paramedical Benefit was improved to cover the services of an Acupuncturist (\$200 Maximum Benefit per calendar year; a 50% co-insurance factor is applied to these claims);
- d) The Vision Care Benefit (Active Member Plan) was improved to provide coverage for Industrial Safety Glasses (\$250.00 per 12 month period);
- e) The Long Term Disability Benefit was amended so that Members do not have their claim terminated when they reach the eligibility date for the Pension Plan's 90 Formula Benefit. Long Term Disability Benefits are terminated when the Member starts to receive a Pension from the Pension Plan;

- f) The Plan's Waiver of Premium Benefit was amended to co-ordinate with the new Long Term Disability Benefit rules;
- g) Disabled Members could be given access to electronic deposit of Disability Benefit payments;
- h) The cost of pre-approved medical examinations related to claims for Disability Benefits could be paid;
- i) The lifetime maximum benefit for orthodontics was increased to \$2,000 from \$1,500;
- j) The Drug Plan was improved to cover homeopathic medicines.

The cost of these Benefit Improvements was paid out of the Fund's Benefit Stabilization Reserve. At December 31, 2007 this Reserve stood at \$28.3 Million – an increase of \$1.8 Million over the balance at December 31, 2006 of \$26.5 Million.

The Trustees believe it is important to recognize the potential liability faced by the Plan as a result of the Pay Direct subsidies given to Retired Members. As you know, most Retirees pay a just a portion of the cost of the Benefit Option they have chosen. The amount Retirees pay for benefits increases based on the amount of Pension the Retiree is eligible to receive from the Pension Plan.

Members will recall that, starting in 2006, the Trustees established a Reserve for Future

Retiree Benefits. The initial amount of the Reserve was \$15 Million. During 2007, the Benefit Stabilization Reserve was increased. Additional funds, in the amount of \$3.4 Million, were added to the Reserve. The source of these additional funds was good claims experience and control over the Plan's other expenses. Therefore, at the end of 2007 this Reserve now stands at \$18.4 Million. The Trustees review the funding of the Reserve for Future Retiree Benefits on an annual basis. They will increase the amount of this Reserve provided that there are adequate monies available after consideration of the expected future cost of benefits. In earlier Annual Reports, the Trustees reported that the estimated cost of subsidized Retiree benefits is in excess of \$34 Million. The Trustees have agreed that the cost of these benefits will be reviewed in the future.

The Trustees monitor the demographic balance of the Health and Welfare Plan. Understanding trends in membership coverage assists the Trustees in planning for the future. In particular, the Trustees pay attention to the ratio of Active Members to Retired Members. This is because the Contributions made to the Fund on behalf of Active Members are used, in part, to subsidize the benefits of Retired Members. The normal ratio of Active Members to Retired Members is 3 to 1 (3 Active Members per Retired Member). If the ratio drops (meaning more Retired Members per Active Member) the Trustees may need to adjust the subsidy level, or the benefits, in the Retired Member plans.

The current enrollment statistics for your Health and Welfare Plan are:

Plan Membership Statistic	2007	2006	2005	2004	2003
Number of Active Members including Pay Directs	4,937	4,276	4,206	4,113	4,096
Number of Early Retirees (between Ages 53 and 64)	421	566	491	476	511
Number of Retirees (Ages 65 and over)	1,083	1,155	992	936	800
Number of Active Members per Retiree	3.3	2.5	2.8	2.9	3.1

There was a slight shift in the demographics of the Plan during 2007. This is mainly due to an increase in the overall number of Members working. In addition there were a number of Retired Members who returned to work. They were able to discontinue their Retired Member coverage and re-commence Active Member benefits (except disability and emergency travel assistance). This trend will be closely monitored.

In addition to providing partial funding for Retired Member Benefits, Active Members and the Fund's Benefit Stabilization Reserve provide subsidies to some Pay Direct Classifications. The Trustees review the costs of the Pay Direct and Retiree Benefits on an ongoing basis to ensure that those subscribing

to those Plans pay a reasonable portion of the cost of the Benefits provided. Changes to the Pay Direct Benefit Plan contribution rates were made effective January 1, 2006. The Trustees have maintained the cost of the Pay Direct options since 2006.

The Plan's Benefit Costs were \$15.8 Million in 2007 - an increase of 11.5 % over the cost of Benefits in 2006.

The Plan's Operational Expenses increased by 10.8% over 2006 but they have remained constant at 7% of Benefit Costs. Plan expenses will increase due to the rising complexity of the Plan including its more diverse and larger membership.

During 2006 the Trustees introduced the Plan's website www.boilermakersbenefits.ca. This web site was continuously improved during 2007. It will continue to be a valuable resource for Plan Members because the Trustees ensure that it holds the latest information about the Benefit Plan. The Plan's web site is another example of the Trustees' objective of best practice administration and communication. A foundation of administration governance is a set of policies and procedures designed to ensure that the promised Benefits are delivered in accordance with the Plan's rules and that the Plan is compliant with legislation at all times.

Privacy legislation is critical to the Health and Welfare Plan. The Plan collects Personal Information in order to correctly assess benefit

entitlement. The Plan maintains a high level of security over the Personal Information it collects about Plan Members and beneficiaries. Personal Information about Members and Dependants is recorded, used, retained and shared only for the purpose of the administration of the Plan including making Benefit payments. The Plan's Privacy Policy is on the web site. If you have any questions about the Plan's Privacy Policy, please contact the benefit administration office.

The Annual Report is an important opportunity for the Trustees to extend an education opportunity to Plan Members. We hope that this Annual Report has been helpful to you. As always, you are invited to contact the administration office if you have questions. We will always respond to any questions you ask.

Best regards

*Marty Albright
Marc Beauregard
David Galvin
Roy Kendall
Karen Matsubayashi
Mike Pouliot
Mike Sandell*

*Kevin Chaisson
Warren Fraleigh
Joe Maloney
Ed Power
Dallas Rogers
Tom Walsh
Jim Watson*

YOUR HEALTH AND WELFARE FUND'S INCOME AND EXPENSES

Income:	2007	2006
Contributions from Employers and Members	\$21,233,761	\$18,936,312
Income Earned on Investments	1,662,646	3,967,071
Total Income	<u>\$22,896,407</u>	<u>\$22,903,383</u>
Expenses:		
Benefit Costs		
Insurance Costs - Manulife Financial	\$14,314,737	\$12,747,956
Uninsured Long Term Disability Benefits	1,265,245	971,384
Uninsured Weekly Indemnity Benefits	226,701	458,574
Total Benefit Costs	<u>\$15,806,683</u>	<u>\$14,177,914</u>
Operational Expenses		
Administration - Claims	\$658,643	\$555,749
- Regular	171,727	132,119
Audit	22,913	18,463
Consulting	24,463	23,172
Investment Services and Bank Charges	16,444	27,074
Legal	5,909	32,149
Meetings	118,089	94,137
Printing and Stationery	29,464	32,722
Telephone, Postage and Courier	25,946	49,180
Trustees' Bonding	36,489	34,574
Total Operational Expenses	<u>1,110,087</u>	<u>999,339</u>
Total Operational Expenses and Benefit Costs	<u>\$16,916,770</u>	<u>\$15,177,253</u>
Excess of Income Over Operational Expenses and Benefit Costs	\$5,979,637	\$7,726,130
Less: Increase in Reserve for Benefits to Eligible Members	(1,436,515)	(652,514)
Plus: Decrease in Long Term Disability Reserves	<u>4,543,122</u>	<u>7,073,616</u>
Surplus for the Year	<u>5,245,301</u>	<u>813,451</u>
Benefit Stabilization Reserve, Beginning of the Year	26,459,969	7,887,067
Less: Initial Funding of Future Retiree Benefit Reserve	(3,400,000)	33,572,902
Benefit Stabilization Reserve, End of Year	<u>\$28,305,270</u>	<u>(15,000,000)</u>
Benefit Stabilization Reserve, End of Year	<u>\$28,305,270</u>	<u>\$26,459,969</u>

YOUR HEALTH AND WELFARE FUND'S FINANCIAL POSITION

Assets

December 31, 2007

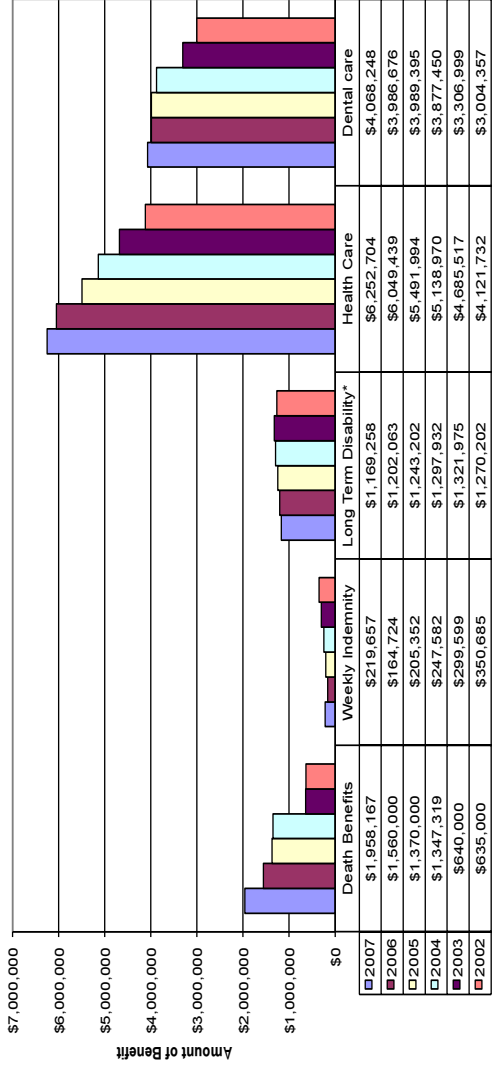
December 31, 2006

Cash in Bank.....	\$7,608,691	\$2,647,427
Contributions Receivable.....	2,842,889	727,322
Investments.....	67,772,394	58,052,798
Due from Pension Fund.....	-	2,721,618
Total Assets.....	\$78,223,974	\$64,149,165

Liabilities

Accounts Payable.....	\$4,505,536	\$3,415,061
Due to Pension Fund.....	6,612,187	-
Weekly Indemnity Benefits.....	69,307	42,336
Total Liabilities.....	\$11,187,030	\$3,457,397
Benefit Stabilization Reserve.....	28,305,270	26,459,969
Dollar Bank Reserve.....	11,766,483	10,329,968
Future Retiree Benefit Reserve.....	18,400,000	15,000,000
Long Term Disability Reserves.....	6,452,716	7,154,895
Workers' Compensation Fund.....	2,112,475	1,746,936
Total Liabilities and Reserves.....	\$78,223,974	\$64,149,165

History of Benefit Payments



*includes insured and uninsured benefit payments

BOILERMAKERS' NATIONAL HEALTH AND WELFARE FUND (CANADA)

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ADMINISTRATION SERVICES

Employee Benefit Plan Services Limited

AUDITOR

BDO Dunwoody LLP

CONSULTANT AND ACTUARY

J.J. McAteer & Associates Incorporated

INSURANCE COMPANY

Manufacturers Life Assurance Company
(Manulife Financial)

INVESTMENT MANAGERS

TD Quantitative Capital Inc.
Phillips, Hager & North
Investment Management Limited

