BOILERMAKERS' NATIONAL BENEFIT PLANS (CANADA)

NEWSLETTER

Benefit Plan Administration Office
45 McIntosh Drive
Markham, Ontario
L3R 8C7
Phone Number 1-800-668-7547
(905) 946-2530 Fax (905) 946-2535

Summer 2006

Pension Plan Registration Number 366708 (CRA)
Alberta Finance: 46433

Announcement about Health & Welfare Plan Improvements

The Health and Welfare Fund has continued to be well financed and the Board of Trustees has reviewed the feasibility of implementing further benefit improvements. In their deliberations about benefit improvements, the Board considers:

- **Ensuring long term stability for the Benefits which are already in effect**. The Board considers that its primary responsibility is to preserve the existing Plan of Benefits. The Trustees want to provide certainty to Members and the best way to ensure certainty is for the Trustees to have an excellent understanding of the relationship between current and future costs of the Plan of Benefits offered now vis a vis the future funding that will be available to support the Plan. The Board believes that it is prudent to improve Benefits only when it is reasonably sure that the Fund will be able to support Plan improvements.
- **Benefits that address catastrophic illnesses or injury**. The Board wishes to provide a valuable Plan of Benefits so that Members who face large expenditures due to illness or injury will not be financially ruined. In this regard the Plan provides Active Members with Life Insurance Benefits of $50,000 and Long Term Disability Benefits of $1,400 per Month. The Plan's hospital benefit provides an important contribution to the cost of hospital care. Many families would not be able to afford semi-private hospital coverage in the absence of this Plan.
- **Limits on the value and kind of Benefits paid which meet the tests of medical necessity; reasonableness and consistency with care that is customary**. The Plan is not designed to cover every dollar of every health care expense. The Plan's administrator and Manulife Financial, the Plan's insurer, have a wide range of resources available to provide information about average charges made for services obtained by Plan Members. Research is also available to show what kinds of treatment (including prescription drug therapies) are customarily used to treat illnesses or injuries. The Plan does not cover experimental treatments nor treatments which are not widely accepted in the health care community.
- **Benefits that are meaningful for most Plan Members**. The Plan provides prescription drug and dental benefits which have been utilized by almost every Plan Member and dependant.
- **Relevance of the Plan of Benefits**. The Trustees continuously monitor the health care environment, examining the range of benefits available. With their research, including important feedback from Plan Members, the Trustees aim to maintain and introduce benefits which will be of real value to the Members. The Trustees are sometimes asked to provide a benefit which, upon reflection, will not deliver value to the majority of the Members. The Plan is not meant to cover every health care cost that can be incurred – it is meant to provide meaningful protection against catastrophic losses due to illness or injury. The Plan is further designed to assist Plan Members with the cost of regular health care (such as prescription drugs) and preventative care (such as dental care).

Most Members know that the last three years have provided tremendous work opportunity. The effect of the increase in available work has been reflected in the Welfare Plan in terms of higher contributions, an increase in the number of eligible Plan Members and a higher amount spent on satisfying Benefit Plan claims.

➡ The Trustees believe that, having considered the current and future budget for health care expenses, it is appropriate to make the following Benefit Improvements, all of which are effective July 1, 2006.

Improvements to Dental Benefit

- **Basic and Major Dental Services (for Active Member, Early Retiree and Pensioner Benefits):**

Eligible expenses for Dental Services incurred on/after July 1, 2006 will be paid in accordance with the 2005 Provincial Dental Fee Guides for General Practitioners and Specialists. In Alberta, where no dental fee guide exists, the Plan will use a proxy guide developed in consultation with the insurance industry. Claims submitted since July 1, 2006 have been assessed in accordance with this new Plan provision.

- **Orthodontic Services**

Effective July 1, 2006 the Maximum Lifetime Benefit for Orthodontic Services is increased to $2,000. This Benefit improvement will apply to Orthodontic Treatment Plans that commence on/after July 1, 2006. This Benefit improvement also applies to Treatment Plans in progress as at July 1, 2006.

Improvement to Paramedical Practitioner Benefit

The Plan will provide coverage for the services of a Homeopathic Doctor (HD) up to a maximum of $200.00 per calendar year. Services must be received on/after July 1, 2006.

Improvements to Long Term Disability Benefit

- Effective with Long Term Disability (LTD) Claims in pay on/after July 1, 2006, Members who are in receipt of LTD will not have their LTD Claim terminated when they reach their eligibility date for an Unreduced 90 Formula Pension. LTD Claimants who decide to commence receiving any Pension from the Boilermakers' National Pension Plan (Canada) will have their LTD Benefit terminated. LTD Benefits terminate at the Member's age 65. LTD Benefits terminate earlier, if the Member has recovered or has died.

Improvement to Vision Care Benefit

Effective July 1, 2006, the Plan will now cover one Retina Exam per calendar year. Retina Exams received on/after July 1, 2006 will be covered. Claims will be assessed on a reasonable and customary basis.

The Trustees encourage Plan Members to take advantage of savings available by using the Manulife Preferred Vision Services (PVS) network. Manulfe suggests that you can save up to 20% on your vision care requirements simply by showing the vision care provider your Benefit Plan Wallet Card. This Card shows that you are covered under a benefit plan insured with Manulife. Two new Wallet Cards are included with this mailing – one for the Plan Member and one for another member of the Member's family covered under the Boilermakers' National Health and Welfare Plan (Canada). Please note that you are not required to purchase vision care supplies from PVS participants. However we hope that you will find that your vision care dollar goes further if you purchase eyewear from a PVS outlet. You can find out who the PVS providers are by checking www.pvs.ca or calling 1-800-668-6444.

Improvement to Prescription Drug Benefit

Effective July 1, 2006 the Plan will provide coverage for Homeopathic Medicines when prescribed by a Medical Doctor (MD), Homeopathic Doctor (HD) or Naturopathic Doctor (ND) practicing within the scope of their license.

- The Plan's Waiver of Premium Benefit for Life Insurance has been amended, effective July 1, 2006, to reflect that the termination age for Long Term Disability Benefits is age 65 or an earlier date if the Member recovers or if the Member draws a Pension from the Boilermakers' National Pension Plan (Canada).

- The Plan will provide Direct Deposit of LTD payments to Plan Members. The administrator will correspond with Members eligible for this service.

- The Plan will reimburse Members for the cost of physician reports when they have been requested by the administrator for the purpose of validating ongoing disability benefit payments.

Pension Plan Registration

Effective June 15, 2006 the Pension Plan's Province of Registration is Alberta. The Pension Plan received notice of this change on June 19th. This change was required by pension regulators because the plurality of Members has shifted to Alberta. The Alberta Finance Registration Number for the Pension Plan is 46433. The Pension Plan's Registration Number with Canada Revenue Agency remains 0366708. The Pension Plan must comply with the pension legislation in respect of the province of residence of the Plan Member.

Update on Pension Fund Performance

The Pension Fund earned a return on its investments of 9.15% for the year ended December 31, 2005. This return surpassed the Plan's actuarial assumption of 7.0%.

The Trustees will prepare an Actuarial Valuation as at December 31, 2005. We expect that this Valuation will show that the Plan's recovery is underway and that we are meeting our targets for reducing the Plan's Going Concern Unfunded Liability. Please read the discussion below regarding ongoing concerns with the Pension Fund's Solvency Valuation.

Members will not have forgotten that the result of the Plan's 2003 Solvency Valuation was that the Ontario Superintendent of Pensions (with the concurrence of other provincial pension regulators) required that the Trustees reduce Pension Benefits. Broad Benefit reductions were announced by the Trustees with implementation commencing in January 2005.

Even though the Pension Plan's Going Concern Valuation will show that the Pension Plan is recovering faster than originally planned, the main problem for the Pension Plan will be its Solvency Valuation. Solvency Valuations do not use the actuarial assumptions approved by the Trustees. For example, whereas the Plan's investment earnings assumption is 7.0%, for purposes of a Solvency Valuation pension regulators require that the Trustees assume lower investment returns. For 2005 Solvency valuations this interest rate will be approximately 4.5% (quite a difference from 7.0%). Simply put, if the Trustees can only assume that they will earn 4.5% on the Pension Fund's assets, the Plan will need more assets to be able to deliver its Pension Benefits. If, under the regulatory measurement system, the Plan does not have enough assets to provide the Pensions, pension regulators may require Benefit reductions. The Trustees have vigorously opposed, and continue to oppose, this legislation because we believe it does not accurately reflect the Pension Plan's true funding status.

Here is an example of what happens when a pension plan is required to use a lower (prescribed) investment earnings assumption:

	Trustees' Plan Assumption	Regulators' Prescribed Assumption
Plan Assets	$110 Million	$110 Million
Investment Earnings	**7.0% per annum**	**4.50% per annum**
Plan Liabilities	$100 Million	$142 Million
Plan Funding Status	$10 Million Surplus	$32 Million Deficit

In the case shown above the change in the Investment Earnings assumption drove the cost of the plan's liabilities up by 42%.

The Trustees have no control whatsoever over the investment rate of return assumption prescribed by the pension regulators. It is unfortunate indeed that a prescribed interest rate can have a widespread negative impact on pension benefits and on the plan members to whom those benefits are due.

As if using a lower investment return assumption was not hard enough on the Pension Plan, pension regulators have also required that the Pension Plan use a new mortality table (which predicts how long members will live). This new mortality table has had the impact of increasing the Plan's liabilities by about 7%.

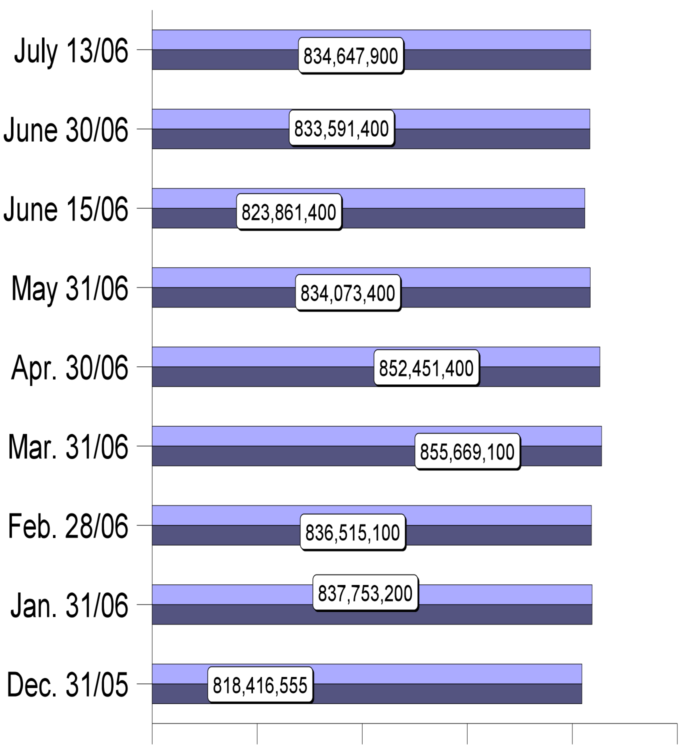
What are the Trustees doing to get legislators to hear their concerns?

The Board of Trustees has joined with many other pension funds to voice their concerns about pension regulations that require the use of inappropriate assumptions. The Trustees wrote to the Premier of Ontario, The Honorable Dalton McGuinty, setting out their concern that current pension legislation, in fact, provides less security (and more uncertainty) to pension plan members simply because regulators require valuations based on an investment rate of return that is not relevant to the pension fund. A copy of our letter to Premier McGuinty is attached. The Board strongly encourages Plan Members to become familiar with this issue. The "*Pension Crisis*" is making headlines in the media almost every day. Your voices are needed so that legislators take notice of this important issue.

As a refresher, the Pension Plan's annual rates of return since 1994 have been:

Year	Annual Return	Year	Annual Return
1994	5.90%	2000	4.00%
1995	16.20%	2001	-2.19%
1996	12.04%	2002	-6.30%
1997	13.80%	2003	15.49%
1998	16.04%	2004	10.10%
1999	10.48%	2005	9.15%

Although financial markets were strong in 2005 they have been very choppy so far in 2006. The graph below shows how financial markets have affected the Market Value of the Pension Plan which, at



December 31, 2005, was $818,416,555.

The Pension Fund's assets are invested in the following asset classes (which had the indicated returns to June 30, 2006)

Asset Class	Target Percent of Pension Fund Assets invested in the Asset Class	Return for the six months ended June 30, 2006
Canadian Equities	**15%**	**4.20%**
Canadian Income Trusts	**15%**	**6.70%**
Canadian Bonds	**40%**	**-1.45%**
Non-Canadian Equities	**30%**	**1.8%**

The benchmark return for the Pension Fund for the six months ended June 30, 2006 is 1.60%.

The Investment Managers to the Fund have cautioned the Trustees that a rate of return of 7.0% may not be achievable for 2006. As you can see from the graph, the market correction commenced in April 2006.

Your role in the Funds' Delinquency Control Program is important.

Please continue to closely review your Benefit Statements. Please report any errors or omissions to the Benefit Administration office right away – including missing or incorrect Contributions, Date of Birth, Beneficiary Designation and name of Spouse.

The Trustees will continue with their annual audit of Member Benefit Statements. The administrator will randomly select Members who will be asked to conduct a detailed review of their Annual Benefit Statement. This additional audit procedure assists with the monitoring and control of delinquencies and helps to ensure that appropriate remittances are being made to the Funds.

We are committed to keeping you informed about the Benefit Plans and invite you to ask questions. Please direct your questions to the Benefit Plan Administration Office. You will be given complete and accurate answers to your questions.

Boilermakers' National Benefit Plans (Canada)
45 McIntosh Drive
Markham, Ontario
L3R 8C7
Phone 905-946-2530
Toll Free 1-800-668-7547
Fax 905-946-2535

BOILERMAKERS' NATIONAL BENEFIT FUNDS (CANADA)

INTERNATIONAL BROTHERHOOD BOILERMAKERS IRON SHIP BUILDERS BLACKSMITHS FORGERS & HELPERS ORGANIZED 1880 AFFILIATED AFL CIO
UNITY PROGRESS & PROTECTION

Administration Office
45 McIntosh Drive
Markham, Ontario
L3R 8C7

Telephone Toronto Area: (905) 946-2530 Toll Free: 1-800-668-7547 Fax (905) 946-2535 E-mail: ebps@mcateer.ca

March 7, 2006

The Honorable Dalton McGuinty
Premier of Ontario
Legislative Building
Queen's Park
Toronto, Ontario
M7A 1A1

Re: Multi Employer Pension Plans and Ontario Pension Regulation

Dear Premier McGuinty:

The Boilermakers' National Pension Plan (Canada) is a multi-employer pension plan which is multi-provincial and registered in the Province of Ontario under the regulations of the Pension Benefits Act, Ontario (PBA). The Boilermakers' National Pension Plan was formed in 1970 and has operated continuously since that time. The Plan covers approximately 7,500 Active Members and 1,500 Pensioners. The Plan's assets are nearly $850 Million. The Plan is managed by a Board of Trustees with equal representation from the International Brotherhood of Boilermakers and the Boilermaker Contractors' Association.

The Financial Services Commission of Ontario (FSCO) is charged with the responsibility for the administration of the PBA. FSCO has interpreted the PBA to say that regulations related to solvency valuations and solvency funding must apply equally to single employer pension plans and multi-employer pension plans. Many single employer pension plans, such as General Motors, have been exempted from these regulations, presumably on the assumption that such large corporations will never suffer a financial setback which puts employee pension benefits at risk.

Multi-employer pension plans have been particularly hard-hit by the solvency regulations. Because contributions to multi-employer pension plans are collectively bargained, there is no opportunity to return to the bargaining table to discuss increased pension contributions. Thus, the only solution to the regulatory demand to place a multi-employer pension plan in a funded position (for solvency) is to decrease benefits. The Boilermakers' National Pension Plan (Canada) Trustees were forced to implement benefit reductions whereby the benefit being accrued by the Plan's Active Members was reduced by 50%. The Boilermaker Trade has intense physical demands. Our Plan Members look forward to an early retirement because the demands of the job site are too strenuous for them to manage when they are older. Because of the solvency funding position imposed by FSCO, we were also forced to delay the retirement age for the majority of Active Members. Because the solvency interest rates prescribed for solvency valuations continued to fall, the benefit reductions we made two years ago may have to be deepened. This is not because the Pension Plan's investments did not perform well. Prescribed solvency interest rates have fallen by 2% in the last six years - for a pension plan like ours, every 1% decrease in the solvency interest rate increases our liability by 15%. The average pension plan earned 10.7% in 2005 - not enough to keep up with the drop in the solvency interest rate drop.

We firmly believe that the PBA solvency rules should not apply to multi-employer pension plans. The application of these rules is creating havoc in the entire pension system. We believe with conviction that there are better tests to measure the financial health of a pension plan and therefore the benefit security of the pension plan's members - solvency, as it exists in Ontario today, is not a valid test.

We most urgently request that the Government of Ontario abolish the requirement for multi-employer pension plans to achieve the solvency funding requirements of the PBA. We believe that there are more useful tests to be discovered which will achieve a proper measure of benefit security and which will bring back the confidence in the pension system that our Plan Members once enjoyed.

On behalf of our Plan Members, including our Pensioners, we thank you for your consideration of this matter.

Sincerely,

THE BOARD OF TRUSTEES - BOILERMAKERS' NATIONAL PENSION FUND (CANADA)

M. Albright
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