

Annual Benefits Report

TAKING CARE OF OUR OWN



IUOE LOCAL 793 PENSION AND BENEFITS PLANS

MAKING THE MOST OF YOUR BENEFITS PLAN

Most of us don't think about our benefits plan until we need to use it. But the reality is, your IUOE Local 793 Life and Health Benefits Plan is a valuable benefit. And it's worth keeping tabs on.

That's what this report is for. You'll find information on:

- what it costs to provide the benefits coverage you have,
- how the plan is funded,
- where the money goes,
- plan improvements introduced in 2010,
- how much members spend on prescription drugs, and
- the current pay-direct rates.

Overall, we can tell you that our plan is in good financial shape. Contribution and investment income was up in 2010. The plan has enough to meet its immediate financial needs – plus a little extra to cover unexpected claims.

The Board of Trustees is committed to providing you with a quality benefits plan, but it's up to you to make the most of it. And how do you do that? Make sure you understand how the plan works and what it can do for you.

Taking some time to read this report is an excellent starting point.

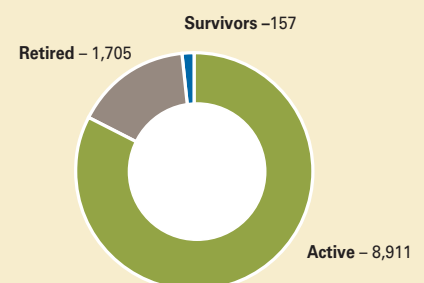
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Did you know?

- The benefits plan currently covers about 10,600 active and retired members.
- Funding for your benefits plan comes from two sources – employer contributions and investment income.
- Our most expensive benefit is our drug plan, which accounts for roughly 35% of the total cost of our Life and Health Benefits Plan.

MEMBERSHIP



FINANCIAL HIGHLIGHTS

An update on funding and costs

Benefits plans cost money. A lot of money. In the case of your Life and Health Benefits Plan, that money comes from two main sources – contributions from participating employers and investment income. For every hour you earn while working for a participating employer, that employer must contribute a specified amount. The “per hour” amount depends on your collective agreement.

All contributions are deposited in a trust fund – a special fund that is held for the benefit of plan members. The money in the trust fund is invested by professional money managers (currently Ridgewood Capital Asset Management) based on investment guidelines established by the plan’s Board of Trustees.

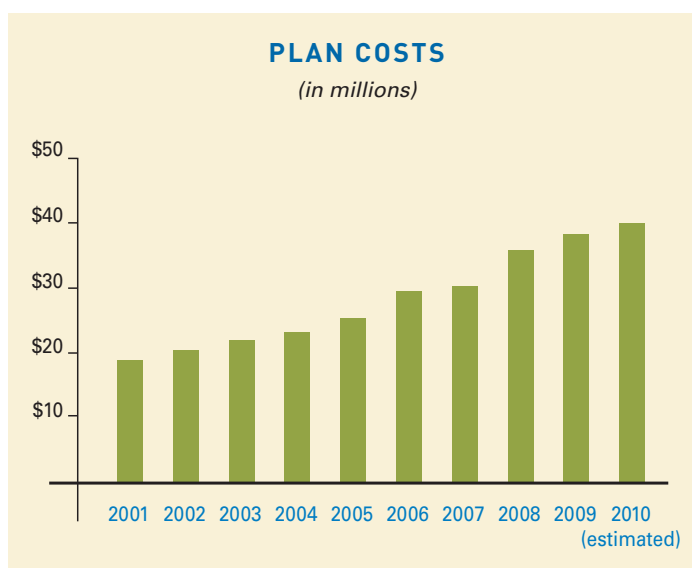
Unlike the pension plan, which is required to build up funds over time to pay for future pensions, money in the benefits plan generally moves in and out very quickly. This means that the Trustees can apply a shorter-term investment strategy. It also means that big swings in investment returns don’t have the same impact on the benefits plan that they do on the pension plan.

In 2010, both contribution and investment income increased – thanks to growing membership, an improving economy (more hours worked), and stronger investment markets. The plan’s contribution income for 2010 was about \$46 million; investment income was \$4.3 million. This means that the trust fund holds enough money to meet the plan’s financial obligations – including benefit payments, insurance premiums, and professional fees

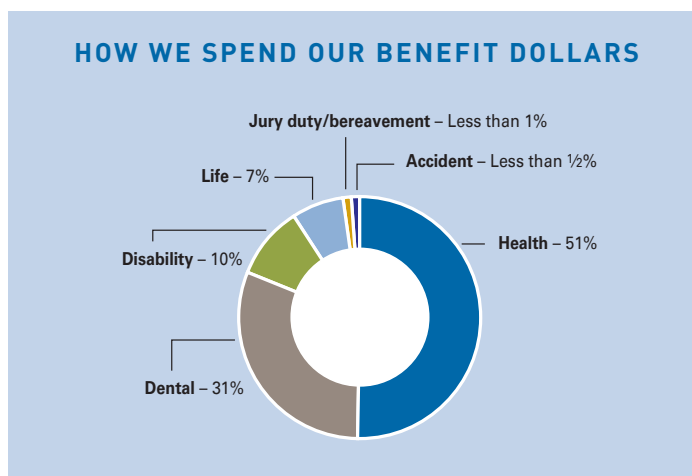
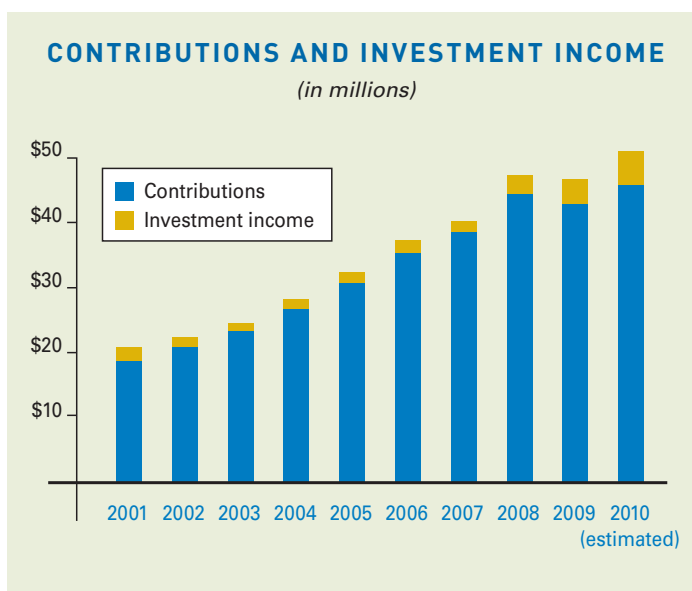
– with some money leftover to cover unexpected claims. To help ensure the plan continues to have sufficient money, it is monitored by an actuary (a qualified professional who uses mathematics, statistics, and financial theory to assess risk).

Rising costs

Benefit costs have been increasing steadily. Costs for 2010 were about \$40 million, up 5% from \$38 million in 2009. Higher costs are due largely to increases in disability, health and dental expenses.



The pie chart below shows how much the plan paid in 2010 for the various benefits offered under the plan. The administration fee includes all costs required to run the plan and is largely offset by investment income.



SELF-INSURED VERSUS INSURED BENEFITS

What they are and what they mean

Some of the coverage provided under our Life and Health Benefits Plan is insured and some of it is self-insured. Here's the difference:

Insured benefits – The plan buys insurance from an insurance company. Premiums are paid to the insurance company using money from the trust fund. The insurance company, in turn, administers the benefit and is responsible for paying any benefit claims. The only benefit that is insured under our plan is life insurance for plan members and dependants. So, when you make a claim for this benefit, the claim is paid by Manulife.

Self-insured benefits – For benefits where the plan is large enough to handle fluctuations in claims, we don't buy insurance from an insurance company. Instead, claims are paid directly from the trust fund – and we avoid contributing to the insurance company profits built into the cost of insurance premiums.

This means that every time you make an approved claim under a self-insured benefit, it is paid directly from the trust fund by the administrator (there's no big insurance company picking up the tab). With this in mind, we encourage you to do what you can to help keep benefit costs down. That doesn't mean refusing care or holding back on necessary treatment. It does mean being a careful consumer.

The table on the right shows which plans are insured and which plans are self-insured under our Life and Health Plan.

Insured	Self-insured
Life insurance	Supplementary health
	Semi-private hospital
	Vision care
	Dental
	Short term disability
	Long term disability
	Accidental dismemberment

SPEND IT LIKE IT WAS YOUR OWN (BECAUSE IT IS)

Here are some suggestions for keeping our benefit costs under control:

- If you or your spouse is covered by another benefits plan, let us know so that we can make sure both plans pay their fair share.
- Unless your doctor specifically requests a particular brand-name drug, it makes sense to buy the generic substitute. The active ingredients in generics are identical to the brand-name version of the drug, but generic drugs tend to cost a lot less!
- Don't forget to do some comparison shopping, especially for things like dispensing fees (the amount charged by the drugstore to fill your prescription). Some pharmacists charge almost twice as much as others.

MOST PRESCRIBED DRUGS

10 drugs account for \$2 million in claims

The Health and Life Benefits Plan paid over \$14 million in drug claims in 2010. That represents about 70% of the plan's total cost for health care.

The 10 most popular drugs (in terms of use and cost) accounted for about \$2 million of the plan's total drug bill in 2010. Of those, Crestor took first place, costing the plan \$441,145. The table on the right lists the "top 10" drugs.

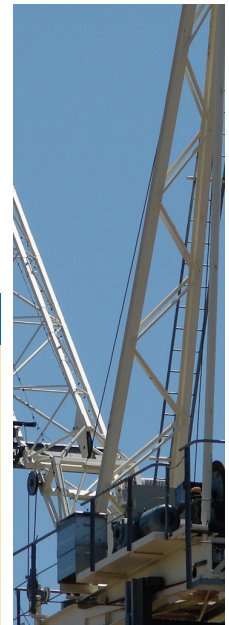
Top 10 drugs		
Drug	Amount reimbursed	Purpose
Crestor	\$441,145	High cholesterol and cardiovascular disease
Nexium	\$381,690	Dyspepsia, peptic ulcer and gastroesophageal reflux disease
Oxycontin	\$289,601	Acute pain relief
Enbrel	\$200,852	Psoriasis and rheumatoid arthritis
Plavix	\$193,370	Blood clots
Remicade	\$191,158	Crohn's disease and rheumatoid arthritis
Lipitor	\$189,635	High cholesterol
Ezetrol	\$166,956	High cholesterol
Methadone	\$119,742	Pain and drug addiction
Symbicort 200 Turbuhaler	\$106,990	Asthma, chronic bronchitis and emphysema

RECAP OF PLAN IMPROVEMENTS

What changed in 2010

The Board of Trustees approved a number of changes to our benefits plan in 2010. These changes, which went into effect on April 1, 2010, are summarized below.

Benefit	What changed
Dental implants	The plan now covers dental implants for members who would rather have implants than a bridge. The covered amount is equivalent to what you would receive for a bridge.
Safety glasses	Prescription safety glasses are now covered; however, the overall maximum for all glasses (regular and safety) continues to remain at \$275 every 24 months.
Bereavement	If you miss time to arrange or attend a funeral for a family member, you'll be eligible for \$175 for each full day of lost wages, up to five consecutive working days following the date of death. In the past, the plan covered lost wages for a maximum of three working days.
Medical forms	The cost of medical forms required to apply for short term or long term disability is now covered – to a maximum of \$100 per disability.
Orthopaedic shoes and arch supports	In the past, orthopaedic shoes and arch supports (including moulds and orthotic devices) were each covered up to a maximum of \$100 per calendar year. Now, there is a combined overall maximum of \$200 per calendar year for both items – giving you greater flexibility.
Dental maximum	The maximum for basic and major dental services combined was increased to \$2,500 from \$2,000 per calendar year. In addition, claims for expenses incurred during 2010 are being reimbursed based on the 2009 Ontario Dental Association Fee Guide; in 2009, reimbursements were based on the 2008 fee guide.



WHEN YOUR DOLLARBANK RUNS LOW

Current pay-direct rates

If you don't have enough money in your dollarbank for your next month's coverage, you have the option to make monthly payments to keep your benefits. To qualify, you must be a member of Local 793 in good standing and you must be registered on the out-of-work list at the time your dollarbank falls below the amount needed. Your pay-direct payment must be received by the 15th of the month *before* coverage takes effect and may continue for up to 36 straight months.

Who	What	Rate (including tax)
Active	Full coverage except bereavement, jury/witness duty, disability	\$303.75 per month
Retired	Medical, dental, life	\$441.72 per three months
	Medical & life	\$315.36 per three months
	Dental only	\$126.36 per three months

A FINAL WORD

This report provides summary information about the IUOE Local 793 Life and Health Benefits Plan. The plan is administered by the IUOE Local 793 Board of Trustees, c/o Global Benefits, 545 Wilson Avenue, Toronto, ON M3H 1V2. Every effort has been made to provide accurate information, but if there is any discrepancy between the information contained here and the official plan reports and documents, the official documents will apply.

WHO'S ON FIRST?

The team behind your benefits plan

TRUSTEES

Union

John Anderson
Michael Gallagher
Ron Hillis
Alex Law
Robert McQueen
Gary O'Neill
Robert Turpin

Management

Thomas Dool
Robert Dulepka
Tom Howell
Ron Martin

ADMINISTRATOR/CONSULTANT

Global Benefits

INVESTMENT MANAGER

Ridgewood Capital Asset Management

AUDITOR

BDO Canada LLP

INSURANCE COMPANY

Manulife Financial