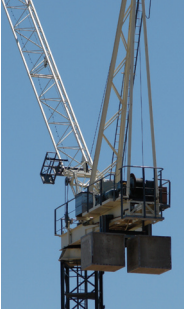


2011 Annual Benefits Report

TAKING CARE OF OUR OWN



IUOE LOCAL 793 PENSION AND BENEFITS PLANS

A MESSAGE FROM YOUR TRUSTEES

We know the security provided by Local 793's Life and Health Benefits Plan is important to you and your families – and a quality plan like ours isn't easy to come by. If you've ever tried to buy health, dental or disability coverage on your own, you already know how expensive it is.

This annual report provides important financial information about the benefits plan. Inside, you'll see what it costs to provide your benefits coverage, where your contributions go, and which benefits members use most.

You'll also see that our plan continues to be financially healthy. Thanks to a growing membership and more hours worked, contributions were up and the trust fund has more than enough money to meet all benefit costs.

Because of the plan's excellent financial position, we were able to give the thumbs up on some important benefit improvements starting April 1, 2011. These include:

- higher limits for hearing aids, prescription glasses and orthodontic benefits;
- a separate limit for laser eye surgery;
- an upgraded dental fee guide; and
- the addition of treatment to help you quit smoking.

See the last page of this report for details on the 2011 plan changes.

We are pleased to offer our members a top-notch benefits plan. And, we are committed to helping you understand how the plan works and how to make the best possible use of the benefits available to you.

Please take a few minutes to review this annual report – and remember that the benefits staff at the Union Office and Global Benefits are there to help.

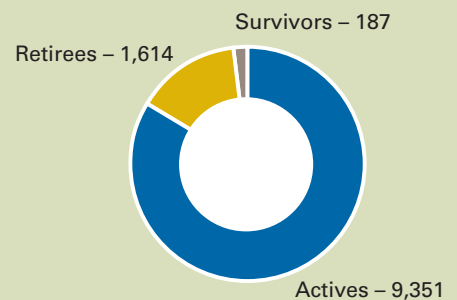
Sincerely,

Your Board of Trustees

WHAT'S INSIDE

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MEMBERSHIP



FINANCIAL HIGHLIGHTS

An update on funding and costs

Our benefits plan has a long history of being in a very solid financial position. Unlike the Local 793 pension plan, the benefits plan is not required to build up a large fund to cover future payments. This means that investment returns have much less impact on the benefits plan than on the pension plan. In fact, the financial health of the benefits plan is tied much more closely to claims patterns and cost controls (like monitoring high volume claims) than investment returns.

All plan contributions are deposited in a trust fund – basically, a big pot of money that is held in trust for the benefit of plan members. The money in the trust fund is invested by a professional money manager (Ridgewood Capital Asset Management) based on investment guidelines established by the Trustees. The money moves in and out of the trust fairly quickly to pay for claims, insurance premiums and professional fees. We also keep a reserve to cover any unexpected developments.

At the end of 2011, the plan had more than \$50 million in contributions and earned about \$3 million of investment income for the year.

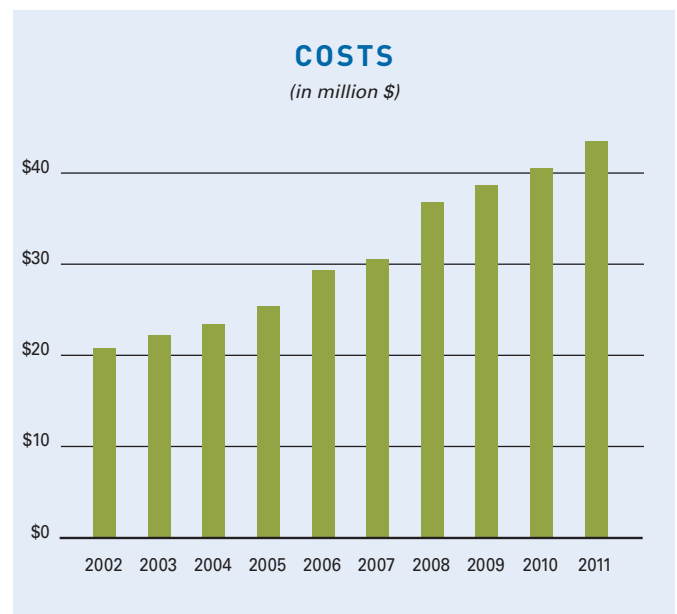
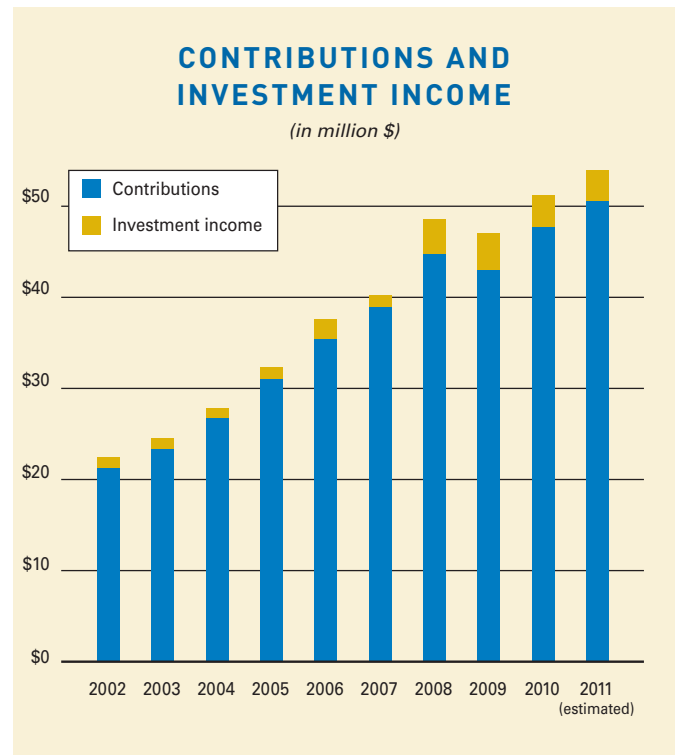
Benefit costs

Providing the right level of coverage at the right cost – for both you and the plan – is a balancing act. Every time we improve benefits, we have to be aware of the overall effect this can have on the financial health of our benefits plan.

You play a major role in keeping the costs of our plan under control. Many of your benefits – including health, dental and disability – are self-insured. So, after claims are approved, they are paid directly from contributions. This is much more cost effective than buying insurance because we avoid contributing to insurance company profits. But it also means there's a limited pool of money to pay for benefit claims.

There's not a lot you can do as an individual about some things – like prescription drug costs – but there are things you can do to help keep our benefit costs down. For example, if you or your spouse are covered by another plan, tell us. That way, we can make sure both plans pay their fair share. And don't forget to do some comparison shopping! The less you pay for services or treatments, the further we can stretch our benefit dollars.

Costs for 2011 were about \$43 million, up almost 7.5% from \$40 million in 2010.



TWO BENEFITS ACCOUNT FOR 60% OF COSTS

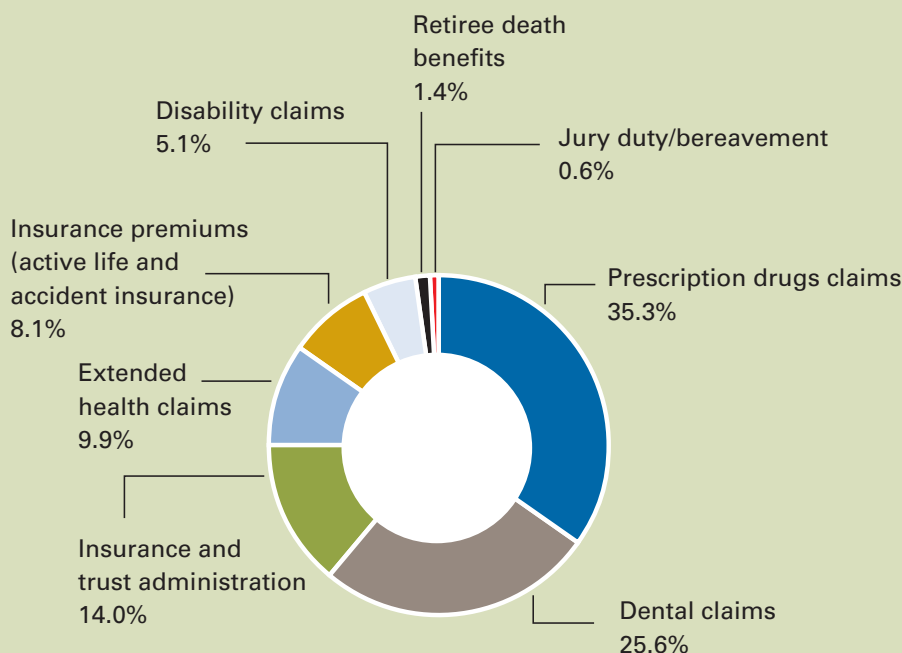
Tips for getting more mileage from our plan

As you can see by the chart below, more than 60% of our plan costs are related to dental services and prescription drugs. You can help us control some of these costs by being a smart benefits consumer. Here are some helpful tips:

- *Follow your doctor's orders* – This includes taking your full prescription if that's what your doctor tells you to do, even if you start feeling better before it's finished.
- *Buy a three-month supply* – If you require long-term treatment with a particular drug, ask your doctor to give you a prescription for a three-month supply instead of filling the same prescription monthly. You will be charged a single dispensing fee or a reduced flat rate instead of the full dispensing fee each month.
- *Take advantage of the excellent preventive coverage provided by our dental plan* – Your children are covered for check-ups every six months, and you're covered for one complete check-up each year. In both cases, the plan pays 100% of the cost. So, make regular dental appointments, and save yourself big costs (and big pain) down the road.
- *Coordinate benefits* – If you are also covered under your spouse's benefit plan, you may be able to claim some expenses from both plans. For example, if you need dental work that costs more than the amount allowed under our plan, you may be able to submit a claim for the extra amount to your spouse's plan. Check to see if your spouse's plan permits claims from more than one plan. In addition, if you have dependent children, claims for their treatment will also need to be coordinated between our plan and your spouse's plan.
- *Be sure the receipts you get from your provider are complete and accurate, and properly reflect the services you received.*



HOW WE SPEND OUR BENEFIT DOLLARS



More than 60% of our plan costs are related to dental services and prescription drugs.



BENEFIT PLAN IMPROVEMENTS

A summary of changes

Great news! The Board of Trustees approved a number of changes to our benefits plan in 2011. These changes, which went into effect on April 1, 2011, are summarized below.

Benefit	Old limits	New limits
Hearing aids	<ul style="list-style-type: none"> ■ \$400 every five years for active and retired members. 	<ul style="list-style-type: none"> ■ \$1,000 every five years for active and retired members.
Prescription eye glasses	<ul style="list-style-type: none"> ■ Actives: One claim of up to \$275 every 24 months (every 12 months if under age 21). ■ Retirees: One claim of up to \$250 every 24 months. 	<ul style="list-style-type: none"> ■ Actives: \$400 every 24 months (every 12 months if under age 21) and not restricted to only one claim. ■ Retirees: \$400 every 24 months and not restricted to only one claim.
Laser eye surgery	<ul style="list-style-type: none"> ■ Was covered under the vision care program. Any claim for laser eye surgery would affect the limit for other vision care benefits. 	<ul style="list-style-type: none"> ■ Actives only: Covered as a separate benefit, with a lifetime maximum of \$800. This limit does not affect any other vision care benefits. ■ Retirees: Laser vision surgery is still covered under the vision care program (overall limit of \$400 every 24 months).
Orthodontic benefits	<ul style="list-style-type: none"> ■ Actives only (member, spouse or child must be under age 21). Reimbursed at 75% with a lifetime maximum of \$2,500. 	<ul style="list-style-type: none"> ■ Actives only (member, spouse or child must be under age 21). Reimbursed at 75% with a lifetime maximum of \$3,500.
Smoking cessation	<ul style="list-style-type: none"> ■ Only drugs that legally require a prescription will be covered. Other treatments to quit smoking are not covered. 	<ul style="list-style-type: none"> ■ Actives only: Covers up to two treatments with a lifetime maximum of \$400.
Dental fee guide	<ul style="list-style-type: none"> ■ 2009 Ontario Dental Association (ODA) fee guide. 	<ul style="list-style-type: none"> ■ 2010 ODA fee guide.

In addition, the Trustees have approved free benefits coverage for any terminally ill active or retired member for up to 12 months. *You are considered terminally ill if your doctor confirms that you have less than 24 months to live.*

YOUR BENEFITS PLAN TEAM

UNION TRUSTEES

John Anderson
Michael Gallagher
Ron Hillis
Alex Law
Robert McQueen
Joe Redshaw
Robert Turpin

MANAGEMENT TRUSTEES

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



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, % 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 other documents, the official documents will apply.