

## IWA-FOREST INDUSTRY LTD PLAN CHANGES AND RECOMMENDATIONS

April 23, 2009

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The LTD Plan Actuary has advised the LTD Plan Trustees that the LTD Plan will become insolvent unless immediate improvements to funding levels take place and some benefit level reductions are applied. This is due to an unanticipated sharp decline in contributory hours worked and the uncertainty of return to normal market conditions.

Funding has traditionally been a product of Industry-Union negotiations. The LTD Trustees do not have the ability to increase contributions to the LTD Plan. In order to maintain the viability of the LTD Plan, the LTD Trustees are implementing a number of necessary changes to reduce the LTD Plan's costs. They are also making a joint recommendation to the Industry and Union negotiators to negotiate increased contribution levels in the next round of industry collective bargaining.

The LTD Plan design changes to be implemented will significantly improve the LTD Plan's funding position but these changes alone are insufficient to restore the LTD Plan's financial health. Increased funding is essential to the viability of the LTD Plan.

### A. LTD PLAN CHANGES TO BE IMPLEMENTED BY THE LTD TRUSTEES, EFFECTIVE JULY 31, 2009

1. LTD claimants aged 55 or over will, in addition to any offsets they may be subject to (e.g. CPP, WCB, ICBC etc), have their benefit further offset by an amount equal to the IWA - Forest Industry Pension Plan ("Pension Plan") normal form(\*) of early retirement benefit he or she would receive or would be entitled to receive upon applying for early retirement.

Claimants will continue to be eligible for collateral benefits between ages 55 and 60 as long as they continue to be disabled within the meaning of the LTD Plan.

2. The LTD benefit level for claimants under 55 years of age will be reduced by \$100 per month. This reduction will be reinstated as part of the top up after age 55 as described in point 1 above.
3. Collateral Benefit package for LTD Claimants to be modified as follows:
  - a) EHB Annual Deductible increased to \$75/year and \$250/family.
  - b) EHB reimbursement level to be set at 80% for all EHB coverage.
  - c) EHB \$5 per prescription deductible to be charged.
  - d) EHB Acupuncture, naturopath and massage therapy no longer covered.
  - e) Dental LTD Plan coverage under A, B, C all reduced by 10% to 70%, 50%, 50%.
  - f) Adult orthodontic coverage deleted.
  - g) Dental recall coverage extended to one year.
4. Changes 1, 2 and 3 above to be reinstated by the LTD Trustees contingent on the prudent advice received from the LTD Plan Actuary in the best interest of LTD Plan stability and security when 25 million hours annual contribution level or 10-year amortization is achieved.

(\*) *The normal form of pension at retirement under the IWA-Forest Industry Pension Plan is a pension guaranteed for the life of the retiree with a minimum payment period of no less than five years.*

**B. OTHER INITIATIVES TO BE UNDERTAKEN BY THE LTD TRUSTEES TO LOWER LTD PLAN COSTS**

1. Subcommittee of Board to approach Federal Government authorities to seek amendment to provide longer duration EI Sickness Pay Benefit while forest industry downturn continues.
2. Board to require all claimants to be registered with BC Pharmacare and complete the income review for decreased family income. Board to establish a Sub-Committee to consider the adoption of a policy of mandatory member appeal to Pharmacare when prescription drugs are refused for coverage.
3. Subcommittee of Board to approach Provincial Government authorities to seek full premium relief on MSP premiums while forest industry downturn continues.

**C. CHANGES RECOMMENDED BY THE LTD TRUSTEES BUT TO BE DECIDED BY COLLECTIVE BARGAINING**

1. Increased contributions of a minimum of 40 cents per hour effective July 1, 2009 or the equivalent of 40 cents per hour effective July 1, 2009, if negotiated for an effective date later than July 1, 2009.
2. The LTD Plan Trustees to be given the authority from the LTD Plan Settlers to amend the contribution rates for both employers and employees where the LTD Plan Actuary's annual valuation indicates that such change is necessary to keep the LTD Plan in concert with a maximum 10-year amortization of any existing unfunded liability at the time of the valuation.