

APPENDIX NO. 2

I.F.L.R.A. Proposal on Pensions – May 16, 2003

Negotiations Process

The process of pension plan restructuring would continue as it exists in the Collective Agreement, subject to the following.

- The Trustees will amend the Pension Plan benefit provisions within the parameters of the Plan funding policy.
- The contribution rate and any future changes to the funding policy will be set by the negotiation process.

Fundamentals

- Union Controlled

The Union proposes that a funding policy with specific targets and funding thresholds agreed to between the parties. When agreement is reached on a funding policy, the Plan becomes a Union-controlled, trustee defined contribution pension plan. There shall be 10 Trustees, 6 of whom will be appointed by the Union and 4 of whom will be appointed by the Industry.

- Trustees Responsibilities and Goals
 - (1) To achieve the largest amount of benefits for the Plan's members and beneficiaries over the long term that is possible and consistent with the prudent management of financial risks.
 - (2) To manage the risks to provide a high level of security of benefits.
 - (3) To comply at all times with the funding and solvency standards in the PBSA.

Funding Policy

- The Trustees will establish both a funding mechanism and a funded level consistent with the funding policy at which benefit level increases will be provided using the investment earnings of the Pension Plan and/or future increased contributions from the negotiations process. For the purposes of this section, the minimum funded level would be 105% of the fully funded level of the Plan, with benefit increases achieved using gradually increased percentages of the surplus funds or contributions, up to a funded level of 120% of full funding levels, at which time 100% of surplus funds above 120% of surplus funds or contributions must be used to provide increased benefits under the Plan.

- Trustee Funding Policy Objectives
 - (1) Identify the Plan's exposure to funding risks in both the short and long term;
 - (2) Establish the combination of measures to be used to protect the Plan's funded position against those risks;
 - (3) Document the Trustee's long term benefit objectives.

Investment Policy

- Trustees set investment policy.

Funding Requirements

- The Union and the Industry will develop a joint plan to address the expected solvency funding shortfalls in 2003 or 2004. The objective is to use the following means to reduce the required additional Solvency Amortization Payments to as low a number as possible.

The Superintendent of Pensions will be approached and requested to agree to postpone the required plan valuation filing to December 31st, 2004.

- Smoothing
- Earnings assumption to 6.75%
- Increased employee contributions
- Determination of Banked Hours Actuarial Value
- Eliminate the Subsidized Early Retirement provisions when incentives for early retirement are provided
- Eliminating Credits for non paid hours – vacation, layoff.

Contribution Increases

- Total hourly pension contributions would be increased by twenty-five cents (25¢) per hour in each year of the Collective Agreement, based on increased contributions from Employees.

Shared Short Term Funding Requirements

- The Industry currently has 27.5¢ per hour going to the Plan to fund the future service benefit level of \$60 with Employees contributing the same amount for the \$50 benefit level. Currently both contributions are to be returned to the Employees and the Industry when the Plan is fully funded. These contributions will continue to be returnable to the parties going forward.