
Staying the course

Report to the members



The Board of Trustees 2006/2007 Report

Carpentry Workers'
Benefit and
Pension Plans of BC

Progress toward recovery continuing on pace

The Board of Trustees of our Carpentry Workers' Pension Plan continues to closely follow the recovery plan that was put in place several years ago to fix a Plan that was underfunded and performing well below expectations at that time. The 2006-07 Plan year was another solid one for the recovery plan and our Pension Plan in general.

Pension Plan Assets

Investment Returns for Carpentry Workers' Pension Plan				
2006-07	2005-06	2004-05	2003-04	Average return from 2003 to 2007
15.5%	6.1%	15.3%	10.9%	11.9%

We are once again pleased to report that the Pension Plan experienced strong investment performance in the 2006-07 plan year. The following table shows the investments return for the Plan over the past four years:

As you can see in the table above we were able to achieve a 15.5% return on the Plan's investments in 2006-07 and an average return of almost 12% over the past four years.

Attached are unaudited financial statements for the pension plan as at June 30, 2006. While financial statement for the June 30, 2007 plan year is not yet available some highlights of the 2007 year are:

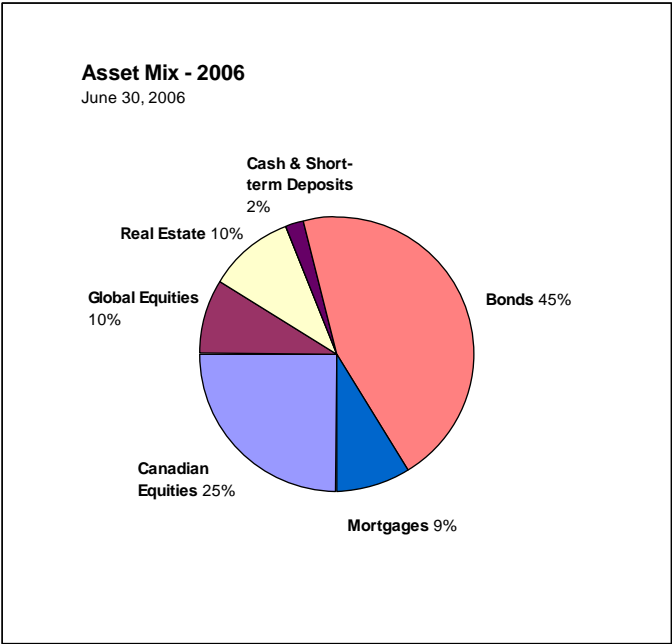
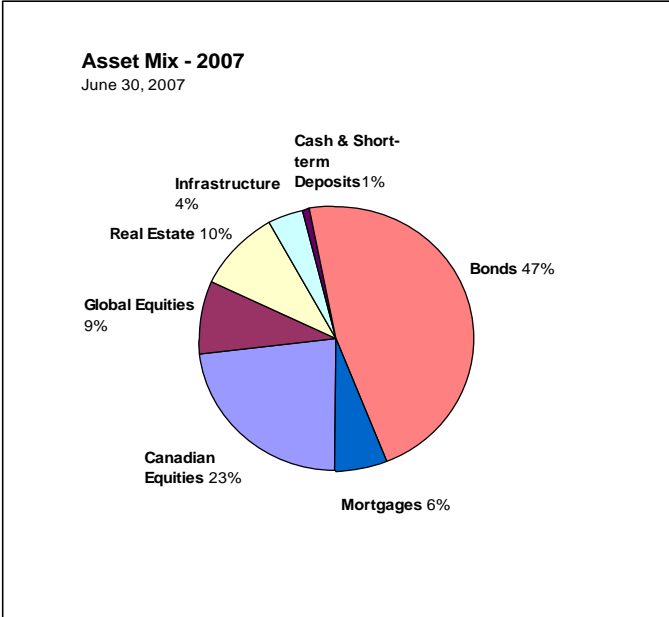
- \$5,929,532 in contributions were received
- \$16,546,140 in benefit payments were made
- Total assets increased by \$15 million between June 2006 and June 2007.

Even with the Plan's positive investment returns and asset growth over the past few years, the Trustees have looked for ways to maximize the Plan's overall performance and results. For example, after a lengthy review process that looked for ways to further reduce risk, three major changes were made to the investment strategy:

- An investment in infrastructure was initiated: the portfolio will be managed by a firm called Macquarie. The portfolio will hold infrastructure assets (such as toll roads, water, gas and electricity distribution networks, shipping terminals, etc.) in Europe and North America and is intended to provide long-term returns that help the plan's assets grow more than the growth of the liabilities.
- Part of the existing bond portfolio was changed to incorporate other capabilities of the existing bond manager (Connor, Clark & Lunn Investment Management) and the capabilities of another firm called Northwater Capital Management. Both of these portfolios are meant to add returns that over the long-term add value in both strong and weak equity markets and will also help the plan's assets grow more than the growth of the liabilities.
- Two equity managers who had been underperforming their respective benchmarks for a protracted period of time, McLean Budden and Putnam, were replaced by Leith Wheeler for the Canadian Equity and Spruce Grove (through an arrangement with Leith Wheeler) for the Global Equities. A thorough search process was conducted and the firms were chosen for their demonstrated the ability to generate

strong returns but also had historical results which infrequently lost money, i.e. had low risk. This last characteristic was particularly important to the Trustees.

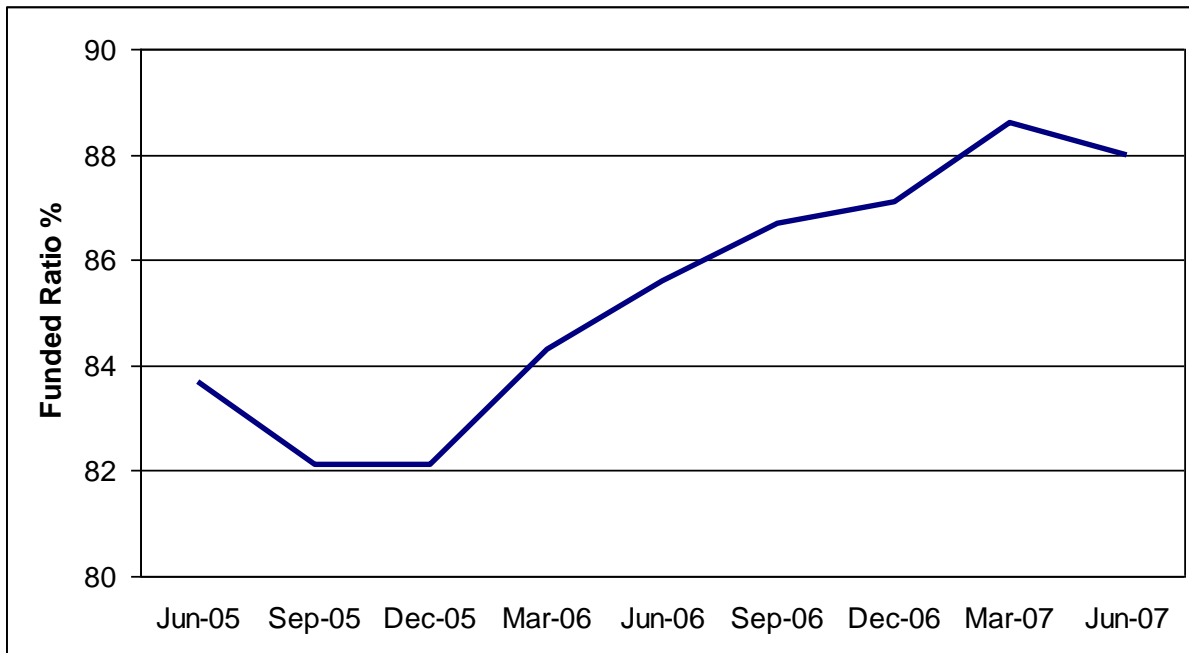
The charts below show how the mix of assets was fine tuned this year.



Funded Status

Another important measure of the Plan's financial health is its "funded status" (i.e., a measure of the Plan's ability to pay out all benefits earned immediately). The Plan's current funded status is 88% and continues to trend up, which is a vast improvement over our position six or seven years ago.

The following graph shows the rate of improvement in the plan's funded status between June 2005 and June 2007:



Other Developments

Other developments during the 2007 plan year include:

- One area the trustees are monitoring closely is contributory hours. Over the last three years, the total number of hours work (and therefore pension contributions have been made) have been decreasing. A steady stream of contributory hours is important for long term planning. The Trustees will continue to monitor this closely.
- Active members elected to increase their contribution rate over a four-year period, starting with a 50 cent per hour increase in May 2007. Increases will total \$1.75 per hour over the next four years.
- The plan received notice that effective July 1, 2007 the Millwrights have elected to cease contributions to the pension plan. The plan's policy for handling withdrawing groups is to have the plan actuary determine the financial impact of the withdrawal and make recommendations to the Trustees on what adjustments (if any) are required to the benefits of the withdrawing group to ensure the withdrawal does not negatively impact remaining members.

Carpentry Workers' Pension Plan of B.C.
Statement of Net Assets Available for Benefits

Unaudited Financial Statements
Management Prepared

As at June 30

2006

2005

Assets

Investments	\$ 198,345,684	\$ 199,231,474
Receivables		
Accrued interest	99,363	105,330
Employers' contributions	623,279	605,978
Members' self –payment contributions	100,000	50,000
Due from Carpentry Workers' Fund	17,053	6,487
Other	2,645	1,735
	842,340	769,530
	199,188,024	200,001,004

Liabilities

Accounts payable and accrued liabilities	313,496	387,727
Due to Carpentry Workers' Benefit Plan (Note 6)	205,333	1,119,205
	518,829	1,506,932
Net assets available for benefits	\$ 198,669,195	\$ 198,494,072

Carpentry Workers' Pension Plan of B.C.
Statement of Changes in Net Assets Available for Benefits

Unaudited Financial Statements
Management Prepared

For the year ended June 30

2006

2005

Increase in assets

Investments		
Investment income earned	\$ 10,082,831	\$ 8,088,496
Current year change in market value	1,482,088	16,514,808
	<u>11,564,919</u>	<u>24,603,304</u>
Contributions		
Employers	6,088,789	6,297,804
Members' self-payments	134,930	69,968
	<u>6,223,719</u>	<u>6,397,772</u>
Total increase in assets	<u>17,788,638</u>	<u>30,971,076</u>

Decrease in assets

Pension benefits paid		
Normal retirement	2,515,226	2,536,578
Old age security integrated	1,371,154	1,438,023
Disability	849,122	903,050
Early retirement	6,018,950	5,847,310
Beneficiaries/Spouses	1,344,006	1,254,070
Portability payouts	3,054,974	2,381,311
Termination and other benefits	1,415,255	1,812,904
	<u>16,568,687</u>	<u>16,173,246</u>
Administrative expenses	1,044,828	1,031,920
Total decrease in assets	<u>17,613,515</u>	<u>17,205,166</u>
Decrease in net assets for the year	175,123	13,765,910
Net assets available for benefits, beginning of year	<u>198,494,072</u>	<u>184,728,162</u>
Net assets available for benefits, end of year	\$ 198,669,195	\$ 198,494,072

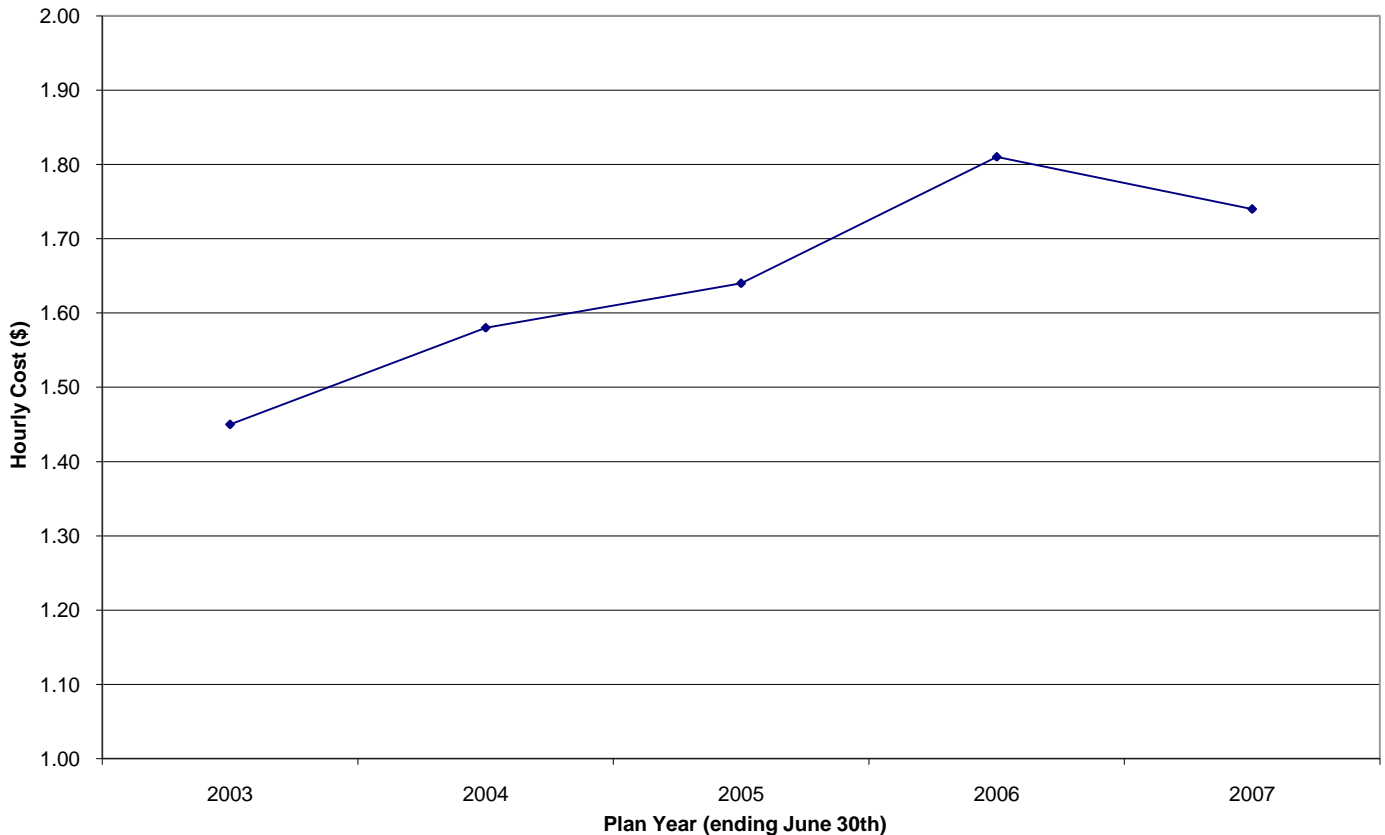
Benefit Plan - facing rising costs

The cost to provide benefits is steadily on the rise. Although the overall expense for 2007 may appear to be steady, we are covering fewer members each year - so the actual per member cost is increasing. And while the recent contribution rate increase will maintain the current level of benefits, without higher contribution we are unable to raise benefit limits or add new coverage.

Increasing hourly cost experience

One measure of how much costs are increasing or decreasing is to look at the hourly cost experience by dividing the overall benefit payments and administration costs by the hour bank drawdown we obtain the hourly cost of actually providing the benefit to each member. This cost continues to increase steadily. Without the sharp decrease in administration costs the hourly rate would now be \$1.86 per hour.

Hourly Cost of Benefits



Administrative improvements enabled cost savings

The trustees are pleased to report that the administration of the plan has been streamlined, resulting not only in a cost savings of \$250,000 but in more effective delivery of member services. Over the past two years, the number of permanent staff has been cut in half and we have not hired temporary staff, as was so common in the past. The plan year ended June 30, 2007 is the first full year to reflect the impact of the changes.

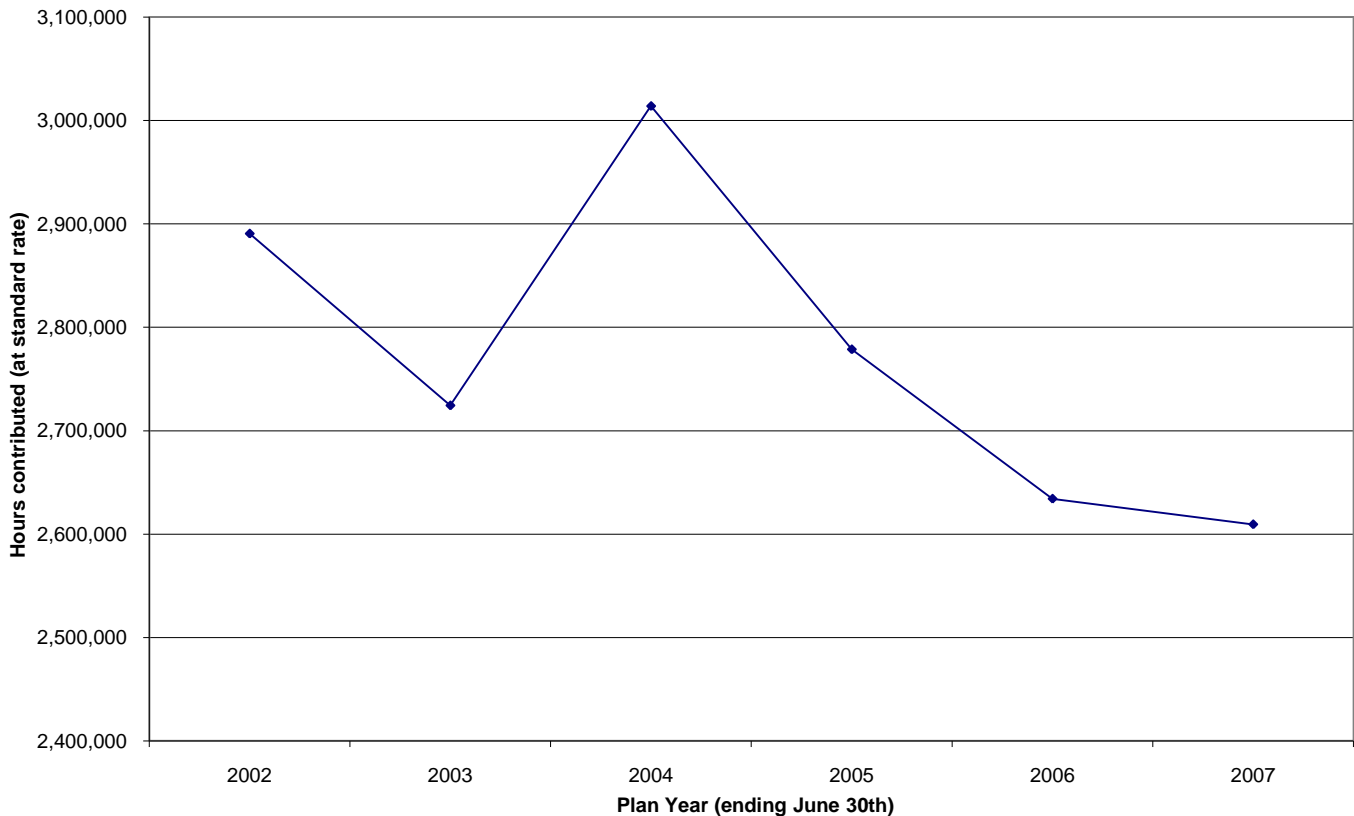
We continue to process everything except extended health and wage indemnity claims in house and we are very pleased to report that the turn around time is now consistently less than two weeks, and usually less than one week! The member files established three years ago have enabled us to have better member information and also to maintain member history. This has resulted in more efficient service because we have access to all previous member dealings with the plan.

The trustees want to thank the administrative staff for their dedication to member service and their continued efforts to find better ways to help members.

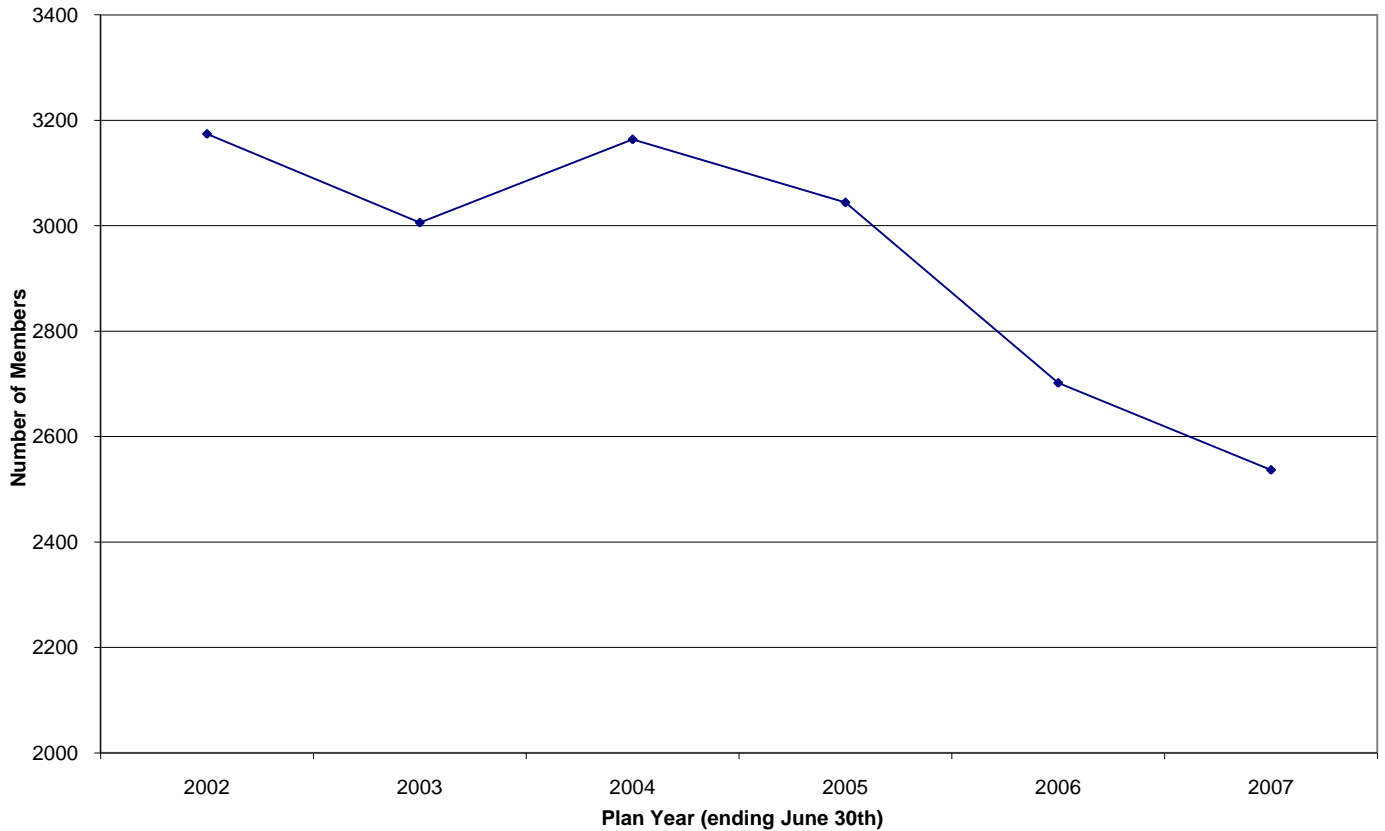
Contributory hours decreased

Contributory hours, along with the number of members actually earning any hours, have decreased in each plan year since the highs reached in 2004. The drop in hours means a lot fewer members are covered, and of those who could be eligible for coverage only two thirds earn the 100 hours per month to maintain coverage.

Contributory Hours



Number of Members Earning Hours



The contribution increase maintains plan

The Benefit Plan recently received a contribution rate increase of \$0.165 per hour which brings the hourly rate to \$1.71. Given a drawdown of only 100 hours, we continue to have one of the lowest monthly contributions in the industry. The plan will not receive any other increases over the life of the current contract which runs to 2010.

The contribution increase, combined with careful management, will maintain all of the benefits members currently receive, despite continually rising costs. While the overall inflation rate in Canada has held below 3% for many years, the same cannot be said for health care costs which have been rising at an average rate of 8 to 10% each year. In order to meet what are likely to be increasing financial demands in the coming years, the plan must build up reserves. (The increase in the “unallocated net assets available for benefits” shown on the financial statements would better be called “the reverses to cover the cost increases through the rest of this contract.”)

Reserve funds will be needed to pay the cost of benefits in the years where no contribution rate increases are scheduled. The trustees are very conscious of the fact that if the reserve is mishandled the plan could once again be faced with cutting benefits.

The trustees would like to look at increasing the maximum claimable for benefits, such as dental and optical -these have not changed in more than 10 years, and are also eroded by inflation each year. They would like to look at adding new benefits or providing MSP. Unfortunately, they cannot. The reality is

that all changes cost money and a \$0.165 increase in seven years (the last increase was in 2003) does not allow for any benefit improvements.

Future editions of Our Plan newsletter will discuss possible options for the plan. We will detail the pros and cons of each option, including the ones we currently offer and we will outline what each change would cost plan members. (For example, we would explain all of the pros and cons of adding MSP coverage for active members, i.e. would this be the most effective use of their dollars given that the plan would have to match the amount they pay as a government requirement and this creates a taxable benefit.)

It is important to explore these issues and options with members and our Board of Trustees is looking forward to beginning this discussion in the coming months.

**Carpentry Workers' Benefit Plan of B.C.
Statement of Net Assets Available for Benefits**

*Unaudited Financial Statements
Management Prepared*

June 30	2007	2006
Assets		
Investments	\$ 9,409,214	\$ 9,175,268
Receivables		
Employers' contributions	841,694	441,397
Accrued interest	91,737	89,090
Due from Carpentry Workers' Pension Plan	401,272	205,333
Other	116,440	63,521
	<u>1,451,143</u>	<u>799,271</u>
Prepaid expenses	22,620	22,871
Capital assets	47,635	93,551
Funds on deposit	312,200	237,600
	<u>\$ 11,242,812</u>	<u>\$ 10,328,561</u>

Liabilities and Net Assets

Liabilities

Accounts payable and accrued liabilities	\$ 343,685	\$ 355,977
Liability for claims	39,945	44,344
	<u>383,630</u>	<u>400,321</u>
Net assets invested in capital assets	47,635	93,551
Net assets available for benefits		
Provision for future premiums and benefits	3,390,949	3,671,903
Unallocated net assets available for benefits	7,420,599	6,162,786
	<u>10,811,548</u>	<u>9,834,689</u>
	<u>\$ 11,242,812</u>	<u>\$ 10,328,561</u>

Carpentry Workers' Benefit Plan of B.C.
Statement of Changes in Net Assets Available for Benefits

Unaudited Financial Statements
Management Prepared

June 30	2007	2006
Increase in assets		
Investments		
Investment income earned	\$ 426,774	\$ 387,307
Current year change in market value	(54,095)	(290,001)
	<u>372,679</u>	<u>97,306</u>
Contributions		
Employers	4,167,227	4,190,957
Members' self-pay contributions	773,413	800,193
	<u>4,940,640</u>	<u>4,991,150</u>
	<u>5,313,319</u>	<u>5,088,456</u>
Decrease in assets		
Benefits		
Self-insured benefits and expenses paid		
Dental and optical	1,069,778	1,123,073
Extended health	1,945,221	1,889,779
Wage indemnity	472,627	454,118
Other	46,880	55,458
Insured benefits and premiums paid		
Medical	50,424	59,323
Life insurance	189,634	189,620
Group life insurance experience deficit	76,690	241,809
	<u>3,851,254</u>	<u>4,013,180</u>
Purchase of capital assets	1,934	14,412
Administrative expenses	483,272	736,469
	<u>4,336,460</u>	<u>4,764,061</u>
Increase in net assets for the year	976,859	324,395
Net assets available for benefits, beginning of year	9,834,689	9,510,294
Net assets available for benefits, end of year	\$ 10,811,548	\$ 9,834,689

**Carpentry Workers' Benefit Plan of B.C.
Financial Statements
For the year ended June 30, 2006**

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Auditors' Report

To the Members of Carpentry Workers' Benefit Plan of B.C.

We have audited the Statement of Net Assets Available for Benefits of the Carpentry Workers' Benefit Plan of B.C. (the "Plan") as at June 30, 2006 and the Statement of Changes in Net Assets Available for Benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The scope of our audit did not extend to an examination of the payroll records of the contributing employers. Our verification of employer contributions was limited to the amounts recorded in the records of the Plan and we were not able to determine whether any adjustments might be necessary to contribution revenue and net assets available for benefits.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of employer contributions as referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at June 30, 2006 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Vancouver, British Columbia
September, 15 2006

Carpentry Workers' Benefit Plan of B.C.
Statement of Net Assets Available for Benefits

June 30	2006	2005
Assets		
Investments (Note 2)	\$ 9,175,268	\$ 8,059,484
Receivables		
Employers' contributions	441,327	412,896
Accrued interest	89,090	54,022
Due from Carpentry Workers' Pension Plan (Note 3)	205,333	1,119,205
Other	63,521	71,669
	799,271	1,657,792
Prepaid expenses	22,871	18,460
Capital assets (Note 4)	93,551	131,336
Funds on deposit (Note 5)	237,600	237,600
	\$ 10,328,561	\$ 10,104,672

Liabilities and Net Assets

Liabilities

Accounts payable and accrued liabilities	\$ 355,977	\$ 398,998
Liability for claims	44,344	64,044
	400,321	463,042
Net assets invested in capital assets (Note 6)	93,551	131,336
Net assets available for benefits		
Provision for future premiums and benefits (Note 7)	3,671,903	3,662,486
Unallocated net assets available for benefits	6,162,786	5,847,808
	9,834,689	9,510,294
	\$ 10,328,561	\$ 10,104,672

Approved on behalf of the Trustees:

_____ Trustee

_____ Trustee

Carpentry Workers' Benefit Plan of B.C.
Statement of Changes in Net Assets Available for Benefits

Year ended June 30	2006	2005
Increase in assets		
Investments		
Investment income earned (Note 8)	\$ 387,307	\$ 387,586
Current year change in market value (Note 8)	(290,001)	61,685
	<u>97,306</u>	<u>449,271</u>
Contributions		
Employers	4,190,957	4,319,708
Members' self-pay contributions	800,193	840,483
	<u>4,991,150</u>	<u>5,160,191</u>
	<u>5,088,456</u>	<u>5,609,462</u>
Decrease in assets		
Benefits		
Self-insured benefits and expenses paid		
Dental and optical	1,123,073	1,180,714
Extended health	1,889,779	1,932,404
Wage indemnity	454,118	631,632
Other	55,458	81,340
Insured benefits and premiums paid		
Medical	59,323	71,442
Life insurance	189,620	204,645
Group life insurance experience (refund) deficit	241,809	9,509
	<u>4,013,180</u>	<u>4,111,686</u>
Purchase of capital assets	14,412	155,914
Administrative expenses (Note 9)	736,469	679,688
	<u>4,764,061</u>	<u>4,947,288</u>
Increase in net assets for the year	324,395	662,174
Net assets available for benefits, beginning of year	9,510,294	8,848,120
	<u>9,834,689</u>	<u>9,510,294</u>
Net assets available for benefits, end of year	\$ 9,834,689	\$ 9,510,294

Carpentry Workers' Benefit Plan of B.C. Notes to Financial Statements

June 30, 2006

1. Description of the Plan

The following description of the Plan is a summary only. For more complete information, reference should be made to the Plan Benefits booklet.

(a) General

The Plan operates on the basis of Collective Agreements between the BC Provincial Council of Carpenters and Participating Employers. The Plan is administered by a Board of Trustees who are appointed by the BC Provincial Council of Carpenters in accordance with the Constitution of Carpenters Union.

The Plan is a multi-employer benefit plan covering all the members of the participating Carpentry Worker locals who have applied for membership in the Plan.

(b) Funding Policy

Each employer contributes to the Plan at the rate of contribution specified in the collective agreement.

(c) Income Taxes

The Plan is a Health and Welfare Trust for Canadian Income Tax purposes and is therefore subject to income taxes according to the rules pertaining to such trusts.

2. Investments (Market Value)

	% of Portfolio	2006	2005
Cash and short-term investments	18.0	\$ 1,651,308	\$ 1,453,704
Bonds	82.0	7,523,960	6,605,780
	100.0	\$ 9,175,268	\$ 8,059,484

The Plan's cash (\$1,152,038) is held in accounts at two credit unions and a trust company and bears interest at the prevailing rates for chequing and deposit accounts. Short-term investments consists of corporate discount notes (\$298,770) that yield 4.5% and mature in July 2006 and term deposits (\$200,000) that yield 3.6% and mature in January 2007. Bonds consist of Federal and Provincial government, government guaranteed and corporate bonds and debentures bearing interest from 3.21% to 6.70% and with maturities ranging from December 2006 to November 2035.

Carpentry Workers' Benefit Plan of B.C. Notes to Financial Statements

June 30, 2006

3. Due from Carpentry Workers' Pension Plan

The amount receivable from the Carpentry Workers' Pension Plan is the net result of administrative and other expenses being incurred by one plan on behalf of the other, is non-interest bearing and has no specific terms of repayment (Note 9).

4. Capital Assets

	2006		2005	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office furniture, equipment and computer software	\$ 1,147,569	\$ 1,054,018	\$ 93,551	\$ 129,808
Leasehold improvements	130,199	130,199	-	1,528
	\$ 1,277,768	\$ 1,184,217	\$ 93,551	\$ 131,336

During the year, fully amortized office equipment with an estimated cost of approximately \$330,000 was removed from the accounts. These represent obsolete assets that were either no longer on the premise or in use.

5. Funds on Deposit

Pacific Blue Cross (\$161,600) pays extended health benefit and BC Life (\$76,000) pays wage indemnity claims from these funds held on deposit. The funds are replenished by the Plan on a monthly basis upon receipt of the disbursements summary. This amount is non-interest bearing but fully accountable to the Plan.

6. Net Assets Invested in Capital Assets

	2006		2005	
Net assets invested in capital assets, beginning of year	\$ 131,336	\$	48,838	\$
Purchase of capital assets	14,412		155,914	
Amortization	(52,197)		(73,416)	
Net assets invested in capital assets, end of year	\$ 93,551	\$	131,336	\$

Carpentry Workers' Benefit Plan of B.C.
Notes to Financial Statements

June 30, 2006

7. Provision for Future Premiums and Benefits

	Accumulated Hours	2006		2005	
Hour bank balance, beginning of year	2,155,252	\$ 3,544,506	\$	3,605,492	
Increase (decrease) in banked hours	(189,334)	(311,377)		(197,715)	
Increase in cost experience	-	333,603		136,729	
Hour bank balance, end of year	<u>1,965,918</u>	<u>3,566,732</u>		3,544,506	
Self-pay credits		<u>105,171</u>		117,980	
		<u>\$ 3,671,903</u>	\$	<u>3,662,486</u>	

The Plan provides coverage to members during periods of members' disability, illness, or unemployment, etc. based on members' banked hours. As a result, a provision has been recorded based on self pay credit dollars and the accumulated banked hours available to members. The provision for banked hours is calculated by applying the Plan's current administration and benefit cost experience for the year of \$1.81 (2005 - \$1.64) per hour. The maximum available accumulated hours per employee is 1,200 hours.

8. Investment Income

			2006		2005	
	Investment Income Earned	Current Year Change in Market Value	Total		Total	
Cash and short-term investments	\$ 44,925	\$ -	\$ 44,925	\$	28,653	
Bonds	342,382	(290,001)	52,381		420,618	
	<u>\$ 387,307</u>	<u>\$ (290,001)</u>	<u>\$ 97,306</u>	\$	<u>449,271</u>	

Carpentry Workers' Benefit Plan of B.C.
Notes to Financial Statements

June 30, 2006

9. Administrative Expenses

The Plan shares office space, staff and expenses with the Carpentry Workers' Pension Plan. The Plan recovers these expenses by charging for costs that management considers to be direct costs of the Plan and by allocating common costs based on management's best estimate of the amounts relating to the Plan and the Pension Plan. The total amount charged by the Plan during the year totalled \$472,932 (2005 - \$495,670). Administrative expenses of the Plan, net of costs charged to the Pension Plan, are presented below.

	2006		2005	
	Cost	Charged to Pension Plan	Net	Net
Audit and accounting	\$ 14,624	\$ -	\$ 14,624	\$ 35,095
Computer and computer consulting	197,402	(67,016)	130,386	131,674
Consulting	14,863	-	14,863	268
Education	8,803	(5,722)	3,081	5,321
Investment, custodial and bank charges	24,110	-	24,110	20,426
Legal	74,278	(24,914)	49,364	45,749
Membership communication	6,032	-	6,032	15,778
Office maintenance (recovery)	(1)	-	(1)	(79)
Office, stationery and supplies	28,051	(7,454)	20,597	16,555
Postage	30,157	(13,571)	16,586	14,894
Rent and occupancy costs (Note 10)	106,047	(42,419)	63,628	64,805
Telephone	10,810	(4,324)	6,486	8,426
Trustees' expenditures	153,442	(107,054)	46,388	34,788
Wages and employee benefits	581,584	(200,458)	381,126	358,989
	1,250,202	(472,932)	777,270	752,689
Administration fees	(40,801)	-	(40,801)	(20,848)
Computer expenses recovered (Note 10)				(52,153)
	\$ 1,209,401	\$ (472,932)	\$ 736,469	\$ 679,688

Employers' contributions required by the collective agreements are collected and appropriate amounts are remitted to the Plan, the Pension Plan and other respective Councils and Funds monthly. During the year, the Plan charged \$40,801 (2005 - \$20,848) for administering these contributions on behalf of the Councils and Funds

June 30, 2006

10. Related Party Transactions

During the year, the Plan engaged in the following related party transactions not separately disclosed in these financial statements:

- (a) 2806 Holdings Ltd.

2806 Holdings Ltd., which owns the building occupied by the Plan, is owned 50% indirectly by the Pension Plan and 50% indirectly by a Local of the Union which has members in the Plan.

During the year, rent and operating costs of \$106,047 (2005 - \$108,008) were paid to 2806 Holdings Ltd. Of this amount, \$42,419 (2005 - \$43,203) was allocated to the Pension Plan. Administrative support services were provided to 2806 Holdings Ltd. at no charge.

- (b) British Columbia Provincial Council of Carpenters

During the year, \$45,364 (2005 - \$52,153) was charged to the British Columbia Provincial Council of Carpenters for its share of expenses of maintaining the LINK computerized data collection and retrieval application. However, as the amount remains unpaid and recovery is uncertain, no amount has been recorded in the accounts as recovered computer expenses. The Plan will recognize revenue in respect of recovered computer expenses when funds have been received or when recovery is reasonably assured.

These transactions occurred in the normal course of business and are measured at the exchange value (the amount of consideration established and agreed to by the related parties).

11. Comparative Amounts

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.