

Guidelines for Periodic Upgrades Applied to the TRIO Pension Plan

When TRIO announced the changes that were made to the pension plan as of January 1, 2013, it also committed to apply upgrades to the accrued benefits as circumstances permit. An upgrade is usually a percentage increase in the amount of accrued pension benefits already earned by you.

This document explains how the TRIO Board will determine if it is in a position to apply an upgrade.

Background

The TRIO pension fund is diversely invested in a number of equities and bonds, all designed to provide an annual investment income to help increase the assets of the Plan.

- In the beginning of each year, our actuaries and investment advisors estimate what the minimum amount of investment income can be expected over the ensuing 12 month period. Our actuarial projections are partially based on this expected investment income.
- The expected investment income is expressed as a percentage of the invested assets. We are assuming an annual investment income for 2014 of 6.50% of the invested assets. This 6.50% figure is called the discount rate.
- In some years, our investment income will exceed the discount rate; in others, it will be equal to or less than the discount rate. If the discount rate never changes, then, over time, the total amount of investment income should average 6.50% per annum.

Procedure

- At the beginning of each year, the Board will set a "hurdle rate." This is the amount of investment income that must be earned in the ensuing 12 months if the Board is to consider an upgrade
- This hurdle rate is usually 1% - 2% above the discount rate.

- At the end of the year, our investment advisors will report the actual rate of investment return that was realized during the previous 12 months.
- If the rate of investment return meets or exceeds the hurdle rate for that year, it shall mean that the amount of investment income
 - is sufficient to meet our discount rate assumptions,
 - provides a surplus to offset insufficient returns in those years where investment returns in total are less than the discount rate assumptions, and
 - provides sufficient funds to upgrade accrued pension benefits

Information

On an annual basis, the Board will provide you with the amount of the discount rate, the hurdle rate, the investment results and the decision as to whether an upgrade will be applied, and, if applied, the amount of the upgrade.

The Board may or may not apply an upgrade even if the annual investment returns meet or exceed the hurdle rate.