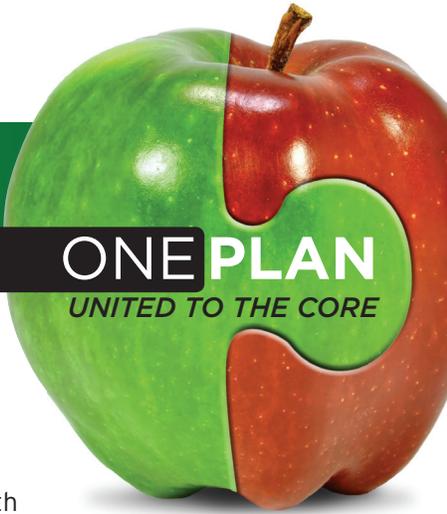


CUPE EDUCATION WORKERS' BENEFITS TRUST



ONE PLAN
UNITED TO THE CORE

Year in review

On behalf of the Trustees of the CUPE Education Workers' Benefits Trust (CUPE EWBT), we would like to take this opportunity to share some preliminary financial information with the CUPE EWBT members. This update provides a summary of the Trust's financial status as of December 31, 2018 and other important developments.

The CUPE EWBT was established on February 28, 2018 and came into effect on March 1, 2018, following an agreement between OSBCU/CUPE, four school board/trustee associations (OPSBA, OCSTA, ACÉPO, AFOCSC) and the Crown (collectively, the "Parties"). The Trust was the culmination of years of hard work and preparation, starting well before the transition date.

The CUPE EWBT was set up to provide medical, dental, life and accidental death and dismemberment (AD&D) benefits to eligible CUPE members and their dependents. Retired CUPE workers are currently covered under different arrangements. Overall, the CUPE EWBT covers more than 47,000 members (active and on leave), plus their dependents.

A valuation measures the CUPE EWBT's financial health by looking at expected future benefits and expenses (or operating costs) for the CUPE EWBT over a given period. The purpose of the valuation is to ensure the Trust:

- Has sufficient assets to cover current and projected benefits costs;
- Maintains a funding reserve in case claims experience is higher than expected; and
- Determine if any plan changes are required to ensure the Trust's future sustainability.

An audit is an independent review and opinion that the statements prepared by management fairly present the results of the operations and the financial position of the Trust during the accounting period.

Trust financials

Now that the CUPE EWBT has been through its first financial period, it underwent its first valuation - or test of its financial health. It also underwent its first audit for the 10 months ended December 31, 2018. Preliminary financials over a projected 3-year period (to 2021) indicate the CUPE EWBT is financially sound. However, it's important to understand that sustainable funding is critical to its long-term success. The Trustees are monitoring the Trust's financials on an ongoing basis to ensure it remains sustainable.

In designing an affordable benefits plan that meets members' needs, the Trustees relied on the best information available at the time, while acknowledging the limitations of the initial data. It was critical to the Trustees that the Trust provide sustainable benefits well into the future.

According to the terms of the Trust Agreement, the Parties to the Trust require that the CUPE EWBT maintain a reserve of at least 8.3% of its costs. The Trustees have determined that a reserve of at least 25% (around 3 months

of costs) should be held at this time. This higher level of reserve recognizes that the Trust is still in its infancy, and that there is a degree of uncertainty about future funding and claims levels.

If the reserve dips below the 8.3% threshold, then the Trustees are required to take one of the following actions:

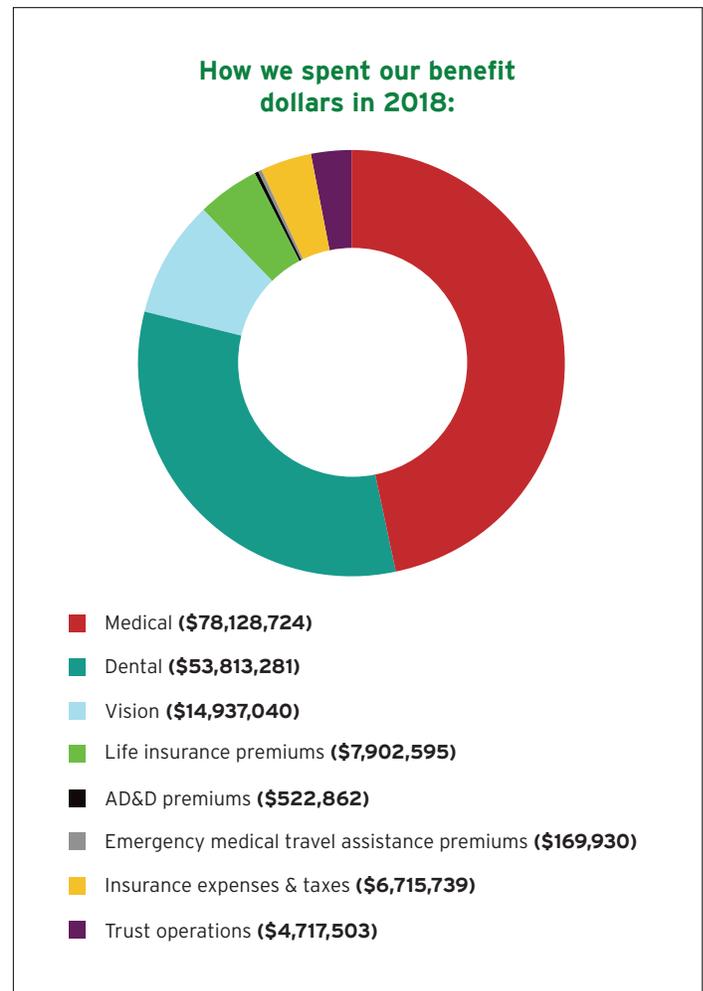
- Adjust employee contributions;
- Change the plan design;
- Implement cost containment measures;
- Change eligibility requirements;
- Stop providing certain benefits (other than life insurance); or
- Obtain new sources of revenue.

Looking ahead

The first negotiations between CUPE and the Ministry following the Trust's establishment are now underway. The Trustees are always looking at the benefits plan relative to the available funding and our members' needs. As you know, we recently reached out with a survey to assess your benefits needs and preferences, to help inform our future decision-making. We'll share a summary of the results in the Fall.

From a Trust management standpoint, the Trustees continue to make governance a top priority by:

- Identifying benefits trends and potential risks to the sustainability of the plan;
- Meeting on a regular basis to oversee plan operations;
- Developing policies for approach to benefits appeals, conflicts and investments;
- Keeping current with industry standards; and
- Taking advantage of opportunities that can improve our governance and, if possible, your benefits plan.



For more information on the Trust and your benefits, please visit www.cupe-ewbt.ca.

A final word

This update has been prepared exclusively for eligible CUPE workers in the province of Ontario. It is not intended to be comprehensive or to provide advice. If there are any differences between the information provided in this update and any legal documents that govern the delivery of benefits, the legal documents will apply. The CUPE EWBT Trustees have sole discretion to modify any or all plan terms, including benefits levels, eligibility conditions, premium share, limits and co-pay amounts.