

McMaster's Pension Plan

A Performance Review

Actuarial Valuation of the Pension Plan
as at July 1, 1999

Excerpts from Report to the Pension Trust Committee
Prepared by William M. Mercer Ltd.

When conducting a valuation on a going-concern basis, the relationship is determined between the respective values of assets and accumulated benefits, assuming the Plan will be maintained indefinitely.

FINANCIAL POSITION: The results of the valuation as at July 1, 1999, in comparison with those of the previous valuation as at July 1, 1998, are summarized as follows:

Financial Position - Going-Concern Basis (\$000's)

	July 1, 1999	July 1, 1998
Actuarial value of assets	\$ 915,416	\$ 836,931
(adjusted for in-transit items)		
Actuarial liability		
Present value of accrued benefits for:		
Active Members	\$ 338,016	\$ 321,504
Pensioners & Survivors	256,302	244,203
Deferred Pensioners	1,803	1,701
Additional Voluntary Contributions	105	90
Inactive - status undecided	13,411	10,832
Total liability	\$ 609,637	\$ 578,330
FUNDING EXCESS (unfunded liability)	\$ 305,779	\$ 258,601

CURRENT SERVICE COST: The estimated value of the benefits that will accrue on behalf of the active members during 1999/2000, in comparison with the corresponding value determined in the previous valuation as at July 1, 1998, is summarized below:

Employer's Current Service Cost (\$000's)

	July 1, 1999	July 1, 1998
Total Current Service Cost	\$ 21,881	\$ 20,988
Estimated members' required contributions*	\$ 5,721	\$ 5,570
Estimated employer's current service cost	\$ 16,160	\$ 15,418
Employer's current service cost expressed as a percentage of members' contributions	282%	277%

*Members will contribute 50% of this amount during the 1998/1999 and 1999/2000 Plan years. The remainder will be funded through surplus assets in the Plan.

MEMBERSHIP DATA: Plan membership data is summarized below.

Plan Membership

	July 1, 1999	July 1, 1998
Active Members	2,791	2,736
Pensioners and Beneficiaries	1,026	994
Deferred Pensioners	59	60
Inactive-Status Undecided	302	279
TOTAL MEMBERSHIP	4,178	4,069

Combined Managers: Asset Commitment Comparables

		Market	Value	Asset	Mix			
	Jun98	Sep 98	Dec98	Mar99	Jun99	Min	Bench	Max
	%	%	%	%	%	%	%	%
EQUITIES								
Canadian (JF/Linc)	16.7	17.9	18.1	18.8	19.2			
Canadian (Index)	12.1	10.1 ³	10.8	11.1	11.5			
Total Canadian	28.8	28.0	28.9	29.9	30.7	25	35	60
U.S. (JF/Linc)	11.4	10.6	11.5	9.8	10.1		10	
U.S. (Derivative) ¹	5.5	5.4	6.0	6.3	6.5			
Non-North American	10.1	9.8	10.7	10.7	10.6		10	
Total Foreign	27.0	25.8	28.2 ³	26.8	27.2	10	20	25 ²
TOTAL EQUITIES	55.8	53.8 ³	57.1 ³	56.7	57.9	35	55	75
FIXED INCOME								
Bonds (JF/Linc)	25.1	25.2	23.0 ³	24.1	23.6			
Bonds (Index)	14.1	15.8	14.8	14.9	14.4			
Total Bonds	39.2	41.0	37.8 ³	39.0	38.0	25	42	50
Cash	5.0	5.2	5.1	4.3	4.1	0	3	15
TOTAL FIXED INCOME	44.2	46.2 ³	42.9 ³	43.3	42.1	25	45	65
TOTAL FUND	100.0	100.0	100.0	100.0	100.0			

³change in weighting of +/- 2% since previous quarter ♦ ¹Deemed to be Canadian content ♦ ²Maximum of 20% by book value

COMMENTS: The market value of the Fund increased from \$892.7 million on March 31 to \$916.5 million on June 30, 1999 after accounting for net cash withdrawals of \$8.4 million.

The above table provides the breakdown of the Fund by asset class. There was an increase in overall equity exposure of the Fund from 56.7% at March 31 to 57.9% on June 30, 1999, due to the higher returns earned by equities compared to fixed income securities.

Prepared by James P. Marshall, Inc.