Trustees fined for exceeding investment limits

As reported in the last issue of Inside Pensions, an Ontario court found that nine members of the Board of Trustees for the Canadian Commercial Workers Industry Pension Plan (CCWIPP) were responsible for exceeding certain investment limits defined under provincial pension law. In April, the court ordered each of the nine trustees to pay fines and surcharges of $22,500. The fines relate to pension fund investments that were made back in 2002 and 2003. The full court decision as well as the sentencing is available at ufcw175.com/insidepensions.

Funding

A full report by the plan’s independent actuary is due to be filed with the Financial Services Commission of Ontario (the province’s pension regulator) later this year. This report will provide a detailed update on the plan’s funding level, pertaining to the 2009 valuation. A second report, due out in 2011, will address the Stabilization Fund and its effectiveness in addressing the plan’s funding shortfall, as well as what the future holds for the plan.

Copies of the report will be made available to all members through the Financial Services Commission of Ontario. We will publish key results in future issues of Inside Pensions.

Changes to CCWIPP announced

CCWIPP announced changes to the pension benefits scale effective September 1, 2010. Members should have received a summary of these changes in the mail.

The two scales reflect changes for Active Members. Scale A applies to those whose pension requires a negotiated contribution increase of 50% (capped at 40 cents per hour) to maintain future pension accruals at the current level. If no increase in the rate of contribution is negotiated between your employer and Local Union, benefits accruing on and after September 1, 2010 will be as determined in Scale B. If the contribution increase is less than that required, the benefit will be calculated accordingly.

In addition, several other changes will take place. All details are included in the mailing members received from CCWIPP in July. If you have questions or comments about the changes outlined above, you may contact the Administrator at 1-800-357-1632 between 8:30 a.m. and 4:30 p.m.
<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>How to Join the Plan</strong></td>
<td>Effective September 1, 2010, new hires on or after that date will be subject to a two-year waiting (“qualifying”) period before becoming a plan member. You must complete a Registration and Designation of Beneficiary Card and return it to the CCWIPP Administration Office in your region.</td>
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<tr>
<td><strong>Contributing to the Plan</strong></td>
<td>Your employer is required to contribute to the plan for each hour that you work. If you don’t know the current contribution rate that applies to you, check your collective agreement or contact your local union office. These contributions are invested by experts chosen by the trustees. Contributions and investment income are used to pay pensions.</td>
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<tr>
<td><strong>Size of Your Pension</strong></td>
<td>The amount of your pension is based on the number of hours you work and your employer’s contribution rate. For this reason, it’s very important to check your annual pension statement to make sure your hours have been reported accurately.</td>
</tr>
<tr>
<td><strong>When You Can Start Your Pension</strong></td>
<td>You can retire on the first of any month after you reach age 65. You can also retire as early as age 50 but your pension will be reduced by 6% per year that your retirement date falls before age 65. You can keep working and earning a pension after age 65 but the law requires that you start receiving pension payments by the end of the year in which you turn 71.</td>
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<tr>
<td><strong>How Your Pension is Paid</strong></td>
<td>Your pension is paid to you each month for as long as you live.</td>
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<tr>
<td><strong>If You Have a Spouse</strong></td>
<td>If you have a spouse when you retire, the plan automatically provides a pension for the life of your spouse if you die first. Your spouse’s payments will equal 60% of your pension.</td>
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<tr>
<td><strong>If You Have an Ex-Spouse</strong></td>
<td>Your pension is considered a family asset. This means that any pension you earn while you and your spouse are married (or living as a common-law couple) may have to be divided based on any separation or divorce agreement. Even if you’re not legally married, you may still have to consider your pension in any division of assets. Your ex-spouse can’t begin receiving his or her share of your pension until you leave the plan, retire, reach age 65 or die – whichever comes first.</td>
</tr>
<tr>
<td><strong>Leaving the Plan</strong></td>
<td>If you have at least two continuous years of plan membership, or membership in the UFCW or service with a participating employer, you qualify for a termination benefit. If you are 50 or older (and eligible to start collecting a pension right away) you will receive the full value of the pension you have earned. Otherwise, your termination benefit will be reduced based on the plan’s funding level. You still have a choice to leave your termination benefit in the plan or transfer the cash value out of the plan, but the reduction applies in either case.</td>
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<tr>
<td><strong>If You Work After You Retire</strong></td>
<td>You can suspend your pension payments and earn additional pension benefits, or you can continue to collect your pension and not earn any additional pension benefits.</td>
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<tr>
<td><strong>If You Die</strong></td>
<td>If you die before your pension begins but after you have completed at least two years of plan membership (or have been a member of the union for at least two straight years), the full cash value of your pension benefits will be paid to your spouse, beneficiary or estate.</td>
</tr>
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</table>
**Lower contributions + higher claims = reduced benefits**

When benefits cost more than contributions, something’s got to give...

For the first time in a long time, many of our members faced reductions in their health, dental and other benefits this year. To understand why the reductions were necessary, it helps to understand how trustee plans, such as your health and dental plans, work.

- Based on your collective agreement, for each hour that you work, your employer makes a contribution to a benefits trust fund.
- The benefits fund is governed by its own Board of Trustees made up of union and employer representatives.
- The fund is held in trust by an independent third party and is invested by professional investment experts.
- The money in the fund (including contributions and investment earnings) is used to cover the cost of benefit claims.

Because the per hour contribution rate is fixed under the collective agreement, trustees have no control over the amount of money flowing into the fund. If work levels go down, so do contributions. If this happens at the same time that claims are going up, the trustees have no choice but to reduce benefits.

**WHAT MAKES TRUSTEED BENEFIT PLANS DIFFERENT?**

* Many of our benefits are “self-insured.”
* This means that after claims are approved, they are paid directly from contributions.
* There’s no insurance company bureaucracy.
* This means we save by not contributing to insurance company profits.
* But it also means there’s a limited pot of money to pay for benefit claims.

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**HERE’S WHY BENEFITS MAY HAVE BEEN REDUCED THIS YEAR**

**THE VALUE OF THE TRUST FUND WENT DOWN**

In 2008 and early 2009, financial markets dropped sharply & the trust fund had a negative investment return. While recent market gains have provided strong investment returns, the trust fund is still making up lost ground.

The tough economy means that our members are working fewer hours. Fewer hours mean less contributions to the trust fund.

**THE COST OF BENEFITS WENT UP**

The cost of providing benefits such as health, dental & prescription drug coverage goes up every year. According to a recent Conference Board of Canada report, benefit costs have risen by almost 10% in the past year alone.

When work levels are down, members generally have more time to catch up on health-related needs – such as going to the dentist or doctor. And that means more claims, which in turn mean higher plan costs.

Many members have a working spouse with benefits coverage under a company plan. When spouses lose their jobs, they also lose their benefits coverage, meaning more claims come through under our plans.
Government Pensions

What you need to know

Government pension programs include the Canada Pension Plan (CPP), Old Age Security (OAS) and, for lower income Canadians, the Guaranteed Income Supplement (GIS).

CANADA PENSION PLAN (CPP)

Under the current CPP system, all working Canadians who are between the ages of 18 to 70 and living outside of Quebec must contribute to the CPP.

Contributions are based on your earnings between the basic exemption ($3,500 in 2010) and the CPP earnings limit ($47,200 in 2010). Your contributions are matched by your employer.

The CPP is designed to pay you a pension equal to about 25% of the average industrial wage. The size of the pension you actually receive from the CPP depends on your level of income, how long you contribute, and how old you are when you retire. For 2010, the annual maximum CPP pension at age 65 is about $11,208 ($934 monthly).

In 2010, the combined annual maximum CPP & OAS retirement pension is roughly $17,412 per year.

OLD AGE SECURITY (OAS)

OAS is paid in addition to CPP and provides a basic pension for almost every senior at least 65 years old. It replaces another 15% or so of the average industrial wage, although the exact amount you get will depend on how long you have lived in Canada.

Unlike CPP, which you receive regardless of your other retirement income, OAS starts to be “clawed back” if your retirement income exceeds a certain level ($66,733 in 2010). As of April 1, 2010, the annual maximum OAS pension is approximately $6,204 ($517 monthly).

GUARANTEED INCOME SUPPLEMENT (GIS)

GIS is paid to people receiving OAS who have an income below a certain level ($15,672 for singles and $37,584 for couples in 2010). Spouses and survivors of GIS recipients may qualify for an additional allowance.

myth buster

the myth: By the time I retire, the Canada Pension Plan won’t even be around!

the real story: The structure & design of the CPP is highly regarded around the world & it is frequently studied by other countries hoping to develop a similar plan. The federal government conducts regular reviews of the program & experts are confident that the CPP will continue to deliver promised benefits for many generations to come.

QUESTIONS?

Where to go to stay in the know.

Got a question about your pension plan?

- Contact your plan administrator shown on your statement
- Visit the FSCO Web site at: www.fsco.gov.on.ca
- Contact your Local Union Office.

FINAL WORD

This bulletin provides summary information about the different pension plans to which members of UFCW Locals 175 & 633 belong. It is not intended to be comprehensive or provide advice. If there is any discrepancy between the information contained herein and the legal documents that govern the plans, the legal documents will apply. This bulletin was prepared by UFCW Locals 175 & 633 without input or review by the CCWIPP Board of Trustees.