

Questions and Answers on the Plan's Target Benefit Plan Conversion

Frequently Asked Questions

1. What type of pension plan is this?

The Plan is currently referred to as a "Collectively Bargained Multi-Employer Negotiated Cost Defined Benefit Plan" under the B.C. Pension Standards Act (the Act) and Regulations (the Regulations) and qualifies as a Specified Multi-Employer Pension Plan (SMEPP) under The Income Tax Act.

2. Why is the Plan changing to a Target Benefit Plan regulatory framework?

The Target Benefit Plan concept was initially put forward to address the unique structure and challenges of plans such as ours, namely Collectively Bargained Multi-Employer Negotiated Cost Plans which were considered to provide a "Defined Benefit". Under the Defined Benefit "umbrella", we were required to adhere to Solvency Funding requirements deemed by many to be inappropriate for plans such as ours. Solvency Funding is in place to address situations such as corporate pension plans where there is a danger of a corporate bankruptcy that would require the pension plan to "wind up". Multi-Employer plans do not face the same challenges as there is virtually no possibility that all the Participating Employers would declare bankruptcy at the same time. Changing to the Target Benefit Plan model eliminates the required Solvency Funding requirements under the Act and allows the Plan's funding to be measured on a Going Concern (long term) basis, which recognizes that the Plan will continue into the future.

Please note, the Teamsters' National Pension Plan **is currently fully funded on a Going Concern basis**. The new Target Benefit structure makes it clear that the pension benefit provided is not "defined" but is a "target". If there are funding excesses on a Going Concern basis (above the Act's requirements) the "target benefit" (monthly pension) would be increased, conversely if there are Going Concern funding shortfalls, the "target benefit" would have to be reduced,

3. What happens if the Plan continues to stay with the current Plan regulatory framework designed for single employer Defined Benefit Plans?

If plans such as ours were to continue under the current framework and not convert to a Target Benefit Plan, the plan would continue to be subject to overly conservative and inappropriate solvency funding requirements. Currently, most multi-employer pension plans such as ours have been granted an exemption under the Regulations and do not have to make Solvency payments. This is referred to as a Solvency Moratorium and it will end on December 31, 2017. The transition to a Target Benefit Plan properly describes this Plan and eliminates any requirements under the Act that relate to Solvency Funding. If the Plan were required to meet these Solvency funding, the benefits payable from the plan would need to be reduced, even though the plan currently has a Going Concern surplus.

4. What does the term Going Concern mean and how does it relate to the Plan?

The funding of the Plan is evaluated on a Going Concern (long-term horizon) basis. The basis of the evaluation on a Going Concern is to pay out all of the liabilities over the life time of the Plan – over 50 years in to the future. As of the last actuarial valuation, at December 31, 2013, the Plan was 103% funded on a Going Concern basis. The Plan's Actuary has estimated the 2016 Going Concern funded status at over 110%. While this is positive, the Regulations require additional Funding to be in place before benefit improvements can be made.

5. What does the term Solvency mean and how does it relate to the Plan?

One way to measure the status of a pension plan is to assume the Plan wound up on a specific date. This is the extremely unlikely case where all Participating Employers cease to contribute to the Plan. Under solvency the Pension Plan would need to settle retirement payments through the purchase of insurance contracts (annuities) from an insurance company. Unlike the Plan, an insurance company is a for-profit entity and would be looking for profit. This coupled with current low market interest rates make the Solvency funding for the Plan significantly higher than the funding required on a long term Going Concern basis.

6. What is an actuarial valuation?

An actuarial valuation is a mathematical analysis of the financial condition of a pension plan. This analysis calculates the changing demographics (age of plan members) and determines the liabilities which must be paid with a plan's assets. The liabilities recognize the current and future monthly pensions payable to Plan Members. A plan's actuary is required to prepare an actuarial valuation for the Plan at least once every three years to determine its funded status.

7. What factors affect the assets and liabilities of the Plan?

In calculating a Plan's funded status, actuaries compare assets and liabilities. The Employers' contributions and investment income make up the Plan's assets. This Plan's assets are invested conservatively in pooled Canadian Equities, Global Equities, Fixed Income Securities and Real Estate.

Liabilities represent the future pension payments of both Active and Retired Members. Both interest rates and the average age of the Membership are factors used by actuaries in determining liabilities. The low interest rate environment of the past number of years has been very challenging for many pension plans.

8. Who are the pension regulators?

The Plan, itself, is registered under the B.C. Pension Benefit Standards Act (BC PBSA) but complies with both B.C. and Federal legislation as our Members can fall under either. Your benefits will be determined and administered in accordance with the legislation applicable to your last place of employment prior to your termination, retirement or death.

9. How important are Employer contributions to my monthly pension when I retire?

Your pension benefit is, for the most part, determined by the pension contributions rate in the Collective Agreement in place between your Employer and Teamsters Local Union No. 31. The higher the hourly pension contribution rate, the higher your monthly pension will be. The Plan recently introduced the concept of **Voluntary** Member Top-Up contributions which can be used to increase your pension should you choose to do so.

10. Does the change to Target Benefit Plan affect my ability, once I am a “Former Member” to elect to withdraw the Commuted Value (lump sum value) rather than draw a monthly pension from the Plan?

No, you will still be provided with the same options providing you meet the terms of the Plan as a Former Member. The Plan is not changing the provisions in relation to the qualification to obtain the Commuted Value of your pension. It is important to note that: **a)** many plans prohibit Commuted Value transfers after the age of 55 but this Plan has always been accommodating in that regard and **b)** the Commuted Value of a pension is normally considered “Locked-In” meaning that once the funds are transferred from the Plan they can be accessed only as monthly income at retirement.

11. Is there an effective date for the change to the Target Benefit Plan?

Yes, effective January 1, 2017, the Board of Trustees have approved the conversion to the Target Benefit model. As part of the transition, the Plan must adhere to the B.C. PBSA Act and Regulations to ensure the implementation of the model is in compliance with all aspects of the administrative, regulatory and legal obligations.

12. If I have further questions, who do I contact?

Please don't hesitate to contact the Plan's office with your questions (604-552-2650). The office is open Monday to Friday, 8:30am to 4:30 pm. The Plan will also continue to provide regular Pension Workshops to provide information to Plan Members. Please refer to the **Pension Workshop** information on this website for further details.