



For Your Benefit

Spring
2012

Teamsters Local 213 Members Benefit Plan

Pension Plan's investment strategy has provided pension security



Walter Cantà
*Chair of the
Teamsters Local 213
Health & Welfare
and Pension Plans*

Despite ongoing instability in the world's financial markets, the Teamsters Local 213 Pension Plan continues to be financially solid as a result of the asset/liability matching investment policy adopted and maintained by the Board of Trustees. This investment policy, which involves investing mainly in fixed income investments which are similar to the Plan's liabilities, has been in place since late 2002.

While the Plan is in a healthy financial position and there has been an improvement in the Plan's financial position in 2011, the Plan, like all other pension plans, is facing challenges. These arise from low interest rates, which have continued to fall, aging members and retirees living longer. In addition, recent changes to the law governing the Plan have created yet another challenge.

Low and declining interest rates

Pension plans that use more traditional strategies, investing 50% or more of plan assets in equity holdings, are experiencing significant funding problems. Such plans had very low, and in some cases negative investment returns in 2011. Our Plan's investment rate of return was very favourable in 2011, earning 20.5%.

This is good news, but continually fluctuating financial markets and the ongoing downward trend in long term interest rates mean challenges for all pension plans. The Plan's asset/liability matching investment strategy is designed specifically to match the Plan's assets to its liabilities, no matter what changes are taking place in the world's securities markets and to interest rates. The strategy involves a significant investment in bonds which pay specific amounts on specific dates, and which react predictably to interest rate changes. When long term interest rates go down, the values of long term bonds increase. And conversely, when long term interest rates go up, long term bond values go down. The Plan's liabilities react in the same manner. The focus of this strategy is to ensure that the Plan has the ability to deliver promised pension benefits.

Long term interest rates have been declining for some time now, and the big questions are how low can they go, how long will they stay down, and when will the downward trend be reversed. The Board of Trustees and their professional advisors closely monitor the investment strategy, financial markets

and long term interest rates, and assess the Plan's assets and liabilities regularly to ensure the long term success of the Pension Plan. The Plan's asset mix at December 31, 2011 was: 83% in bonds and mortgages, 13% in real estate and infrastructure investments, and 3% in equities. Plan assets have grown from \$228 million as of December 31, 2004, to over \$400 million as of December 31, 2011.

The results of the last filed actuarial valuation as at December 31, 2010 indicate the Pension Plan had a Going Concern funding excess of \$20.4 million and a funded ratio of 106%. Preliminary valuation results show the excess has increased to \$31 million at December 31, 2011 with a funded ratio of 108%. The Plan is in a sound financial position to pay benefits earned to date, i.e. accrued service benefits. However, the Plan's ability to continue to provide future service benefits at the current rate is being closely monitored by the Board. It is not clear, especially in an environment where long term interest rates have been declining, whether the rates of return that will be earned on contributions made to the Plan in the future will be sufficient to support the current benefit accruals.

Aging members

Contributions made to the Plan on behalf of young members earn investment income for a longer period than the contributions made on behalf of older members. As a result, as the ages of members increase, the future investment income decreases which means less money to pay benefits.

Retirees living longer

The length of time that a pension is typically paid has increased from 10 to 15 years, to over 20 years. Longer payment periods increase costs and put more pressure on the Plan's finances.

Recent changes to the law

There are 3 different financial tests the Plan must satisfy under the law: Going Concern, Solvency and Minimum Funding.

1) The Going Concern test compares the assets of the Plan to the liabilities assuming the Plan continues to operate. On a Going Concern basis, the Plan has an excess of \$31 million and a funded ratio of 108%. This is very healthy and compares very favourably to other pension plans, many of which are not fully funded.

2) Solvency compares the assets of the Plan to the liabilities assuming the Plan is wound-up and all assets are distributed. The funded ratio of the Plan on a solvency basis is 102%. This also shows that the Plan is in very good shape and compares

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Bill-C13: CPP contributions and disability benefits

Bill C-13 was passed into law on December 15, 2011, and requires Canadian “employers” who self-insure their disability plans to remit, on a go forward basis, employee and employer Canadian Pension Plan (CPP) contributions for disabled employees receiving disability benefits.

There is presently much debate as to whether Bill C-13 applies to a Health & Welfare Trust, on the basis that a Health & Welfare

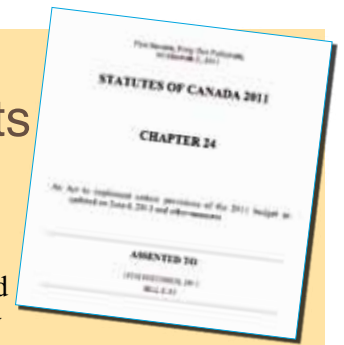
Trust is not the employer but rather a separate entity, and the self-insurance of disability benefits is done based on insurance principles.

If Bill C-13 is deemed to apply to a Health & Welfare Trust, the Teamsters Local 213 Health & Welfare Trust, which self-insures the short term and long term disability benefits, will have to withhold and remit CPP contributions for short term disability and long term disability

benefits. The Trust Fund would have to pay

the employer portion of CPP and a disabled member would have CPP deducted from their short/long term disability cheque.

The Board of Trustees is in the process of determining with finality whether Bill C-13 applies to the Health & Welfare Trust.



Applying for CPP, OAS, GIS

Canada Pension Plan benefits do not begin automatically. If you are eligible, it is recommended that you apply six months before you want to begin receiving it.

Similarly, Old Age Security (OAS) does not begin automatically and you should apply six months before age 65 to see if you are eligible to receive this benefit.

Contact Service Canada to assess your eligibility for OAS or other benefits such as Guaranteed Income Supplement (GIS), the Allowance or the Allowance for the Survivor.

You can contact Service Canada at 1 800 277-9914 or visit the website at www.servicecanada.gc.ca for more information.

Important reminders

- Notify our office of any **change in address** or **spousal relationship** or **beneficiary designation**.
- Tell us if there is change in your direct deposit account number if you are receiving a monthly Teamster Local 213 Pension.
- Send us a copy of your “Power of Attorney” documents.
- Notify us if you are receiving WorkSafeBC wage loss benefits and are covered under the Hour Bank Division of the Teamsters Local 213 Health and Welfare Plan.
- Keep your designated beneficiary information up-to-date.
- Many members forget to advise us when their designated beneficiary has died or when the marriage or common-law relationship has ended.

Keep your beneficiary designations up-to-date.

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Editor—Ingrid Ochodek

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Tips for Members

Submitting paper claims to Pacific Blue Cross

Here are a few tips that will help make sure paper claims are processed efficiently by Pacific Blue Cross (PBC).

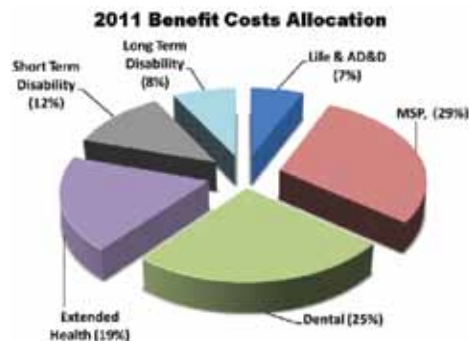
- Make sure that all supporting documents and original receipts are included (remember to keep copies for your own records as PBC does not return receipts)
- Keep receipts loose and flat in the envelope (no staples, paper clips or tape).
- Submit only one of each original receipt (no cashier or Interac receipts).
- Put all health expenses on one form (drugs, paramedical treatments, etc.)
- Mail the signed form, with receipts, to PBC at the address indicated on the form. Forms may also be delivered in person to the PBC office.

Teamsters Local 213 Health Welfare Plan

The Plan remains in a healthy financial position overall, with Total Plan assets of \$6,168,842 as per the annual audit as at December 31, 2011.

However, to sustain the Plan well into the future, the Board of Trustees must be proactive in addressing the issue of rising benefit costs due to various factors. These include the future financial impact of changes and cost increases occurring in the area of prescription drugs, the impact of demographics and the aging of the population, government offloading to private plans, annual increases to the BC Medical Services Plan (MSP) premiums the past 3 years and possible ongoing future increases.

The following chart illustrates the 2011 cost breakdown by benefit type.



The Board of Trustees is undertaking a full review of the Hour Bank Benefit Plan design to address the benefit cost challenges.

Walter Canta, Chair,
Don McGill, Past Chair

Changes to the Canada Pension Plan

Changes to the Canada Pension Plan (CPP) are taking place, by way of a series of major changes being gradually introduced from 2011 to 2016. The Government of Canada is making these changes to make sure the CPP remains fair and sustainable into the future as Canada's population ages and changes in the economy and labour market take place.

Changes to the Canada Pension Plan are being phased in between 2011 and 2016.

Starting this year, you will be able to start receiving your CPP retirement pension at any time after age 60 without having to cease employment. However if you decide to take your CPP retirement pension early - between ages 60 and 64, the amount will **decrease** by a larger percentage than in the past. In 2012 the decrease for each month the pension starts before age 65 will be 0.52% (rather than 0.5%), and this percentage will gradually increase to 0.6% per month in 2016.

Your CPP Retirement pension will increase by a larger percentage if you take it **after age 65**. The percentage increase, for each month after age 65 (up to age 70), will gradually be changed from 0.5% (6% per year) for each month after age 65, to 0.7% per month (8.4% per year).

If you are **under age 65, receiving your CPP retirement pension, and keep working**, you and your employer must continue to make CPP contributions, which will result in increases to your CPP benefit. If you are age 65 to 70, receiving your CPP retirement pension, and keep working, you will have the option to make CPP contributions to increase your CPP retirement benefit.

OAS/ CPP - Changes on the horizon

The Federal Budget announced that the retirement age will be raised from 65 to 67 for Old Age Security (OAS) and the Guaranteed Income Supplement (GIS) pensions. The changes are planned to be phased in beginning in 2023 with full implementation by 2029.



The Conservative government announced that the age that Canadians can begin receiving the Old Age Security benefit will be raised from 65 to 67.

If you are age 54 or older as of March 31, 2012, you will not be affected by this change in eligibility age to 67. If you were born on or after April 1, 1958, and before February 1, 1962 your commencement age will be between ages 65 and 67. For those born on and after February 1, 1962, the commencement age will be 67.

The Federal Budget changes have yet to be confirmed and there could be more changes announced. Once the changes are confirmed, the impact on the Plan's benefit options will be reviewed.

You can contact Service Canada at 1-800-277-9914 or visit www.servicecanada.gc.ca for more detailed information.

Pension Plan's investment strategy has provided pension security *continued from page 1*

very well to other pension plans. Estimates suggest that the average solvency ratio of Canadian pension plans is around 65%.

3) The Minimum Funding Test compares contributions made to the Plan in the near term (next year, for example), to the “new” pension benefits that are earned as a result of the contributions being made. These are referred to as future service benefits. As interest rates decrease and members’ ages and life expectancies increase, the cost of benefits increases. Up until recently, there was a reasonable margin between the contributions being made to the Plan and the cost of future service benefits being earned. Future service costs have increased such that the margin has now disappeared. The Board had planned for this, to the extent possible, by investing the Plan’s assets to grow faster should interest rates decrease. As a result, the Plan’s funding excess grew by over \$10 million in 2011. However, recent changes to the law prevent the Plan from using this excess to pay any of the cost of the new future service pension benefits being earned. This places into jeopardy the Plan’s ability to meet the Minimum Funding test. Consequently, in order to increase future expected returns which will fund the cost

of future service benefits being earned by members, the Board has recently expanded investments in real estate, infrastructure and other assets that are expected to yield higher returns. In spite of these changes the valuation at December 31, 2011 shows that it will be very difficult, and likely impossible, to continue to ensure that the Minimum Funding test is met going forward.

Your accrued service benefits are well funded however, due to the factors described above, it will be necessary for the Board, in conjunction with the Plan’s advisors, to review the benefits that can be provided for future service.

The Board has worked hard to maintain a sound and prudently managed pension plan and will continue to do so. This will include consideration of possible changes that may be necessary to ensure that the Plan continues to meet the retirement needs of the members into the future.

Walter Canta,
Chair, Teamsters Local 213 Pension Plan
Don McGill,
Past Chair, Teamsters Local 213 Pension Plan

Special Authority Program for Prescription Drugs

The B.C. government’s Fair PharmaCare Plan helps protect British Columbians from high drug costs by subsidizing eligible drugs prescribed by a physician. You must register for Fair PharmaCare before you are eligible for reimbursement.

Effective March 1, 2012, the Special Authority Program for Prescription Drugs is a mandatory provision under the Extended Health Care Plan.

Your physician must complete a Special Authority Request form, and apply to PharmaCare for Special Authority on your behalf. The forms are available online, but most doctors’ offices will have the forms on site.

All forms must be completed by a licensed physician and faxed to the number indicated on the form.

PharmaCare will notify your physician of its decision by fax or by mail, and your physician will contact you and provide you with a copy of PharmaCare’s decision document. You may be asked to submit the decision document to Pacific Blue Cross along with future related claims.

If your application is approved, PharmaCare will cover all or a portion of your drug costs (once your PharmaCare deductible has been satisfied) for the duration of time indicated on the decision document. Follow your standard claiming procedure with Pacific Blue Cross.

A full list of eligible Special Authority drugs is available at: www.health.gov.bc/pharmacare/sa/criteria/genericbrandtable.html

Try My Good Health

Since late January, all Pacific Blue Cross members and their dependents have been given access to a new health resource site through CARESnet. It’s called *My Good Health* and it’s exactly what you need to get back on the road to better health.

My Good Health is full of interactive and engaging health information. Here are some of the great things you can do at My Good Health:

- ✓ Build your health profile and get a personalized report
- ✓ Discover new prevention and treatment options
- ✓ Learn the details of drugs prescribed to you
- ✓ Find out more about natural products and remedies
- ✓ Count calories
- ✓ Test your health knowledge
- ✓ Check your symptoms
- ✓ Access community support

Ready to get started?

Members — go to www.pac.bluecross.ca:

Sign into CARESnet using your policy number, ID and password (or, if this is your first time, click “register”)

Click on the *My Good Health* ad within CARESnet

Spouses — go to www.mygoodhealth.ca

Don't miss your chance to win an iPad2!

All eligible plan members who complete their health profile before June 30, 2012 will have their names entered into a PBC’s draw to win an iPad 2 and one of 10 \$100 Visa gift cards.