



# Teamsters Local 213 Members Benefit Plans

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August 28, 2017

To: All Plan Members  
(Active, Qualifying, Terminated Vested, Retired/Beneficiaries)

Re: **Teamsters Local 213 Pension Plan (“the Plan”) FICOM Reg. #86734-1, CRA Reg. #0584003**  
**-Notice of Conversion to a Target Benefit Plan effective January 1, 2018**

The new BC pension legislation that came into effect September 30, 2015 allows for multi-employer negotiated cost pension plans to convert to a new design called a **Target Benefit Plan**. After lengthy evaluation and consultation with the Plan’s advisors over the last year, the Board of Trustees decided to convert the Plan from a Defined Benefit Plan to a Target Benefit Plan effective January 1, 2018. The Local Union’s Executive Board unanimously agreed with this decision by way of motion.

This change is beneficial for the Plan and in the best interest of Plan members. It allows the Trustees more flexibility in plan design and funding. This change does not affect your pension benefit at all – and the current formula for earning a pension remains at 12% of contributions. You will not notice a lot of difference.

## **Why Convert to a Target Benefit Plan?**

### **Funding rules will be relaxed slightly**

The solvency funding test that forced multi-employer negotiated cost plans like ours to fund as if the Plan had hypothetically been terminated and wound up on the valuation date is eliminated. In Western Canada, many plans such as ours had lobbied for the removal of this requirement for over 10 years. Many other plans like ours have converted already. *The fact that the Plan will no longer be required to meet a solvency funding test was an important factor in the decision to convert to a Target Benefit Plan.*

## **What is not changing?**

There are 2 key Plan design features that are not changing:

### **1) Negotiated contributions**

The Union will continue to negotiate the amount of employer contributions through collective bargaining.

### **2) Potential future pension benefit increases or decreases**

Under both the Defined Benefit and Target Benefit Plan designs, there are and will always be circumstances where it may be necessary for the Trustees to reduce pension benefits if the Plan assets and contributions are inadequate to sustain the Plan in the long term. The Trustees and their professional advisors continually monitor the Plan’s finances and the asset/liability matching investment policy to which the Board has made a long-term commitment. The goal of this policy is to ensure the Plan is able to deliver the pension promises that are made in the long term with a high degree of certainty, regardless of movements in the securities markets and changing interest rates. This goal does not change with the conversion to a Target Benefit Plan. As well, once the Plan converts, the Trustees will continue to be able to improve pension benefits subject to funding rules.

## **What is changing?**

The following are key features that will change on conversion to a Target Benefit Plan:

### 1) Funding rules will be relaxed slightly

As explained above, the Plan will no longer be required to meet the solvency funding test. The Plan's funding will be tested on the *going concern* basis, which measures a plan's ability to pay all pension liabilities in the long term and assumes the plan continues indefinitely.

### 2) Reduced likelihood of future pension decreases

Since solvency funding will no longer be required, there is a lower probability that pension benefit decreases will be necessary.

The Plan continues to be in a strong financial position and is fully funded on a going concern basis. The Plan's last filed actuarial valuation as at December 31, 2013 indicated a funded ratio in excess of 100% and a going concern surplus of \$63.8M. The Plan's most recent actuarial valuation as at December 31, 2016 indicates a funded ratio in excess of 100% and that the going concern surplus has increased to \$69.9M.

### 3) Lump sum commuted value payment amounts will decrease

Lump sum commuted value payment amounts will be calculated on a different basis for members who elect to take a lump sum settlement of their pension benefit on termination of Plan membership and for members who are eligible to elect a small pension payout on retirement. Under the present Defined Benefit Plan, commuted values are calculated on a solvency basis whereas under a Target Benefit Plan commuted values are calculated on the long-term going concern basis. This change means that members who elect to take a lump sum settlement of their pension entitlement out of the Plan will receive the same value that has been targeted to provide their pension benefit from the Plan at retirement. In today's current interest rate environment (low rates), the amount of the commuted value transfer out of the Plan, on the going concern basis, will be lower than what it would have been if calculated on a solvency basis. *This change allows all Plan members (members who transfer their entitlements out of the Plan and members who remain in the Plan) to be treated in the same manner, which is important because the main purpose of the Plan is to provide all members with a pension at retirement.* Under the Target Benefit Plan rules, if a plan's financial position were to become less than fully funded, the lump-sum commuted value payment would be reduced by the plan's unfunded ratio. Commuted value payments for pre-retirement death benefits and small pension payouts will also be calculated on a going concern basis.


### Next Steps

- Filing of Actuary's report as at December 31, 2016 which is required by the BC Pension Regulator, and request for extension of the solvency moratorium from December 31, 2016 to December 31, 2017
- The Trustees will file all required conversion documentation with the BC Pension Regulator for their approval (includes Plan Text, Funding Policy, Governance Policy).
- Once the BC Pension Regulator's approval of the conversion is received (it is expected before the end of this year), we will proceed with the conversion. The conversion effective date is January 1, 2018, and from that point forward the Plan will be administered as a Target Benefit Plan as described above.
- The member booklet will be updated and distributed to Plan members.
- A further update will be provided to Plan members at a later date.

The Board of Trustees will continue to operate the Plan prudently and as always, maintaining a sound investment policy continues to remain a top priority.

If you have any questions, please call the Teamsters Local 213 Members Benefit Plans office, Wendy Ng or Winnie Leong, phone 604-879-8627 or toll free in BC/Yukon 1-800-972-6241.

Yours truly,



Walter Canta, Chair