



PENSION NEWS

MAY 2013

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**Don't forget to
inform the fund office
whenever you have a
change of address!**

Every attempt has been made to provide information that is accurate at the time of printing. If the information contained in this publication is different from the Rules and Regulations of the Pension Plan, the terms of the English version of the Plan will govern.

Retirement Vehicles

The Multi Sector Pension Plan is referred to as a Target Benefit Plan. While the benefit paid to members of a target benefit plan and a defined benefit plan are similar, since benefits under both types of plans are based on a formula, there is a key difference between 'defined benefits' and 'target benefits' and a related difference in the way contributions are determined for each.

Contributions for Target Benefit Plans are normally determined through a collective bargaining process. The rate paid into the Plan by the employer is bargained and is fixed through the term of the current agreement. If there is a shortfall in the pension plan the only way it can be addressed is to reduce the benefits being paid. There is no opportunity to increase contributions. Because benefits can be reduced under these circumstances, they are referred to as 'target benefits'.

In a traditional defined benefit plan, where there is a shortfall in the operations of the Plan either the employer or the employer and the Members are required to increase their contributions to fund the benefits. In some plans the cost increase has been substantial. In other cases, if the employer is insolvent and cannot make the additional contributions, benefits are reduced.

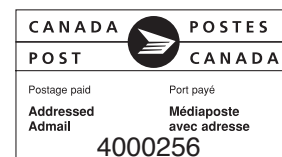
Other types of retirement benefit arrangements that are also available in Canada are Defined Contribution Pension Plans or Group Registered Retirement Pension Plans. Under these arrangements contributions are made into the Plan over the working life of the individual and are invested on their behalf in investments determined by the Member. At retirement, the Member's pension is determined based on factors such as how much they

earned on the contributions to their plan, the current interest rates and their age at retirement. The need to maximize earnings on their contributions is important and requires a high level of knowledge of the various investment instruments available. Interest rates at retirement are unpredictable and the lower the interest rates the lower the annuity that can be purchased with the retirement fund and the lower the retirement income.

How Are Contribution Rates Determined

When the collective agreement was negotiated which brought your employer into the MSPP, contribution rates for both you and your employer were set at that time. Due to restrictions imposed by the Income Tax Act, the maximum combined contributions by you and your employer cannot exceed 10.5%. In some instances the contribution rate originally

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negotiated was low compared to the maximum rate. This was often the result of minimizing the impact of a new benefit cost on both the Member and the employer. However there is always the opportunity to increase the contributions as future collective agreements are negotiated.

The formula for calculating your ultimate retirement benefit is dependent on the amount of contributions received by you and your employer. As a result, the higher the amount of contributions received the higher your pension will be. It is in your best interest to have the contribution rate as high as possible. Keep in mind that contributions made to a registered pension plan by you are tax deductible. That means that every dollar you contribute to your own pension plan is tax deductible and the actual after-tax cost of each dollar of contributions may be only 65 or 70 cents depending on your tax rate.

Those Members who are entitled to Past Service need a combined contribution rate, Member and employer, of 8% or more to receive the full \$26.60 for each year of eligibility. If the contribution rate during the year of retirement is less than 8% the \$26.60 will be prorated in calculating your total pension benefit.

Employers must contribute to the Plan at a rate that is at least equal to the rate that the Member is contributing. The Employer's contributions rate can be higher than the Member's and that is something to keep in mind when negotiating a new collective agreement. Increases in direct compensation to employees

are taxable whereas increasing contributions to the pension plan have no immediate tax affect on the employee.

Plan Amendment

The Plan was amended to permit the Trustees to designate a group of employees of a particular employer in the airline sector as entitled to receive past service benefits on the basis of half of the normal requirements. This is in recognition that certain employees in the airline industry are directly compensated only for flying hours and are not compensated for hours they work before an airplane leaves the gate and after it lands. These employees also receive 2 hours credit for each hour worked under certain government benefit programs.

New Employers

The Trustees and staff of the Multi Sector Pension Plan welcome the following employers who have recently joined the Plan:

- Town of Kentville Represented by CUPE
- Rink Avenue Daycare Co-op Represented by CUPE
- Community Living Sarnia & District Represented by CUPE
- Community Living Guelph Wellington Represented by CUPE
- Town of Berwick Represented by CUPE
- Waste Management (Kingston) Represented by CUPE

- The Canadian Council for International Cooperation Represented by CUPE
- The Salvation Army Peel Residential Services Represented by CUPE
- PEI – Teachers Federation Represented by CUPE
- Community Living South Muskoka – Para Professional Support Workers Represented by CUPE
- Air Transat A.T. Inc represented by IAMAW
- Jane/Finch Community and Family Centre Represented by CUPE

If you have any comments about Pension News, or have a question you would like answered in an upcoming issue, please address correspondence to:

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Don't forget... you can also visit us at:

www.mspp.ca

