THE MACHINISTS' PENSION PLAN, LODGE 692

PENSION PLAN SUMMARY

UPDATED MAY 2017

Mission Statement

The Trustees of The Machinists' Pension Plan, Lodge 692 shall use all their individual and combined skills, to deliver targeted benefits to all plan members so that they are reasonably stable, while meeting all governing legislation. The Trustees shall act in a transparent manner in the best interests of and reporting to all members. To this end, the Trustees are committed to accepting relevant educational challenges, seeking expert, professional guidance, communicating with and acting consistently in the best interests of plan members.

Note:

This booklet is a summary of the key provisions of The Machinists' Pension Plan, Lodge 692. If there is any omission in this booklet or a conflict between this booklet and the wording in the plan text and trust agreement, the plan text and trust agreement will prevail. The plan has been registered with Canada Revenue Agency (CRA registration #0345751), and as plan number P085617 with the Pension Department of the Financial Institutions Commission of British Columbia, the provincial government agency that administers and enforces the *Pension Benefits Standards Act* (PBSA).

This booklet reflects a summary of the rules that were in place on the date shown on the cover. For updated rules and for details of your specific pension, please contact the plan administrator.

D.A. Townley

4250 Canada Way
Burnaby, BC V5G 4W6
Telephone (604) 299-7482
Toll Free 1-800-663-1356
Facsimile (604) 299-8136
Email: pensions2@datownley.com

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Welcome to The Machinists' Pension Plan, Lodge 692

The Trustees are pleased to provide you with an overview of The Machinists' Pension Plan, Lodge 692, called "the plan" in this booklet.

How does the plan work?

You cannot outlive your pension from this plan. The plan is designed to provide a pension for life to each plan member from age 65. This plan covers members of the International Association of Machinists and Aerospace Workers (the "Union") who work for employers who have entered into a collective agreement that requires contributions to the plan. As a result, it is a collectively bargained multi-employer pension plan. This plan is also a hybrid target benefit pension plan. This means that you earn a monthly lifetime pension, which is determined based on your contribution account at your retirement date.

When you start your pension from this plan you will know how much you will receive each month. The advantage of the hybrid target benefit pension plan over an RRSP or a defined contribution pension plan is that, once you retire, stock market crashes no longer have a direct impact on your income from this plan. Once you start your pension, your contribution balance is pooled with that of all other retirees, so only a small portion of the fund is paid in pensions each month. The rest remains invested. Thanks to the pooling of risk, investment returns do not affect the amount of income you receive unless there is a severe change in the plan's financial position. Also, how long you live will not affect how much you receive each month.

The amount of monthly pension you receive at retirement will depend on the hours you work for which contributions are made in your name, on plan investment returns leading up to your retirement, on projections of your lifespan, and on interest rates. You can increase your pension by making additional voluntary contributions that will benefit from the same investment performance as the pension fund.

The primary purpose of the plan is to provide a monthly pension to you when you reach retirement age. If you leave the industry before age 55, you may also have the option of transferring the value of your pension to your new employer's pension plan, or to another retirement savings arrangement. The plan also provides benefits if you become totally and permanently disabled, terminally ill or if you die before retiring.

Membership

You are eligible to join the plan once you have completed the waiting period, if there is one, outlined in your collective agreement. You must complete and return an enrolment form to the administrator.

Can I withdraw my money?

You become eligible for your benefit only when you retire, die, become very ill or disabled, or reach terminated vested status in the plan, as explained later in this booklet. The exception is voluntary contributions. You may withdraw voluntary contributions at any time.

Your responsibilities

You must complete an enrolment and beneficiary form. Once you join the plan, you are responsible for ensuring that your information is up-to-date. Important pension information will be sent to you, even after you stop work. Please ensure your current e-mail address, mailing address, telephone number, and beneficiary name are on file with the plan administrator. The contact information for D.A. Townley is on the back cover of this booklet.

Each year you will receive a statement of your benefits under the plan, if your address is on file. You should review this statement to verify that your employer has made contributions that are correct based on your hours of work. Also, please confirm your beneficiary, date of birth, and address are correct. You must inform the administrator if there are any discrepancies or errors in your statement of benefits.

Your annual statements are important financial documents; please keep them each year.

Stay informed

There are plenty of opportunities to learn more about your plan. Each year you will receive an annual statement of your pension, together with a newsletter that summarizes any changes to the plan and includes articles about retirement. You also have a right to view plan documents; see the plan information section later in the booklet. We encourage you to take the time to read this booklet and develop an understanding of your pension plan.

Designate a beneficiary

When you enroll in the plan, you will need to complete a beneficiary designation form. If you do not have a spouse, your beneficiary will receive any pension benefits payable if you die before retirement. Once you choose a beneficiary, please provide your beneficiary with the contact information of the plan administrator.

If you have a spouse, pension law states that your spouse must receive any benefits payable from the plan upon your death, unless she or he has signed a waiver. Naming another individual as your beneficiary does not override your spouse as beneficiary. Your spouse may waive the right to a spousal benefit by completing a Spousal Waiver Form.

If you don't have a spouse, or your spouse has completed the waiver, you may designate anyone as your beneficiary. You may also designate several people, or even an organization as your beneficiary. You may also designate an irrevocable beneficiary, or change your beneficiary designation at any time without the consent of your former beneficiary. Should your beneficiary die before you, the administrator will pay any death benefit owing to your estate. Please note that you must also appoint a trustee for any beneficiary you designate who is under the age of 18.

<u>Your spouse</u>

The person who is your spouse has important rights under this pension plan. If you die before retirement your spouse may be entitled to a death benefit. If you have a spouse when you retire, your pension must be paid in a joint survivor form. The plan will provide your spouse with a survivor pension if he or she lives longer than you, unless your spouse waives the right to this protection.

In certain circumstances, a member may be unclear as to who qualifies as their spouse. The definition of spouse for the purposes of a pension plan depends on the province in which you last worked for an employer who participates in this plan. If you last worked in B.C. your spouse for plan purposes is:

- a person who is married to you and has not been living separate and apart from you for a continuous period longer than two years; or
- a person who has been living with you in a marriage-like relationship for a period of at least two years immediately preceding the relevant time.

If you last worked in Alberta, your spouse for plan purposes is:

- the person who is married to you, provided you have not been living separate and apart from that person for a continuous period longer than three years; or
- if there is no person to whom the above clause applies, a person who at the relevant time, was living with you in a marriage-like relationship:
  - for a continuous period of at least three years immediately preceding the relevant time, or
  - of some permanence, if there is a child of the relationship by birth or adoption.

Only one person shall be considered to be your “spouse” and entitled to a benefit payable to a “spouse”. In the event of any questions as to who your “spouse” is, such questions may be referred to a court for determination.

How can I verify who is named as my beneficiary? Each year you will receive an Annual Statement of your benefit in the plan. Your current beneficiary will be listed. If you would like to change your beneficiary designation, please request a Beneficiary Designation Form from the Union or the plan administrator. It is important that you sign and date your Beneficiary Designation Form. Please make sure that you tell your prior and your current beneficiary that you have changed the designation.

Please note that the Trustees have no discretion regarding payment of your death benefit. Upon your death, if you have no spouse the Trustees will pay your benefit to the individual or organization you have designated as your beneficiary, even if you have divorced or had children. Please be sure to keep your designation current.

Your rights

Read this booklet to learn more about the rights of members of this plan. In addition, plan members, participating employers, and the sponsoring Union have the right to see the following plan documents:

- Actuarial valuations
- Annual information returns
- Audited financial statements
- Plan text and amendments
- Governance policies including the benefits policy
- Plan summary (this booklet)
- Statement of Investment Policies and Procedures
- Trust agreement establishing this plan and any amendments to it
- Collective agreement provisions relating to your pension.

Former members of the plan have the right to see documents that apply to them that were in effect during the time period during which they earned benefits. As a plan member you also have the right to see the data and method used to calculate your benefit.

Employer responsibilities

Once participating employers sign collective agreements that require contributions be made to the plan they must send contributions as per the collective agreements, to the plan via the administrator. Participating employers also must supply information about hours worked, addresses, and any other member data required for calculations of pension benefits.

Employer rights

Employers that contribute to this plan have the right to see the above list of plan documents, although employers only have the right to see collective agreements to which they are signatory.

Union responsibilities

The International Association of Machinists and Aerospace Workers Vancouver Lodge No. 692 is responsible for appointing the Trustees who run this pension plan. Those Trustees have full responsibility for all aspects of the plan.

Union rights

The Union has the right to appoint any individual as Trustee in accordance with the Union's bylaws, provided that person is a member of this pension plan. The Union also has the right to see certain plan documents.

Plan history

January 1, 1960	Creation of the Machinists Pension Plan
October 1, 1972	Creation of the Machinists Construction Industry Pension Plan
January 1, 1975	Creation of the Machinists Shipyards Industry Pension Plan
March 31, 1986	The Machinists Pension Plan is renamed the Machinists Pension Plan, Lodge 692
December 31, 1983	The Machinists Construction-Shipyards Industries Pension Plan is created by the merger of the Machinists Shipyards Industry Pension Plan and the Machinists Construction Industry Pension Plan.
January 1, 2000	The Machinists Construction-Shipyards Industries Pension Plan merged into this plan. It operated as a separate division called Division 2, with assets

	kept in a separate trust fund, until the divisions were merged on January 1, 2017.
December 31, 2015	The plan changed from hybrid defined benefit to hybrid target benefit design. The hybrid design means that while you work your contributions grow with interest and then are converted into a monthly lifetime pension when you retire. Further details are in the “Calculating your pension” section of this booklet.

Divisions of the plan

For the years 2000 to 2016, the plan operated with two distinct divisions with assets in separate trust funds. While the assets of the two divisions are pooled since January 2017, plan rules remain slightly different between the divisions. All members earn benefits under Division 1, with the exception of those who had been members of the Machinists Construction-Shipyards Industries Pension Plan, who are in Division 2.

You earn benefits under Division 2 if you work for the following employers:

1. Vancouver School Board
2. Vancouver Shipyards/Drydock

Effective January 1, 2017, the two divisions were merged, however, there still remain some historical differences in how benefits are determined, in particular:

A. The calculation of a minimum target pension is different for years before 2011. Details are in the “Calculating your pension” section of this booklet. This does not affect those who joined since 2010.

B. Benefits accrued in a defined contribution manner since 1995 for Division 2 and since 2011 for Division 1.

C. Certain members in Division 1 are required to contribute to the plan, based on the terms of their collective agreement. Division 2 has no member required contributions.

D. From 2011 onward, the main difference between divisions is the normal form of pension for those who are married. The normal form of pension is the default pension option that is used when converting your account balance into a monthly pension, although when you actually retire you can choose between a variety of pension forms depending on the amount of pension you want to continue to your spouse or beneficiary. If you choose a different form of pension from the normal form, for instance one that pays for your lifetime only with no death benefit, the amount of your pension will be adjusted so that its value is equivalent to the value if you had selected the normal form.

   There is no difference between the divisions in the normal form for those who are single when they start a pension from the plan. For all single members, the normal form of pension is a lifetime pension, with a five-year guarantee to protect the beneficiary if the member dies within the first five years. This same normal form also applies to those who are married on their retirement date and earned all benefits under Division 1. A different normal form applies only for those in Division 2 who are married on the date they start their pension; they have a normal form of a joint and survivor pension where 50% of the member's pension amount continues to the spouse, if that spouse outlives the member.

Plan operations

The plan is set up under a trust agreement between the International Association of Machinists and Aerospace Workers Vancouver Lodge No. 692 and a board of Trustees, who have all been appointed by the Union. The Trustees have overall responsibility for setting the terms and conditions of the plan and for the operation of the plan and trust fund. To assist in those tasks, they retain the following outside professional services:

The **actuary** (currently George & Bell Consulting) reviews the level of benefits that can be provided by the negotiated contributions, makes periodic estimates of pension fund surpluses or deficits, and provides investment consulting advice to the Trustees.

The **administrator** (currently D.A. Townley) administers the plan by keeping records of service and contributions, answering member questions, and calculating pensions and benefits under the plan.

The **auditor** (currently MNP LLP) conducts an independent annual audit of the plan's financial statements.

The **custodian** (currently Canadian Western Trust) holds the pension assets and invests them, following instructions from the investment managers. All contributions are held in a trust fund by the custodian, and all plan expenses, pensions and benefits are paid from that fund by the custodian.

Several **investment managers** have been hired to make investment decisions within guidelines set by the Trustees. These include Leith Wheeler Investment Counsel, ACM Advisors, IFM Investors, and Concert Properties.

Investments

The investment managers have flexibility in choosing investments, as long as they are within guidelines established in the Statement of Investment Policies and Procedures (SIPP). These guidelines establish a rate of return performance target for each manager and the percentage of the total fund that can be invested in the different assets classes, including Canadian and global stocks, Canadian bonds, mortgages, infrastructure, and real estate. The infrastructure, mortgages, and real estate are new types of investments for this plan.

More details can be found in your annual newsletter or by contacting the administrator. The Trustees regularly review the results achieved by the professional investment managers and occasionally may make changes.

While tracked individually, the contributions of all members are pooled together and invested. Earnings or losses from those investments are credited proportionally to each member’s account at the beginning of the following calendar year. Please note that investment returns can be positive or negative in a year. The rate of return credited to members’ accounts is the investment return earned by the trust fund during the year, less expenses. The rate of interest applied will be shown on your annual statement.

Expenses

There are certain operational expenses associated with the plan. The largest fees are paid to the custodian and investment managers, but other fees include those of the auditor, actuary, lawyer, administrator, and pension regulator. Members are sent a newsletter each year that summarizes cash flows for the prior year. Details of the expenses can be found in the plan’s annual audited financial statements. You may contact the administrator to view the audited statements.

Contributions

For each hour you work for a participating employer, contributions are made by your employer. Some collective agreements also require that members contribute to the plan. If this applies to you, any contributions that you are required to make to the plan are referred to in this booklet as member required contributions.

As a member, you may also make voluntary contributions to the plan which will increase your pension. If you choose to make voluntary contributions, it is your responsibility to ensure that the amount of your contributions does not exceed the limits set out in the Income Tax Act; contact the plan administrator or your tax advisor for details. If your employer allows it, you may make voluntary contributions to the plan via payroll deductions. Alternatively, you can also transfer funds from your RRSP to this plan. Please contact the administrator for the appropriate form if you would like to make voluntary contributions.

Plan funding

The plan is financed by contributions and investment earnings. Contributions are fixed until the next round of bargaining, while the cost of providing lifetime pensions can vary. Sometimes adjustments must be made to the plan to have costs match the assets. To determine if the contributions plus investment earnings are sufficient to cover all pensions, legislation requires that, at least once every three years, an actuarial valuation must be performed. The actuary examines the plan to determine if, at the valuation date, the assets and future contributions are sufficient to pay for the cost of all pensions (the “liabilities”). If there is a difference between the assets and liabilities of the plan, the Trustees may be required under B.C. pension legislation to consider changes to the plan to address the imbalance. These changes could include, but are not limited to:

- new investments strategies.
- adjusting the assumptions used to convert balances into a lifetime pension for those who are not yet retired.
- adjusting the interest rate credited on member contribution balances.
- a reduction in monthly pension amounts.
- an increase in contributions (assuming changes to applicable collective agreements can be negotiated).
- a portion of existing contributions being diverted from member accounts to help fund the imbalance.

As noted earlier, the Trustees wish to keep plan benefits as stable as possible but legislation requires that the above changes be available to the Trustees in case they are needed. Because of the hybrid nature of the plan and since the actuary has recently estimated that the assets and contributions are sufficient to fund the benefits, no changes to benefits are currently being considered but the Trustees and actuary will continue to closely monitor the funded status of the plan.

While your plan has changed from a hybrid defined benefit to a hybrid target benefit design on December 31, 2015, it operated much like a target benefit plan since it was created. There has always been the possibility that pensions could be increased when assets were sufficient, and pensions could be reduced when assets were not high enough. The Trustees design the plan to provide stability to pension amounts within the constraint of having contributions limited to those set out in the collective agreements.

The Trustees have prepared a careful plan of how to reduce or increase benefits in a fair, carefully thought out manner. This procedure is documented in their Benefits Policy, which members may view on request.

Is my pension guaranteed?

Your pension may be reduced if the plan becomes significantly underfunded. The Trustees take many steps to minimize the possibility of benefit reductions, including determining what level of contributions are required to meet the estimated costs of the plan. A key role for the actuary is to estimate future benefits the plan will owe, and future investment earnings, to determine the level of contributions required now to meet the estimated future benefits. B.C. pension legislation also requires that extra contributions be made or benefits reduced if the contributions are not high enough to meet estimated pensions and expenses. The Trustees may have no option other than reducing benefits if contributions are insufficient to pay all benefits promised under the plan. The Trustees also have the right to change the plan provisions, including any formulas explained in this booklet.

Are benefits taxable?

Pension income received from this plan is taxable. The exception is if you transfer a lump sum directly from this plan to another tax-sheltered account or pension plan.

Can I borrow against my pension?

No. Benefits under the plan may not be assigned in any way, except in certain cases where benefits are split upon divorce, or where taxes are owed.

Pensions

There are five types of benefits provided by the plan:

- Pensions (available for those over 55)
- Choice of pension or lump sum if terminally ill
- Disability pension benefits
- Pre-retirement death benefits
- Benefits on termination of membership in the plan.

These are explained in the following sections. Note that this booklet refers to the plan rules in effect at the date shown on the cover. If you terminated membership in the plan before that date, contact the administrator if you would like to know more about the rules that were in effect at your date of termination, which apply to your benefit.

Retirement

How do I get a larger pension?

Your pension depends on the amount of contributions made, the age you start, and investment returns. The contribution balance grows when you work more and also when you make voluntary contributions. Your pension generally will also be larger if you wait to start pension payments later, although if investment returns are negative just before you start your pension, this will reduce the amount of your pension. Once you start your pension from this plan, investment returns no longer have a direct impact on your monthly payments.

When may I start my pension?

You may start pension payments from the plan any time after age 55. Canadian tax law states you must start a pension by the end of the calendar year in which you turn 71.

Retirement planning

Members at any age would benefit from making a financial plan. Estimate roughly how much you will need per month once you retire by creating a list of your expected expenses. Learn how large your pension from this plan and from government benefits will be if you continue to work to your retirement age, and adjust your savings so that your estimated income matches your expenses in retirement.

The normal retirement date for this plan, which is the date on which the pension formulas in this booklet are based, is the first day of the month on or after you turn 65. If you elect to retire before you turn 65, your pension will be lower, all else being equal, because:

- your contribution balance will be lower, and
- your pension will be paid for a longer period of time.

On the other hand, if you work longer, you will have more contributions to convert to a pension and also you will collect a pension for fewer years, so those contributions can pay a higher monthly pension.

Do I have to start my pension by 65?

No. The age at which you start your pension is entirely your decision, within certain rules. If you remain employed in the industry after age 65, you will continue to earn pension benefits until you actually retire, however, Canadian tax rules do not permit you to continue beyond December 1st of the year in which you turn 71. They also require that you commence your pension by then.

Calculating Your Pension

Once you decide to start a pension, the balance of contributions made for hours you work including any voluntary contributions and investment returns, is converted into a lifetime pension paid from the plan. There is also a target benefit minimum pension, as explained in the next section.

YOUR RETIREMENT PENSION IS THE SUM OF:
(a) The greater of: (i) the pension provided by converting your Standard (Participant) Account balance to a lifetime pension; or (ii) the pension provided by the minimum target benefit pension; PLUS (b) the lifetime pension provided by your Supplemental Participant Account balance and any voluntary and member required contributions, including investment returns.

(Note that the Supplemental Account was formerly called the Excess Sub-Account for those in Division 2.)

The amount of pension you will receive is directly related to how well the investments perform before you start your pension, interest rates, and your age at retirement. Your balance is divided by an annuity factor, which is a figure based on an expected interest rate and with reference to statistical studies of lifespan for someone with your birth date. Hence, it is difficult to know the annuity factor to calculate the pension amount on your own, unless you consult an actuary or the plan administrator. You will find an example at the end of this booklet. Please contact the administrator for your specific earned pension details.

Minimum target benefit pension

Calculating the minimum target benefit pension for Division 1

For hours earned to December 31, 1983	For hours earned 1984 - 2010
0.9075¢ per month for each hour for which contributions have been received by the pension trust fund or if your employer was required to contribute at 5¢ per hour, you are entitled to a monthly pension of 0.3478¢ per month for each hour earned prior to 1984 for which contributions have been made.	1/12th of 36.3% of the employer contributions (not including investment returns on those contributions) made on your behalf and received by the fund in respect of the hours earned by you. This applies to employer contributions made to your Standard Participant Account, contributions for hours you worked from January 1, 1984 to December 31, 2010. There is no minimum target benefit pension for hours worked after 2010.

The monthly minimum target benefit pension for Division 2 is the sum of:

(a) The monthly pension, if any, accrued by you as at December 31, 1983 under the Machinists Shipyards Industry Pension Plan and the Machinists Construction Industry Pension Plan (the Prior Plans) in respect of past service as defined by those plans, increased by 10% effective as at December 31, 1985 and increased again by a further 20% effective as at December 31, 1988;

PLUS

(b) 1.04¢ for each hour of employment, if any, for which your employer(s) contributed to the Prior Plans in respect of current service;

PLUS

(c) 1.04¢ for each hour of employment credited on your behalf after December 31, 1983 and prior to January 1, 1995 for which your employer(s) contributed to this plan.

There is no minimum target benefit pension for hours worked after 1994.

Early retirement

You may start a pension from this plan once you have reached age 55. If you elect to retire early, your minimum target benefit pension will be reduced to allow for the longer period of payments; it will be actuarially reduced to be equivalent to a pension starting at 65.

Delayed retirement

You must start a pension by December 1st of the calendar year in which you turn 71. If you start your pension after 65, there is no specific increase applied to the minimum target benefit pension, unlike the reduction that happens above with early retirement.

Working after retirement

If you return to work for an employer who participates in this plan, your pension will continue and you will earn no additional pension. Any required contributions you make after starting your pension from this plan shall be credited with interest and refunded to you upon request, but with a limit of one contribution withdrawal per year. Once you start to collect a pension from this plan, you are not permitted to make additional voluntary extra contributions to the plan.

Will my spouse get a pension?

Your pension is payable for your lifetime but you may select a form of pension that continues to your spouse. When you decide to start your pension, legislation dictates that you must select a pension option that provides a pension of at least 60% of your monthly pension continuing to your spouse when you die. You may only choose an option that provides less than 60% of your pension to your spouse on your death if your spouse signs a “Spousal Waiver” form waiving his or her rights to your pension. When you request retirement option paperwork before you retire, if you have a spouse, you will be given “joint life and last survivor” options that have payments continue to your spouse if you die first. You may choose to have your pension continue to your spouse at a smaller amount than the lifetime pension you received at retirement. The amount of pension with each option is determined by your age and the age of your spouse at the time of your retirement.

If you do not have a spouse, or your spouse signs a waiver, you will have the option of choosing a pension for just your lifetime, or a pension which continues after your death for a guarantee period of 5, 10 or 15 years. If you choose a pension with a guarantee period and die before the guarantee period expires, payments will continue to your designated beneficiary for the rest of that guarantee period.

Normal form of pension

Aside from those who are married and are in Division 2, the default form of pension, known as the normal form of pension is Life Guaranteed 5 Years. If you choose that form of pension when you retire, you receive a pension payable for the duration of your life and guaranteed for a minimum of 60 monthly payments. That is, if you choose this form of pension and die before the end of the five-year guarantee period, payments will continue to be made to your beneficiary until the period has expired. If you live longer than the guarantee period you will continue to receive payments for the remainder of your life.

The normal form for benefits earned under Division 2 for those who are married at the time they start their pension is Joint and Survivor 50%. This means that your pension is payable monthly for the duration of your life, and if you are survived by the same spouse that you had at retirement, he or she will receive a monthly pension for life equal to 50% of the original pension amount. You may choose a different form of pension. The monthly payment will be adjusted to be equivalent to a pension in the normal form. Examples are shown at the end of this booklet.

Canada Pension Plan and Old Age Security

You may choose to adjust this pension to coordinate with the Canada Pension Plan and Old Age Security. In the absence of coordination, if you start a pension from this plan before 65, but choose to start payments from government retirement programs (CPP and OAS) at age 65 or later, your total income will increase once the government-run pensions start. To help level out your retirement income, you can ask us about a level income option. Under this option, the plan would pay you a larger pension amount up to age 65 and then your pension from the plan would reduce at age 65 when your government benefits begin so that your income from all sources is more or less level throughout your retirement years.

The maximum monthly benefits at January 1, 2017 are:

Canada Pension Plan	$ 1,114.17
Old Age Security	$ 578.53
TOTAL per month	$ 1,692.70

Example:

A single member retires at age 60 on January 1, 2017. His pension from this plan will be $732 per month if he chooses a lifetime pension with a five-year guarantee. Instead he could elect to receive:

$2,034 per month from the plan from age 60 to 65, reducing to $371 per month from the plan from age 65 onwards when his government benefits begin. This reduced amount, when added to the CPP and OAS amount of $1,693, will produce a total retirement income of $2,064 from the month he starts CPP and OAS if he starts those pensions at age 65. This option allows a member to start a pension early and have a fairly level income once government pensions start.

This example may not reflect exactly how the level income option would affect your pension. The actual amount payable depends on your age at retirement as well as CPP and OAS rates in effect at the time and whether you qualify to receive the maximum CPP benefit.

Will I receive my pension automatically?

No. To allow sufficient time for you to review your application forms please contact the administrator three months before your retirement date. You may consider contacting Service Canada about government retirement programs as well.

You must apply to the administrator to start receiving your pension. You will need to provide proof of your age, your marriage certificate and proof of age for your spouse, if applicable.

Your completed paperwork must be filed at the office of the administrator at least 30 days in advance of the first of the month in which your retirement benefits are expected to begin. For example, if you wish to retire on November 30th, your completed paperwork, with your selected retirement option should be filed by November 1st so that you can receive your first payment by December 1st or once your final contributions are received.

Disability Pension

Normally, you may not start a pension before 55. One exception is that you may retire on a disability pension provided:

(a) you have been disabled through sickness or injury for six months;

(b) you worked 300 hours or more in the year preceding disability;

(c) you have either attained age 50 and completed five or more years of **Continuous Service**, or have completed 20 or more years of **Continuous Service**;

(d) you are qualified for a Canada Pension Plan disability pension or have obtained a written certificate by a medical doctor that is satisfactory to the Trustees;

and

(e) you remain totally and permanently disabled as certified by a medical practitioner.

> **Continuous Service**
> Effective January 1, 2013, a year of **Continuous Service** will be credited for each year that your employer contributed. Contact the administrator for details on pre-2013 service.

Calculating the disability pension

Your disability pension is calculated in the same manner as your retirement benefit, except that the relevant date of calculation is your date of disability and there are restrictions on the disability supplemental pension as explained below.

If your minimum target benefit accrued to your date of disability is greater than the monthly pension payable provided by the conversion of your Standard (Sub) Account, the excess amount is known as your disability supplemental pension. Please note that if you take disability retirement after reaching age 55, this disability supplemental pension shall not exceed 0.5% of the amount of the minimum target benefit pension multiplied by the number of months between your disability retirement date and the 1st of the month on or after you turn 65. In the event that you should recover from your disability prior to your 65th birthday, that portion of your pension which is attributed to your disability supplemental pension will cease. If you return to employment with a participating employer once you recover you will earn no further pension but will be entitled to a refund of any required contributions you make.

How long is the disability pension payable?

The disability pension is payable for as long as you live, in accordance with the form of pension settlement elected by you. The portion which is known as your disability supplement, however, may be terminated if you recover from your disability before age 65.

Are there other plans available which will provide me with additional disability benefits?

Yes. Benefits may be available to you under the *Employment Insurance Act*, the Canada Pension Plan and the *Workers' Compensation Act*, which are government plans. Check your collective agreement for possible benefits such as life insurance premium waivers.

If you are a member of the Machinists' Lodge 692 Health and Benefit Plan, you may also qualify for wage indemnity (short-term disability) benefits under that plan.

Shortened Life Expectancy

If a physician has certified that you have an illness or disability that will shorten your life considerably, and you have not yet started your pension, you may withdraw your benefit in a lump sum or in a series of payments, the total of which is no more than the transfer value of your pension. The transfer value is the lump sum value of your accrued pension, multiplied by the funded ratio for the plan if the plan is not fully funded. If you are terminally ill, you may contact the plan administrator for further details.

Death Benefits

If you die before withdrawing your benefit from this plan, your spouse or beneficiary has the right to the value of your retirement benefit. The value of the death benefit is the total of all contributions you and your employer made for you, plus investment returns on those contributions. A further benefit may be included too if you earned a minimum target benefit. See the target benefit section above.

If you have a spouse and you die before starting a pension, this plan will pay a lifetime monthly pension to your spouse, which has a value equal to the death benefit. (This pension is not automatic. The administrator must be notified of your death and certain forms completed.)

If you do not have a surviving Spouse, the death benefit will be paid to your surviving designated beneficiary, or in the absence of a valid designation, to your estate. Unless transferred to a tax-sheltered account, lump sum death benefits have tax withheld as they are paid out of the plan.

What are the benefits if I die after retirement?

This depends on the form of pension that you chose when you retired. For example, if you chose a Life Only form of pension, your benefit will cease upon your death. If you chose a lifetime pension with a five year guarantee and you die before the guarantee period has expired, your beneficiary will continue receiving your benefit for the remainder of the guarantee period.

Are there other plans available which will provide me with additional death benefits?

Yes. There may be benefits available to you under the Canada Pension Plan and the Workers Compensation Act, which are government plans. Additionally, if you are a member of the Machinists Lodge 692 Health and Welfare Plan, there may be a life insurance benefit payable.

What happens if I have a new spouse after retirement?

Only the spouse you have at retirement, if any, is eligible to receive a spousal pension from the plan. If you marry or enter into a common-law relationship after you retire, your new spouse will not be eligible to receive the death benefit.

Termination of Membership

If you work less than a total of 350 hours in a two-year period, your status in the plan changes from active to terminated, which simply means you have the option to transfer your pension benefit from the plan. You may also voluntarily elect to cause a break in service, to change to terminated status, if you have not been employed by a participating employer for at least three consecutive months.

If you have terminated from the plan, you may still have plan benefits. Be sure to notify the administrator of any address changes so that you may be kept informed. We cannot pay your pension if we cannot find you!

You may leave your benefit in the plan and start a pension from the plan at any time after age 55. Alternatively, if you are under age 55 and have terminated status in the plan, you may transfer the lump-sum transfer value of your benefit to a locked-in retirement vehicle. The transfer value of your benefit will be at least as large as the value of the balance of contributions made on your behalf, including net investment earnings. For those with a minimum target benefit pension the transfer value is the greater of:

a) your contribution balance, and
b) the lump sum value of your earned pension, multiplied by the funded ratio for the plan if the plan is not fully funded. In 2017, the plan is currently fully funded.

Voluntary contributions may be transferred to an account of your choice (they are not locked-in).

Your termination benefit is calculated in the same way as your retirement benefit. After you become terminated from the plan, if your current address is on file, you will receive a termination package from the administrator. It will contain a statement of your termination entitlements as well as a Benefit Options Form for you to make your selection.

Once you are 55, you may not withdraw a lump sum from the plan. You may choose when to start a pension from the plan, but no longer have the option to transfer your benefit as a lump sum after age 55.

Am I going to lose my pension?

No. To be entitled to a pension benefit under this plan, you must meet qualifications known as vesting. Since January 1, 2013 all members of the plan are vested. Those who terminated membership before 2013 should review the statement sent to them, or contact the administrator to determine if they qualified for a benefit.

What is meant by “locked-in”?

If you qualify to transfer your entire benefit out when you leave the pension plan you will be given a “locked-in” transfer which means that you may spend only a certain amount each year after you reach age 55. A pension benefit may be fully unlocked only under these circumstances:

Shortened Life Expectancy: If you have a considerably shortened life expectancy (as certified by a physician) due to physical or mental disability.

Small Pension Rule: Members leaving the plan in 2017, who have a small balance of less than $11,060, may unlock it.

Non-Residency: If you have written evidence from the Canada Revenue Agency stating that you are a non-resident of Canada for tax purposes.

Financial Hardship: If your status in the plan is “terminated” and you meet certain other hardship criteria. Unlocking for financial hardship is not possible for active members. For those who are terminated vested, they must first apply to withdraw their benefit. The plan administrator will transfer it on a locked-in basis. The member may then apply to the financial institution that holds their locked-in funds, to have the funds unlocked because of financial hardship.

Age: For those who leave the plan early, if their locked-in benefits are below a certain limit, those funds may be unlocked once the former plan member is 65 or older. For those who last worked in Alberta, partial unlocking may be available at age 50 for those who qualify to transfer their benefit from the plan.

Marriage Breakdown

The division of pension assets is not automatic after separation. If spouses do not wish to split the pension, they can choose to make different arrangements through agreement. For instance, in a separation or divorce agreement one spouse may give up a claim to a pension in exchange for other assets. If no agreement or court order exists, provincial family laws govern how all family assets, including pensions, are divided when a marriage or common-law relationship ends.

Pension plans must follow provincial property laws as well as pension regulations when a plan member or former spouse requests a division of pension benefits. Once a former spouse files the appropriate forms, the plan administrator also must provide a former spouse with a written statement that outlines the transfer options that are available to him or her, if any.

Should you find yourself in this situation, it is strongly recommended that you get legal advice. The plan will charge you and/or your spouse reasonable costs for complying with the separation or divorce agreement, a copy of which must be filed with the plan if your benefits are affected.

Reciprocity

The plan has reciprocal agreements with several other union plans. This means that if you happen to work in the jurisdiction of one of those plans, you could request that contributions be sent to this plan instead of to the plan covering that region, so you do not have small benefits in several pension plans.

Until January 1, 2017, this plan had two divisions. If you move between employers who are classified under different divisions of this plan, you will accumulate pension credits in a given division based on which employer is contributing. Continuous service with any participating employer will count towards the requirements to qualify for early or disability retirement.

Sources of plan information

A link to pension information is on the Union website: iamaw692.ca

The Trustees will send you a pension statement every year, provided that you keep your address up to date with the plan administrator. You will also receive a statement if your membership status changes to terminated. All Members and others who are entitled to benefits or refunds under this plan are also entitled to review certain plan documents held by the administrator. If you have any questions or require clarification of any pension matter, contact the administrator, at (604) 299-7482 or 1-800-663-1356 by phone, or e-mail the plan at pensions2@datownley.com.

Plan changes

The Trustees are permitted to change the plan, although no assets of the plan may be diverted to purposes other than for the benefit of plan members, their eligible spouses, and other beneficiaries. You will be notified of any significant changes that are made. The plan may be terminated if there is no longer any collective agreement in force between the Union and an employer that calls for contributions to the plan. The plan text sets out the order in which benefits would be paid out from the plan.

Privacy

The Trustees are committed to protecting your personal information. The Trustees are subject to applicable privacy legislation and have adopted a privacy policy that reflects their obligations. The privacy policy governs the way the Trustees collect, use, disclose and secure information about members. It also sets out your entitlement to access the information on file about you in order to correct or update it. Information may be held on the Trustees' behalf by the plan administrator, or other service providers that the Trustees may appoint. If you have a privacy-related query or complaint, or would like a copy of the privacy policy, please contact the plan's privacy officer at the office of the plan administrator.

Sources of Retirement Income

- This plan
- Your savings
- Canada Pension Plan (CPP)
- Old Age Security (OAS)
- Guaranteed Income Supplement
- Other plans you joined

The average payment from the Canada Pension Plan in October 2016 was $644/month. The maximum monthly CPP for 2017 is $1,114.17, but most retirees receive less than the maximum since they did not contribute the maximum amount in years where their earnings were lower. Pension payments from the CPP and OAS increase each year based on the amount of increase in the cost of living, which protects retirees in times of high inflation. The income from CPP and OAS is taxable.

The standard age for beginning to receive your Canada Pension Plan retirement pension is the month after your 65th birthday. You can take a reduced pension as early as age 60 or begin receiving an increased pension after age 65. Once you reach age 70, there is no financial advantage in delaying CPP, as the payments do not increase after age 70. An individual who starts receiving their retirement pension at age 70 will receive 42% more per year than if they had taken it at 65.

Starting in 2019, contributions to the CPP will gradually increase and members will earn larger pensions from the CPP. See the impact for you of the CPP enhancement by entering your age and earnings on this website: www.cppenhancement.ca

In addition to the Canada Pension Plan, those who have lived in Canada for at least 10 years may receive Old Age Security (OAS) payments from age 65. For January to March 2017, the maximum OAS payment is $578.53/month. You may defer your OAS Pension by up to 60 months in exchange for a higher monthly amount. A Guaranteed Income Supplement is paid to low-income Canadian seniors, in addition to OAS. If you earn more than a total of $74,789 while retired, you will be required to repay some of your OAS.

For more information, call Service Canada at 1-800-277-9914 or visit: http://www.canada.ca

Pension Calculation Example

Joe, who joined in 2011 and is retiring at age 64 in 2035

Annual pension = Account balance divided by a normal form annuity factor.

If Joe's account balance is $255,972.70 just before he retires, and at the time the normal form annuity factor for a member his age is 11.7614

Annual Pension = $255,972.70 / 11.7614
= $21,763.79 per year

Joe has a pension from this plan of $1,813.65 per month for life with payments continuing to his spouse or beneficiary if he dies within the first five years, if he chooses the default form of pension. If Joe chooses a different form of pension, the monthly amount would be different, as it would be adjusted to reflect the number of years the pension is expected to be paid once the guarantees for beneficiaries are included.

The value of the normal form annuity factor depends on the member's age, statistical studies of how long people live, and on the interest rate used as well as the division to which the member belongs. Currently, the plan uses an interest rate for this calculation of 5.5%. This results in a higher pension than if you were not part of a large plan, and asked an insurance company to convert your balance to a pension (an annuity).

Please note that the example above will not predict the actual value of your pension. To obtain details of your actual benefit, please contact the plan administrator.

The Trustees strongly urge you to seek independent financial advice about how much to save, when to retire and which form of pension to choose.

NOTES

Contact Us

D.A. Townley

4250 Canada Way
Burnaby, BC V5G 4W6
Telephone (604) 299-7482
Toll Free 1-800-663-1356
Facsimile (604) 299-8136
Email: pensions2@datownley.com

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