

Our Plans

A NEWSLETTER FROM THE CARPENTRY WORKERS' BENEFIT & PENSION PLANS OF BRITISH COLUMBIA

IN THIS ISSUE

From the Chair	... 1
Take Note	... 3
Our Troubled Global Economy	... 4
Perfect Pension Storm	... 5
Impact of the Global Economic Crisis on RRSPs	... 6
Isabel's Corner	
Retired members returning to work	... 7
Benefit plan for retirees	... 7
Conversion to individual benefit plans	... 8



FROM THE CHAIR

Given the rapidly changing times we are in, we are committed to keeping our members advised with frequent newsletters. We hope you find the information and articles useful.

We are truly fortunate to have our Pension Plan. Did you know that only 22% of British Columbians working in the private sector are covered by pension plans? These plans provide retirement income that is more reliable and superior to RRSPs. We must do everything in our power to ensure the continued existence and support of our Plan.

In this edition, we describe the important factors that will determine the future strength of our Pension and Benefit Plans, and their ability to deliver benefits at current levels. While we have weathered the investment market

downturns better than most, we are not immune to the economic realities that are affecting the world and all pension and benefit plans.

As you will see below, we are particularly affected by asset values and investment returns, interest rates, and contributed hours. When each of these categories decrease (as they have), our pension liabilities increase, and the ability of the Plan to pay current levels of benefit is put to the test.

Key factors

More will be said about the key factors that influence our pension values in the following Perfect Storm article, but I want to take the opportunity here to stress two: interest rates and contributed hours.

... continued on page 2



FROM THE CHAIR . . . CONTINUED

Interest rates

Interest rates have the opposite effect on pension plans than they have on consumers. If interest rates are low, consumers are better off, because they can borrow more cheaply.

But pension plans are not borrowers. They are lenders. When interest rates go down, the ability of our Pension Plan to generate income also goes down, as it is relying on interest rate returns for a significant portion of its assets.

As a result, in the current low interest rate environment, our returns are lower and our liabilities higher. There is not much we can do about interest rates, of course, but they have a huge impact on pension plan returns, and this is not always understood.

Contributed hours

Contributed hours are another very important influence on the Plan's financial health. As we reported in the last newsletter and demonstrated graphically, over the last three years we have experienced an alarming trend of annual losses of hundreds of thousands of hours – even when we were in the midst of a construction boom. Simply put, if this trend continues, pension benefits will also be reduced.

It is not the role of the Plan Trustees to organize jobs and employers and bring work to members. That is CMAW's responsibility. It is the responsibility of the Trustees, however, to be forthright and transparent, and to tell you truthfully when there are problems on the horizon.

This is why I took the unprecedented step in the last newsletter to call a spade a spade regarding the actions of the CMAW Executive. Interestingly, I received many calls of support. Members are getting the message that their own CMAW Executive has not been supporting

the Plans and maximizing the hours that go into them.

Clearly, there are only so many building trade hours in the union sector to go around. These hours are divided among various unions, and some are more successful than others in signing up members, or raiding members from other unions.

We monitor the hours that are contributed to the Plans, and have witnessed the recent departures of a number of groups, either through disputes within CMAW (the Millwrights), or through raiding by other unions (Thyssenkrup Safway). These departures have hurt the Plans, and CMAW is clearly losing market share.

CMAW's competing plan

But there is another reason why our Plans are seeing decreased hours. The CMAW Executive has established a competing plan, the Millworkers Plan, for CMAW construction members working on Vancouver Island for Driver, and for CEP construction members working in Alberta.

This was a conscious decision by the CMAW Executive to direct employer contributions for these two groups away from our Pension and Benefit Plan and into the Millworkers Plan.

There are consequences to the Carpenters Workers' Pension and Benefit Plans from this action. The Millworkers Plan was initially a group RRSP and not a pension plan at all. A group RRSP has no lock-in requirements, and each participant has an investment account. We can only imagine the severe losses these RRSP accounts took with the market volatility over the last 10 months, and the disbelief of the affected members as they opened their statements.

We have invested a lot of effort – and considerable expense – to try to facilitate the

. . . continued on page 3



FROM THE CHAIR . . . CONTINUED

participation of CMAW Driver construction members and the Alberta CEP construction members in our Plan, because the leader of CMAW repeatedly told us that hundreds of thousands of hours were available. But this has not turned out to be the case.

And for some reason, the leader of CMAW refuses to even provide us with the details of the Millworkers Plan unless we first sign a confidentiality agreement. We do not play union politics, and will not compromise our duty to provide full and open disclosure to our members by signing a gag document.

We will allow you to draw your own conclusions about what is really going on within the CMAW Executive, but we will continue to accurately report the true state of affairs.

Benefit plan coverage for retirees

Although many plans long ago eliminated (or never provided) benefit plan coverage for retirees, we have done so on a self-pay rate (\$39.00 per month) that does not even come close to covering the cost of providing the benefit or the claims from this group.

The Benefit Plan can no longer afford this large subsidy. In fact, the Benefit Plan cannot even compete with the coverage available to retirees from larger private benefit providers.

The Trustees held a specially-called meeting to consider alternatives, and determined that, effective September 30, 2009, Benefit Plan coverage for retirees will no longer be available. Please see the following article on Benefit Plan Coverage for Retirees for details on how retirees can apply for private benefits coverage at group rates.

We took this decision very seriously, as we understand how difficult it can be on a fixed income, but active and contributing members can no longer subsidize retirees.

Chalk this up as another unfortunate consequence of the dwindling contributed hours.

Review of self-pay rates

The Benefit Plan will review all self-pay rates within the next six months to ensure they are in line with the real cost of providing the benefits. This may result in some changes in the categories and rates (for example, single versus family coverage).

What can you do to preserve your Plans?

Take an interest, and learn about your Pension and Benefit Plans. Do what you can to let your elected CMAW Executive Board know that members want a concerted and genuine effort made to preserve and grow your Plans in BC. Attend CMAW meetings. Get involved with the decisions that are being made.

*JOHN DAVIES, CHAIRPERSON
BOARD OF TRUSTEES
CARPENTRY WORKERS' BENEFIT/PENSION
PLANS OF BC*

TAKE NOTE

Pension statements

Annual pension statements will be sent out by the end of September.

If you have hours reported in the Plan Year July 1, 2008 to June 30, 2009, please check to ensure they are correct.

If you are eligible for a termination benefit, please note that all required documentation (including a copy of your birth certificate) must be received by the Plan Office by December 27, 2009 at the latest. No extension of this deadline will be allowed.



OUR TROUBLED GLOBAL ECONOMY

Every day, the media bombards us with stories and statistics about the economic crisis through which we are now struggling. The media tends to have a local focus, concentrating on the effects of the economic downturn in our own city, province or country.

Naturally this makes sense, as we want to know how the economy is affecting our own communities. However, the media's focus on local events can help create a false impression that this economic crisis is mainly a Canadian or even a North American problem.

In fact, this crisis – which began in the United States almost two years ago – has since spread throughout the global economy, causing serious problems in Europe, Russia, Asia, and beyond. Virtually every economically-developed country has been hurt by the crisis, and the governments of all the leading economies have been trying to put in place measures that will help their citizens cope with the effects of the downturn.

The damage done to the global economy by the current recession is the worst that we have seen since the Great Depression of the 1930s. At their lowest point last fall, North American stock markets had lost more than 40% of their value. Personal and business bankruptcy rates have skyrocketed.

Consumers have reacted to the uncertainty by sharply reducing their buying, and businesses have responded by slowing or halting new spending projects, particularly in construction. And in the United States and Canada, the result has been the disappearance of literally millions of good jobs that paid decent wages.

In previous articles, we discussed how

this began as a 'Wall Street crisis' in the U.S. financial sector, and then spread outward to almost every other aspect of the economy. The mistakes made in the U.S. financial sector were so severe that almost nobody has been able to avoid the harm they caused.

In order to lessen the economic damage, governments have found themselves in the terrible position of having to bail out the investment bankers and others who were most directly responsible for starting this mess in the first place.

The world's economies will recover from this crisis, but it does not seem that the pace of recovery will be the same everywhere. Some countries and some sectors of the economy will turn around faster than others.

Canada may be more fortunate than many other countries. Leading economists are now beginning to see signs of recovery in the Canadian economy, and many are predicting a return to economic growth by the end of this year.

Our industry and our benefit, pension and retirement savings plans have not escaped the negative impacts of the recession. We believe it is important to discuss these impacts frankly and openly.

Although we monitor the performance of our Pension Plan on a monthly, quarterly and annual basis, the financial health of a pension plan is formally assessed every three years by what is called an actuarial valuation. The next actuarial valuation of our Plan is to be completed by June 30, 2010. It will be as of that date that our actuary will determine if the current level of benefits can be sustained.





THE PERFECT PENSION STORM

Many of you will have heard about the "Perfect Storm" that occurred off the Atlantic coast in 2001. It was called the Perfect Storm because it was created by three storms that combined to create an almost impossible situation for fishing boats caught in it.

Well, today we have another perfect storm – the "Perfect Pension Storm".

Our Perfect Pension Storm also has three parts. It is the combination of:

- asset losses due to declines in the markets;
- increases in the cost of pensions due to decreases in interest rates; and
- lowering of contributions to the Plan due to decreases in hours.

So even though our Plan has fared better than most, we are now caught in the Perfect Pension Storm.

Contribution hours

In the last newsletter, we showed you how contributory hours to the Plan have been decreasing, and how that has had a dramatic impact on the Pension Plan. While the economic crisis has contributed to the decrease in hours, it is not the only reason. In fact, even during some of the busiest times in the construction industry, hours to the Pension Plan have been decreasing.

One of the reasons for this is that CMAW created the Millworkers Plan as a competing retirement savings plan (for construction workers) to our Pension Plan. The hours of CMAW construction members working on

Vancouver Island and of Alberta CEP potential members in construction have been diverted to the Millworkers Plan.

This contributed to the decrease in hours for our Plan during good economic times, and has added to the decrease in hours during this economic crisis.

Asset losses

The Canadian stock market has declined more than 32% in the 12 months ending March 31, 2009, and the average Canadian pension plan has lost more than 15% in that same period.

The Carpenters' Pension Plan has fared very well compared to the Canadian market and compared to other pension plans. While our Plan lost approximately 11.9% of its value of investments during those same 12 months, this is significantly lower than the average pension plan loss, and just over one third of the stock market decline.

As a result of all the bad news, governments are intervening to try to fix the financial system and the problems. The results starting from the second quarter of 2009 have offered a glimmer of economic hope. The equity markets showed healthy gains, and the investment community sounded more upbeat than it has in recent times. But the question going forward is whether the upward momentum can be sustained.





IMPACT OF THE GLOBAL ECONOMIC CRISIS ON RRSPS

What if, instead of participating in the Plan, you made contributions to an RRSP?

Our Pension Plan has a target pension that is paid on retirement at \$73.15 per month for each full year (five blocks of 350 hours) of pension credit. When you retire, that is the amount of pension the Plan aims to pay.

RRSPs or defined contribution pension plans work quite differently. With an RRSP, there is no target amount of pension. Instead, you receive whatever amount of pension that can be purchased with the money in your RRSP account.

The current economic crisis has hit RRSPs hard as well. An RRSP invested in a typical combination of stocks and bonds lost 17% over the last year. Such a significant loss has an immediate and heavy impact on the amount of pension someone receives from the RRSP. In an RRSP, unless you increase contributions or assets rebound before retirement, the amount of pension from the RRSP will go down.

Here is an example of how much more an RRSP participant would have to contribute to cover the losses created by the economic crisis.

A 47 YEAR OLD MEMBER WHO CONTRIBUTED TO AN RRSP:	TO RECOVER AVERAGE 20% LOSS OF ASSETS, WOULD NEED TO CONTRIBUTE:
\$500/ month	\$700/ month
\$6,000/ year	\$8,400/ year
for 15 years	until age 65

The impact of the crisis on retirement patterns of people with RRSPs has been severe. A recent RBC poll of RRSP participants describes how RRSP losses have affected them:

RESPONSE OF RRSP PARTICIPANTS TO RECENT RRSP LOSSES	
28%	Delayed retirement (some for over 4 years)
50%	Expect to work part-time after age 65
25%	Would retire now if money was available

A BMO retirement institute study came to a similar conclusion, and found money was the primary reason for delaying retirement.

Under our Pension Plan, the Trustees have some scope to manage the impact of a decrease in asset values so that they do not necessarily result in such a dramatic decrease in pension amounts.





ISABEL'S CORNER

Retired members returning to work

There seems to be an on-going misunderstanding about retired members in receipt of a monthly pension who decide to return to work. I hope the following information helps clarify the details.

If you are:	Under 65, receiving monthly pension from the Carpentry Workers' Pension Plan	Over 65, receiving monthly pension from the Carpentry Workers' Pension Plan
Return to work	Must advise Plan Administration Office in writing of return to work for any period of time	May return to work without advising Plan Administration Office
Pension Plan Administration	<ul style="list-style-type: none"> monthly pension payment stops during months worked member may accrue additional pension credits 	<ul style="list-style-type: none"> monthly pension continues to be paid any employer contributions received are added to pension fund pension entitlement will not increase
Stop working	<ul style="list-style-type: none"> must immediately advise Plan Administration Office monthly pension resumes at same amount received before return to work 	
Annual review	<ul style="list-style-type: none"> members who returned to work in previous Plan Year (July 1 to June 30) pension entitlement recalculated when minimum 350 hours per pension plan year is worked 	No annual review
Benefit Plan (under or over age 65)	With banked hours at retirement: <ul style="list-style-type: none"> coverage under regular Benefit Plan rules continues until hour bank is used up If retired, hour bank used up, and returned to work: <ul style="list-style-type: none"> re-qualify for Benefit Plan coverage* when more than 200 employer-contributed hours are accrued within 11 consecutive months coverage continues until hour bank is used up (* disability and life insurance coverage are not available for retired members)	

Benefit Plan coverage for retirees

In the last newsletter, we showed you that hours of work are critical to our Pension Plan. This is also true for our Benefit Plan.

The number of active members working and covered under our Benefit Plan peaked in 2001/02. Recently, there has been a huge decrease in working members with contributory hours coming into the Benefit Plan, but the number of retirees covered by the Extended Health benefit has not decreased.

The ratio of active members to retired members is likely to get worse because

significant change in the number of active members is not anticipated for the near future. The contributory rate has remained the same since 2007 at \$1.71, which is extremely low compared to other benefit plans.

The self-pay rate of \$39.00 per month that we have been charging our retirees since 2003 was never sufficient to cover the cost of providing the benefit. But the Plan had the luxury of being able to heavily subsidize the retirees because there were a lot of working members. We no longer have that luxury. The

... continued on page 8



ISABEL'S CORNER . . . CONTINUED

Benefit Plan is likely to run a deficit for this Plan Year, and if we continue to subsidize the retiree benefit, we will create a huge liability on the Plan.

The Board of Trustees researched and found out that, in general, other benefit plans across Canada that covered their retirees have:

- decided to stop covering their retirees or severely reduced retiree benefits
- frozen currently covered members
- not allowed any more retirees to be covered
- increased rates for retiree group

We realized that we would have to increase the rate we charge the retirees by almost 300%, with further increases every year going forward.

So with great reluctance the Board decided it is no longer feasible to continue providing an Extended Health Care benefit for retirees. We will contact retirees directly with information about individual plans, for which they will be responsible for paying. However, there will also be an option to add dental or optical benefits not currently provided through our Benefit Plan.

Conversion to individual benefit plans

If you are covered under a group benefit plan and your benefits end for any reason (lay off, resignation, retirement, leave of absence), you have the option within a limited period of time to convert to an individual plan.

By individual plan, I mean a non-employer group plan, where you are entirely responsible for paying for your own coverage. Generally speaking, you may choose which plan and benefits you want. Your premiums will vary depending on your age and the benefits you select. The more benefits you choose, the more you pay for coverage.

For example, if your group benefits under the Carpenters' Benefit Plan terminate, you could convert to an individual plan called

Prism Continuum, provided through Special Benefits Insurance Services, in partnership with Green Shield Canada.

There are other individual plans available, but you need to provide evidence of being in good health to enrol.

If you were covered for Group Life Insurance in the amount of \$50,000 under the Carpenters' Benefit Plan, you can apply to convert all or part of this amount for an individual life policy through Sun Life, without having to submit medical evidence of insurability. Sun Life also offers individual Extended Health and Dental plans.

Bear in mind that although these conversions are an extra benefit from group plan coverage, the rates are high, as only those who need the benefit usually apply.

In the case of converting life insurance, only those who may be considered uninsurable find this option attractive, because individual term life insurance policy rates are cheaper if you are insurable.

For more information about conversion, call:

Special Benefits 1-800-667-0429

Monday to Friday, 6:00am-2:00pm, Pacific Time

Sun Life 1-877-893-9893

5:30am-1:30pm, Pacific Time



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