

New Rules For Pensioners That Return to Work

The priority for the Board of Trustees of the Labourers' Pension Fund of Central and Eastern Canada (the Fund) has always been to manage the Fund by making decisions that are in the best interest of our members. Our first priority is to provide you and your family with benefits that can be relied upon in your retirement and to maximize the pension benefits payable. It's always about balancing benefit adequacy and security so that your pension offers financial security for your future.

As communicated in the last BUILD, the Trustees have been carefully reviewing the long term sustainability of the Fund and making sure it remains competitive, fair and meets the needs of our members. There is a lot of pressure on all pension plans today. Retirement patterns are changing, members are living longer than ever before, and interest rates remain low – all these things make pensions more costly.

The generous early retirement benefits provided by your plan to long-serving workers are one of the things that set us apart from other pension plans out there today. For example, under the Fund, members that have reached the age of 55 with 30 years of pension credit can retire with a full, unreduced pension. In essence, the Fund makes payments to you for an additional 10 years compared to many other multi-employer pension plans. You will not find this particular benefit in any other trade union pension plan across Canada. It is an expensive benefit.

The Trustees believe the Fund's early retirement benefits are very valuable and want to continue offering members the opportunity to retire early with full, unreduced pensions. The early retirement provisions of our Fund were intentionally designed to financially assist members who need or want to retire early after dedicating many hard-worked years. It can be difficult to accumulate the savings necessary to replace wages in the event of unexpected early retirement, and we wanted to help.

However, in order to currently avoid any changes to the Fund's early retirement benefits, we have found it necessary to change the current Return to Work provision. Under the Fund's Return to Work provision, pensioners are able to continue to collect a retirement pension from the Fund and earn a wage as an active employee at the same time, but not accumulate any additional pension credits under the Fund. This has created an unsustainable additional expense to the Fund as many pensioners that take an early retirement pension have been immediately returning to work.

Therefore, effective January 1, 2018, the Return to Work provision will be amended. Active members may still be eligible for the Return to Work privileges if all of the following apply:

- You have completed a Pension Benefit application, which must have been received by the Fund office by no later than November 30, 2017
- You retire no later than March 1, 2018
- You have completed a "Re-Employed Pensioner-Notice of Election Form", which must have been received by the Fund office by no later than November 30, 2017.

In addition, any pensioners that returned to work and completed a "Re-Employed Pensioner-Notice of Election Form" by December 31, 2017 will not be immediately affected.

Important: Once a pensioner stops working and has one calendar month with no pension contributions to the Fund, they will no longer be eligible for the current Return to Work privileges.

After December 31, 2017, any retired members under age 71 who return to covered work will have their monthly pension payments suspended while they are actively employed. What this means is that retired members under age 71 can still return to covered work, but their pension will stop being paid temporarily while they are working and collecting a wage. However, they can earn additional pension credit while actively working and until they turn age 71 which could increase the amount of pension that will be paid when they subsequently retire. We feel that this change to the Fund promotes fairness to all members, and regains the spirit in which the early retirement provisions were originally intended.

The Labourers' Pension Fund is continually being reviewed and managed by the Board of Trustees, as the pension landscape is ever changing. Like all pension plans, there are many factors that impact the Fund's current and expected future funded position and funding requirements. We will continue to monitor all aspects of the Fund, especially in light of the new legislation expected early next year, and will keep you, our members, abreast of all relevant information. As Trustees, we are committed to keeping your pensions healthy and secure well into the future.

If you have any questions, or for further information, please contact the Fund Office at pension_fund@lpfcec.org or you can call us Toll Free at 1.866.932.1100.

Notice of SOMEPP Election

The Trustees of the Labourers' Pension Fund of Central and Eastern Canada (LPF) have filed a written election with the Ontario Superintendent of Financial Services to be declared a Specified Ontario Multi-Employer Pension Plan (SOMEPP) under the Ontario Pension Benefits Regulation.

The SOMEPP designation is a category of multi-employer pension plan (MEPP) under the Ontario pension legislation designed to provide temporary relief from solvency funding requirements until the province implements a permanent solution for MEPPs.

Where a solvency deficiency exists, the Ontario pension regulator normally requires action to be taken to address the solvency shortfall, and for MEPPs such as the LPF, this may involve benefit reductions. Thus, the purpose of the SOMEPP election is to avoid any unnecessary and inappropriate benefit reductions.

The SOMEPP election will have no impact on benefits except in the unlikely event that the plan were to be fully terminated, in which case, benefits would have to be reduced to reflect the plan's transfer ratio.

The most recently completed actuarial valuation of the Plan was carried out as of December 31, 2016. A plan's transfer ratio is a measure of the pension plan's ability to pay benefits if the pension plan were to windup on that particular day. A windup means all pension benefits are settled and paid out to the plan members. As of December 31, 2016 the plan's transfer ratio is 57%.

The actuarial valuation also determines the funded status of the Plan on a going-concern basis. A going-concern valuation assumes the Plan will continue indefinitely. The purpose of this valuation is to determine the level of contributions required to ensure benefits are properly funded when members retire. As of December 31, 2016 the plan's funded ratio is 91%. The Employers are required to make contributions to the Plan in accordance with a Collective Bargaining Agreement. These contributions are sufficient to meet the minimum funding requirements of pension legislation and fund both the cost of the pensions and the going-concern shortfall.

LPF Board of Trustees
October 2017

Comments on the Plan Changes

If you have any comments on the Plan changes described in this newsletter, you may submit them to the Board of Trustees and to the Superintendent as follows:

Board of Trustees of the Labourers' Pension Fund of Central and Eastern Canada
PO Box 9002 Lakeshore West PO
Oakville, ON L6K 0G1
Telephone: 289-291-3663
Toll-free: 1-866-932-1100

Ontario Superintendent of Financial Services
5160 Yonge St.
P.O. Box 85
Toronto, ON M2N 6L9
Telephone: 416-250-7250
Toll free: 1-800-668-0128