

Alberta Sheet Metal Workers' Retirement Trust Fund

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July 2019 Newsletter

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A Pension Promise – It's Long-Term

The Board of Trustees' first and foremost objective is the security of the retirement benefit promised to you. Your pension on retirement is paid monthly for your lifetime and, on your death, continues to your surviving spouse for her/his lifetime. This promise to you is long term considering it can be made for upwards of 30+ years. To deliver on that promise, the Trustees have an investment mandate designed specifically for investing over the long-term and to maintain the funded status of the Plan throughout challenging market and economic conditions.

A key role in assessing whether there are enough Plan assets to cover promised benefits is setting the discount rate to be used in the valuation. The Fund is comprised of 20% in equities, and being mindful of their volatile nature, the Board's policy is to not anticipate equity returns over and above the expected fixed income rate of return until actually realized (earned). Not anticipating a higher return that may or may not happen helps ensure the Plan remains sustainable for current and future members. For example, if the rate of return assumption is set too high and investments earn less than expected, a funding shortfall could result.

Discount Rate - expected rate of return from investments over the long term and includes a cushion for adverse experience (margin)

SCR - the current service cost per hour to fund 4.74 cents of monthly lifetime pension, payable at age 60 & the 50% supplementary pension paid from 60 to 65

The discount rate also plays a key role in setting the Standard Contribution Rate (SCR) at a level adequate to secure pension benefits over the long term. A decrease in the discount rate increases the value of promised benefits and current service costs for future benefits earned. Long term interest rates continue to be low, however, there was a slight upswing in the discount rate for

the January 1, 2019 Valuation [results on page 3], and the SCR actually decreased from \$7.84 (January 2018 Valuation) to \$7.23.

Low Interest Rates = Higher SCR – So What's New?

As reported in the October 2018 newsletter, because of the strong financial position at that time, the Board subsidized the SCR by 11%, reducing it from \$7.84 to \$6.98 for 2019. With the January 1, 2019 funded status continuing to be financially sound, the Board has agreed to subsidize the SCR of \$7.23 by **15%**. **Effective January 1, 2020, the SCR will decrease from \$6.98 to \$6.14.** Example of the benefit earned for 2020 is on page 2.

Benefit Earned ~ \$6.14 Standard Contribution Rate for 2020

Your pension contributions from your Employer are converted into Standard Contribution Rate Hours to calculate your earned benefit for the year.

For example, if the Plan received pension contributions of \$8,019*, the contributions received are divided by the SCR (\$6.14) to determine the number of SCR Hours; *1,800 hours @ \$4.50 less 1% Funeral Benefit Plan

$$\begin{aligned} \$8,019 / \$6.14 &= \mathbf{1,306 \text{ SCR Hours}} \times 4.14 \text{ cents} = \$54.07 \text{ lifetime monthly pension at age 60} \\ &\qquad\qquad\qquad \$27.03 \text{ supplementary payable 60 to 65} \end{aligned}$$

A Membership Booklet about your pension is available on the website – www.absheetmetalpension.com.

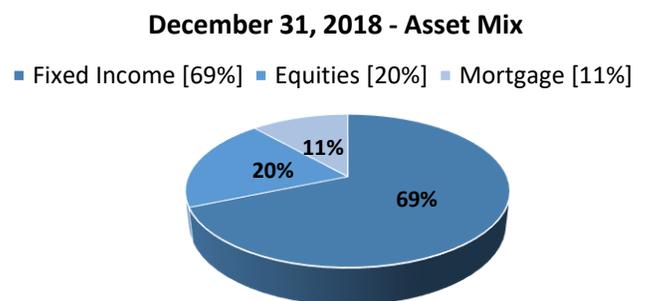
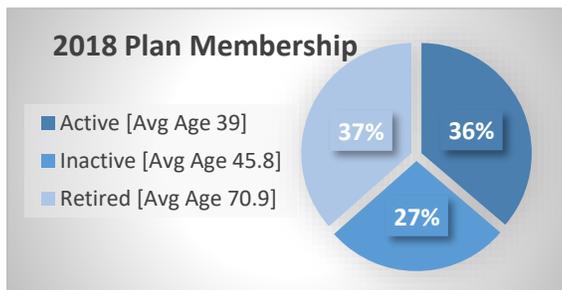
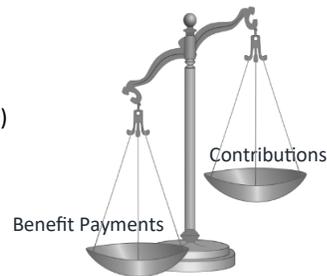
In Remembrance

We are always saddened to hear that a Plan member has passed away. A list of those who have left us can be found on our website. On behalf of the Board of Trustees, Administration Staff and the Plan Membership, we extend heartfelt condolences to their families. Our thoughts and prayers are also with the family of Ron Richards, who was an Employer Trustee from 2013 to 2019.

“When someone you love becomes a memory, the memory becomes a treasure.”

2018 Plan Highlights

3,459	members at the end of 2018	
\$5,656,950	in contributions (Employer/Member self-payments)	
\$9,504,085	in investment income (net of fees)	
(\$8,609,938)	loss on investments (4 th quarter – decline in equity markets)	
\$7,139,287	in pension payments to retired members	}
\$954,882	in survivor payments	
\$48,384	in disability credits	
\$3,364,690	transferred out (i.e. termination/death)	
\$626,206	in professional fees and operating expenses [represents 0.22% of Plan Assets as at Dec 31/2018*]	
\$278,564,376	Plan Assets* as at December 31, 2018	



Past Service Purchase – Looking for a Tax Deduction for 2019?

This feature of the Plan allows you to increase your pension for past years where you earned less than \$86.94 of monthly lifetime pension. The cost to purchase past service is dependent on your age; the younger you are the more pension your dollar will purchase towards your future retirement. The maximum amount allowed for tax deduction purposes is \$3,500 per year and payment must be received by December 31st. If you are interested in this provision, please contact the Administration office.

January 1, 2019 Valuation Results

The Valuation is a financial check to ensure Plan assets cover Plan liabilities (promised benefits). The January 1, 2019 Valuation results show that the Plan continues to be financially strong. For every \$1 of pension promised there is \$1.11 in assets on a going concern basis and \$1.14 in assets on a solvency basis.

Funding Position as at January 1, 2019		
	Going Concern	Solvency
Plan Assets:	\$279,177,000	\$278,327,000
Plan Liabilities:	<u>\$250,378,000</u>	<u>\$242,848,000</u>
Surplus:	\$28,799,000	\$35,479,000
Funded Ratio:	111.5%	114.6%
Current Service Cost [SCR] at \$7.23		

Going Concern - the Plan continues indefinitely

Solvency - if the Plan was to wind-up on Jan 1st, 2019

Current Service Cost - determines the SCR adequate to pay for future benefits assuming Plan continues indefinitely

The following are some of the challenges many pension plans face on a funding basis;

- *longer retirement* – with members living longer, it becomes more expensive to fund a lifetime pension.
- *low long-term interest rates* – more money is needed to be set aside to fund future lifetime pensions. This has been an ongoing challenge with interest rates being at historical lows over the past many years.
- *contribution revenue* – contributions coming into a pension plan are less than the benefits paid out. This has been the case for your pension plan for some time now. The investment income your Plan has received over the years more than makes up for the difference, however, it also reduces assets to invest for the future, which has an impact on how much investment risk the Plan can tolerate.

With these challenges in mind, the Board of Trustees implemented a Funding & Benefits Policy to ensure that there are sufficient assets to deliver the benefit promised to you on an ongoing basis, as well as on a wind-up basis. Their investment policies have been successful to the point of a funding surplus that enabled a **4% increase to all Plan members effective January 1, 2019**. The Board will continue to monitor the Plan's funded status and the SCR on an annual basis to ensure that the Plan is well positioned to withstand market fluctuations and demographic changes such as increases in life expectancy.

[The Funding & Benefits Policy is available for review on the Pension Plan website.]

Your Administration Office

Please Note: We are currently operating with a limited number of staff. Although, every effort will be made to ensure that the pension office is opened during regular office hours, there could be an unforeseen event that may result in the office being closed. We strongly suggest that you call the office before dropping by in case this has happened and the office is closed. Of course, if you have any questions regarding your pension, please call or email the Administration office. If we are unable to take your call, please leave a message and we will get back to you as soon as possible. Additional information about your Pension Plan is also available on our website - www.absheetmetalpension.com.

*Office Hours - Monday - Friday
8:30 am to 4:30 pm (closed noon to 1 pm)*

*Wanda Hoyle, CEB
Plan Administrator*