

Notice

For: The Atlantic Canada Regional Council of Carpenters, Millwrights and Allied Workers Regional Pension Plan (the “Regional Plan”)
NS Registration Number 0418764

Notice of Changes to Lump Sum Commuted Values Paid from the Regional Plan

To: Active and Deferred Vested Plan Members entitled to benefits under the Defined Benefit provisions of the Regional Plan

And To: United Brotherhood of Carpenters and Joiners of America, Local 579
United Brotherhood of Carpenters and Joiners of America, Local 83 and 1392
Nova Scotia Millwrights, Local 1178

From: Trustees of the Regional Plan (“Trustees”)

This notice is for information purposes only and is being provided to inform you of changes to the prescribed methods which are used to calculate commuted values in the defined benefit (“DB”) provisions of the Regional Plan. Members who continue to participate in the Regional Plan, or Members who choose to leave their defined benefit pension in the Regional Plan when they do terminate participation, will not be affected by these changes. No action is required by you in response to this notice.

The Trustees wish to inform you that there has been a change to the prescribed standards which dictate how pension commuted values are calculated in your DB provision. The Canadian Institute of Actuaries released the final amendments to the standards which prescribe these methods, *Section 3500 of the Practice-Specific Standards for Pension Plans – Pension Commuted Values* (“CV standard”), on January 24, 2020.

Overview of Changes

The CV standard generally applies when calculating lump sum payments provided in lieu of immediate or deferred pensions resulting from death or individual termination of pension plan membership. The revised CV standard, and its new calculation methods, took effect in the Regional Plan starting on May 1, 2020.

The Regional Plan administrator has updated systems to accommodate the changes to the calculation of lump sum payments from the DB provisions of the Regional Plan due to the revised CV standard. The impact of the changes will generally result in lower lump sum commuted value payments for members or beneficiaries who elect to transfer out the DB pension they have earned in the Regional Plan.

What is a commuted value?

The commuted value — sometimes known as the “lump sum cash value” or “lump sum transfer value” — is the total value in today’s dollars of the lifetime pension you have earned and would be entitled to receive if you left your DB benefits in the Regional Plan until you reach retirement age. In other words, it is the amount of money that must be set aside today to provide your future pension. It is an actuarial calculation that involves many factors, including your age, pension earned to date and interest rates. Many of the factors are dictated by standards set by the Canadian Institute of Actuaries.

Who will be affected by these changes?

The new CV standard does not impact any benefits payable from the Regional Plan’s defined contribution (“DC”) provisions. Additionally, the changes to the CV standard do not change a member’s earned benefit entitlement from any of the DB provisions of the Regional Plan if the member elects to leave their benefit in the Regional Plan when they terminate, and chooses to retire at a future date and receive their benefit as a monthly pension.

The changes to the CV standard impact CVs paid out from the DB provisions. CVs are generally the lump sums that are transferred out of the Plan on member termination (leaving before retirement), and at certain other times such as pre-retirement death and marriage breakdown.

If you leave the Plan with a termination date on or after May 1, 2020 and request a lump sum payment in lieu of a deferred pension, your lump sum will be calculated using the revised CV standard. Similarly, if your benefit is subject to a commuted value calculation for other reasons, such as pre-retirement death or marriage breakdown, and the effective date of that calculation is on or after May 1, 2020, the lump sum will be calculated using the revised CV standard.

Why are these changes appropriate for the Regional Plan?

The previous method of calculating CVs led to lump sums paid to terminating members that were much greater than the funds currently set aside through the funding of the DB provision to provide their earned pension upon retirement. This difference between the amount paid out and the actual funding set aside was detrimental to the members and pensioners who remain in the DB provision.

These changes have been in demand by the industry and by plan sponsors to create more fairness between members leaving and members staying behind.

If you have any questions about this notice, please contact the Regional Plan administrator:

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