The Plumbing & Pipefitting Workers Local 170 Pension Plan
#203 – 1658 Foster's Way, Delta, BC, V3M 6S6
Phone: 604-526-3434 or 1-800-665-6808

Dear Members and Beneficiaries of the Local 170 Pension Plan:

Re: The Plumbing and Pipefitting Workers Local 170 Pension Plan - Conversion to a Target Benefit Plan

The Board of Trustees of the Plumbing and Pipefitting Workers Local 170 recently passed a resolution to convert the Plan from a Defined Benefit Plan to a Target Benefit Plan (TBP) effective September 30, 2015. The purpose of this letter is to advise the beneficiaries of some of the reasons and implications.

An amended B.C. Pension Benefit Standards Act (the Act) became effective September 30, 2015. As part of the Act, provisions for a new type of pension plan, namely a Target Benefit Plan were to be included.

The B.C. Government had recognized that multi-employer negotiated cost plans are unique with different challenges then a single employer negotiated cost plan. One of these challenges is that these types of plans have to meet the requirements under the Act to fund solvency, which could lead to reduced accrual and/ or future benefits.

The good news is that the new regulations provide that multi –employer negotiated cost plans that have converted to a Target Benefit Plan for accrued benefits and future benefits will be exempt from solvency funding. A Target Benefit Plan will only have to meet the funding requirements based on a going concern basis (less restrictive). This means that contributions that are made to the Plan will go to Members benefits and not towards funding the solvency requirements. Should contributions be insufficient to fund the pension benefits on a going concern basis, the Trustees of the plan will still have the ability to reduce benefits should additional contributions be unavailable.

Please note that the Plan has been essentially operating as a Target Benefit Plan since the Plan has always had the ability to reduce pension benefits if the contributions were insufficient to fund the benefits. In fact, the Plan has reduced pension benefits in the past when Solvency tests were not met.

The Pension Board of Trustees wanted the members of the Plan to be fully aware of the changes that were being made. In 2009, the Plan revised its investment policy and risk management in order to reduce the chances of future benefit reductions. The strategy change has been successful and the Trustees intend to continue to manage the Plan in a way that reduces the chances that benefits would have to be reduced in the future.

We believe that the conversion to a Target Benefit Plan is a positive change for the Plan members.

Yours truly,

Tom McKinley

Tom McKinley
Administrator
cope378/lp/Feb 2016

To All Beneficiaries of the Plumbing & Pipefitting Workers Local 170 Pension Plan

FOR INFORMATION ONLY

An actuarial valuation of the plan was carried out as at September 30, 2013. A solvency valuation, which assumes that the Plan had been wound up at that date, was conducted as is required by pension legislation. As of September 30, 2013, it was determined that the assets of the Plan would be less than the actuarial liabilities, and the solvency ratio was 0.697. The funding requirements under pension legislation require that the Plan fund the solvency deficiency over a period of five years. The current negotiated contributions were determined to be insufficient to fund the solvency deficiencies over the five-year period following the valuation date. As a result, an application was made to the Superintendent of Pensions in accordance with subsection 2 (7) of Schedule 1.1 of the Pension Benefits Standards Regulation (consent to suspend payments on the solvency deficiency), and consent to a moratorium on solvency payments from the Superintendent was granted for the period from October 1, 2013 to September 30, 2016. As the negotiated contributions to the Plan are in excess of the legislative funding requirements on a going concern basis, the Trustees expect that the suspension of the solvency payments for the three-year period will have a minimal impact on the security of the accrued benefits.

As part of the legislative requirements to obtain the solvency moratorium, the Plan must:

- i) Continue to comply with section 41 (Funding and solvency requirements) of the Act, and subsection 11 of section 35 (Solvency tests and funding of plans) of the regulations
- ii) Report the results of i) above in each actuarial valuation report that may be requested by the superintendent,
- iii) Grant no benefit improvements during the period of the moratorium
- iv) Amortize the unfunded liability over a period not exceeding 10 years
- v) Comply with any other conditions imposed by the superintendent

The next actuarial valuation of the Plan will be conducted as at September 30, 2016.

Definitions:

Solvency ratio – the ratio of the actuarial accrued liabilities determined on the solvency basis over the market value of assets (less wind up expenses)

Solvency deficiency – the difference between the actuarial accrued liabilities determined on the solvency basis and the market value of assets (less windup expenses)

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