Bricklayers & Trowel Trades
International Pension Fund - Canada

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Important notice about your pension plan

Changes coming to retirement age and lump sum benefit calculations

The Board of Trustees of Bricklayers & Trowel Trades International Pension Fund Canada (IPF) is committed to providing you a pension that you can count on. This includes ensuring the pension fund has enough money to pay all member benefits – now and into the future.

Our latest assessment of the pension fund's financial health indicated that we need to make changes to the Plan to comply with legal requirements. After careful consideration, the Trustees have decided to make two changes to the Plan: change the unreduced retirement date from age 63 to age 65 for **benefits earned on or after January 1, 2019,** and change the way lump sum benefits are calculated in most instances after February 28, 2019. Read on for details.

The Plan's financial health

The Trustees monitor the Plan's financial health through regular "valuations." A valuation compares the money in the pension fund to the benefits that will need to be paid out of the fund to all the members.

The last Plan valuation was prepared at December 31, 2017. The results showed that, while the Plan has sufficient assets to pay for all earned benefits well into the future, the contributions coming into the Plan are not enough to meet the minimum funding requirements under Alberta legislation for new benefits being earned. Reasons for the contribution inadequacy include a trend in recent years of reduced hours of members in the Plan, aging of the membership, low interest rates, challenging investment market returns, and members increasing life expectancy.

As a result of this contribution inadequacy, the Trustees are required, by law, to make changes to the Plan for future benefits. The Trustees explored different ways of improving the Plan's contribution adequacy, while minimizing the impact on members. After a careful review, the Trustees decided to make two changes:

1. **Increase the unreduced retirement age from 63 to 65 for benefits earned on or after January 1, 2019**
    - This change only applies to benefits earned on or after January 1, 2019. Your earned benefits before January 1, 2019 will remain unchanged and will **not** be reduced.
    - There will be no change to the way your pension benefit is calculated on benefits you earned before January 1, 2019.

2. **Change how benefits are calculated for most lump sum payments from the Plan**
    - Terminated members who choose to receive a lump sum benefit over a deferred pension will not get an early retirement subsidy after February 28, 2019.
    - This means that the lump sum commuted value will be calculated as if the member's pension would otherwise start at age 65.
    - This change will also apply to other forms of lump sum payments from the Plan, such as pre-retirement death benefits, and in certain cases of pension unlocking (such as non-resident withdrawals and shortened life expectancy withdrawals).

What do these changes mean for you?

Currently, you can retire at age 63 with an unreduced pension that is paid for your lifetime. Going forward, you can receive an unreduced pension at age 65. If you retire before age 65, the pension benefit you earned on or after January 1, 2019, will be reduced by approximately 7% per year (0.6% per month). This means that if you chose to retire at age 63, your pension benefits earned after January 1, 2019, would be reduced by approximately 14%.

The change to the lump sum calculation after February 28, 2019 will only impact you if you choose a lump sum benefit once you leave the Plan. It will also apply to other forms of lump sum payments out of the Plan, including lump sum pre-retirement death benefit payments, lump sum payments to qualifying non-residents, and lump sum payments to members who apply to withdraw their benefit in cases of shortened life expectancy. It will not affect how your immediate or deferred pension is calculated.

Before this change, a lump sum benefit was calculated based on an assumed retirement age that provides the highest benefit – typically age 62. Going forward, the benefit will be calculated based on a retirement age of 65.

Why did the Trustees decide to make these changes?

The Trustees considered many different options that could improve the Plan's financial health, including contribution increases and adjustments to earned benefits. We also assessed what other plans are doing when facing similar issues.

We determined that the most feasible, and least disruptive, way to improve the Plan's contribution adequacy was to adjust the unreduced retirement age and the way lump sum benefits are calculated. Other plans have taken similar steps to account for people working and living longer. While other plans have faced benefit cuts, this change allows us to keep earned benefits untouched, which is a high priority for us.

Questions?

We understand this is a big change. Please reach out to the Fund office at 1-888-880-8222 or David Stupar dstupar@ipfweb.org if you have any questions about these changes or your pension plan in general.