

# BCGEU Pension Plan

YOUR GUIDE TO RETIREMENT

JANUARY 2008



**BC Government and  
Service Employees' Union**



bcgeu.ca

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# Introduction

The B.C. Government and Service Employees' Union wishes to ensure that its members have an adequate income in retirement and has therefore established its own pension plan, which came into effect as of November 1, 1988. The plan has grown to be one of the 40th largest defined contribution pension plans in Canada.

All aspects of the Plan are determined by a Board of Trustees. All Trustees are appointed by the President of the Union.

This booklet is intended only as a summary to assist you in understanding the major provisions of the BCGEU Pension Plan. It does not contain all the Plan provisions and may not provide all the information you need in a specific situation. Throughout the course of the year bulletins are sent to worksites or directly to members providing information to frequently asked questions. Should questions of administration or interpretation arise, the legal Plan document will govern in all cases. If you wish to examine any plan documents please contact your local BCGEU area office or headquarters for assistance.



## Plan Registration

The BCGEU Pension Plan has been constructed and will be enforced in accordance with the rules and regulations of the **Income Tax Act (Canada)** (Registration No. 0998419) and is registered under the **Pension Benefits Standards Act** of British Columbia (Registration No. P085218).

Effective January 1, 1993, it was necessary for all British Columbia pension plans, including the BCGEU Pension Plan, to comply with the provisions set out in the Pension Benefits Standards Act of British Columbia.

Please note as the legislation is not retroactive, pension contributions made prior to 1993 may not have to be locked in. Therefore, references to non-locked-in funds are generally referring to any pre-1993 contributions that were deposited in your account.

## The Plan

### *Purpose of the Plan*

As stated in the Income Tax Act Regulations, the primary purpose of the BCGEU Pension Plan is to provide you with a lifetime retirement income based on the accumulation of your and your employer's contributions.

### *Type of Pension Plan*

The BCGEU Pension Plan is a **Defined Contribution** (also known as *Money Purchase*) Plan. It is rather like a Registered Retirement Savings Plan (RRSP) except is subject to all of the provisions of the Pension Benefits Standards Act of B.C.

Under this type of plan, both you and your employer contribute a fixed percentage of your pay. The pension you ultimately receive will depend upon the amount of your account, the prevailing annuity rate at your retirement, and the type of annuity you choose. The amount of your account balance will be the sum total of the accumulated regular contributions from you and your

employer, any additional voluntary contributions to the plan you may have made, and any transfers into the plan you may have made from other registered pension plans or registered retirement savings plans together with any investment earnings.

❑ All employee and employer contributions made to the Plan are deposited into the BCGEU Pension Fund which is held in trust for the Plan Members by a Trust Company;

❑ The assets of the Fund are invested in a mixture of equities (stocks), bonds, mortgages, real estate and money market funds by professional investment managers selected by the Trustees.

## Investment Policy and Procedures

In accordance with the Pension Benefits Standards Act of B.C., the Trustees are required to develop and then file a formal Statement of Investment Policy and Procedures. This statement sets out the objectives for the professional investment managers.

## Plan Membership *Eligibility and Enrolment*

You are eligible to enrol as a Plan member on the **earliest of:**

→ the date you meet the eligibility requirements as set out in the collective agreement between your employer and the Union; or

→ the date when your employer and the Union enter into a collective agreement which requires that both you and your employer make contributions to the Plan; or

→ the date you meet the eligibility requirements as set out in the Pension Benefits Standards Act of B.C.

## Contributions

### **Member Required Contributions and Employer Contributions**

All contributions to the Plan purchase units in the Plan at the prevailing unit value on the day the contributions are deposited. Both you and your employer are required to contribute, through payroll deduction, a fixed percentage of your earnings **as set out by the collective agreement** between your employer and the Union, or if not specifically stated in the collective agreement, as set out in the official Plan document.

#### Contribution Example:

*If the contribution rate set out by the collective agreement is deemed 6% of earnings for Employee Contributions and 8% for Employer Contributions and your pay is \$1,750 per payroll period, then the contributions for that payroll period will be the sum of:*

*\$105.00 (= \$1750 x 6%) for Employee Contributions; and*

*\$140.00 (= \$1750 x 8%) for Employer Contributions.*

*Thus, your total contribution will be \$245.00 for that pay period.*

### **Member Voluntary Contributions**

You may also make Member Voluntary Contributions to the Plan by issuing a personal cheque (ensuring reference to your social insurance number) payable to the BCGEU Pension Plan through your employer or by mailing it directly to the Plan Administrator. Additional Voluntary Contributions will reduce the amount you can contribute to your RRSP.

The Plan also accepts transfers from your previous pension plan(s) or from your RRSP(s). Any locked-in provisions on transfers will continue to apply, which means that the locked-in transfer amount can only be used to purchase a life income. Locking-in rules are discussed further in this booklet.

## **Tax Issues**

### *Income Tax*

Your required and additional voluntary contributions to the Plan are tax-deductible and will accumulate on a tax-deferred status while in the Plan.

Employer contributions made on your behalf are not added to your income and, therefore, are not subject to income tax until you start collecting your pension benefit. They also accumulate on a tax-deferred status while in the Plan.

### *Maximum Contribution*

The combined total of your Member Required, Employer and Member Voluntary Contributions each year may not exceed the maximums imposed by the Income Tax Act.

Please note that all required and voluntary contributions made to the Plan (not including transfers) will reduce the amount you can contribute to your RRSP.

## **Account Balances**

### *Account Credits*

Each month the Fund generates a Unit Value which is based on the Fund's assets and the outstanding number of Units; investment returns on the assets dictate the increase or decrease in the Unit Value:

- The contributions are used to buy Units at the Unit Value in effect at the date of deposit;
- Each member's account is credited with the additional units purchased (from the total contributions) and updated with the most current Unit Value.

### *Investment Returns*

Since your contributions have purchased Units of the Fund, your investment return is expressed as the change in Unit Value.

The Fund is invested in a prudent manner with the expectation that the long-term Unit Values will trend upwards. It is expected that the long-term return from the Plan will exceed the return that the average Plan Member could attain by investing personally.

### *Year-end Statements*

You will receive each year, from the Plan Administrator, an annual statement of your contributions, your employer's contributions, any transfers you have made together with any additional voluntary contributions, and the value of your total account balance as of December 31. The annual contributor statement will also provide information on your personal data. It is extremely important that you promptly advise the Plan Administrator of any change or inaccuracy, especially with respect to beneficiary information, home address and birth dates.

## **Retirement**

### *Normal Retirement Date*

Your normal retirement date is your 65th birthday.

### *Early Retirement Date*

Upon written notice given to your employer, you may retire on the first of any month after attaining age 55.

Although there is no penalty for early retirement, the earlier you retire, the smaller your pension will be; the reasons for which are as follows:

- fewer contributions would have been made to the Plan;
- the accumulated funds would have had less time for growth;
- since the annuity purchase rates are higher at lower ages, you would not be able to buy as much pension at a younger age with the accumulated funds.

## Postponed Retirement Date



Whether in your Collective Agreement or not, you may postpone your retirement past age 65 but the Income Tax Act requires you to commence receiving your pension by the end of the calendar year in which you attain age 71.

Although there is no enhancement for postponed retirement, your pension will likely be larger than if you had retired at age 65; reasons for which are as follows:

- more contributions may have been made to the Plan;
- the accumulated funds would have had more time to grow;
- the accumulated funds would be able to buy more pension at an older age due to lower annuity purchase rates.

## Immunized Retirement Fund

The Immunized Retirement Fund is comprised only of investment certificates. Upon reaching age 55, members could elect to redirect a percentage of their holdings each year to the Fund. The Fund was closed to new entrants in January, 2006.

## Amount of Pension

Your pension at retirement is the annuity (*a series of monthly payments paid to you over your lifetime*) that can be purchased from a life insurance company with the proceeds from the redemption of the total number of Units in your account from the following:

- Member Required Contributions; plus
- any Member Voluntary Contributions; plus
- any Locked-In or Non Locked-In Transfers; plus
- Employer Contributions; plus

→ any holdings from your Immunization Account (if applicable).

The four main factors that determine your pension amount are:

→ the total contributions made throughout your length of participation as a plan contributor;

→ the investment returns;

→ the pension option chosen (described below) which depends, in part, on your and (if applicable) your spouse's age at retirement;

→ the long-term interest rates at the date of annuity purchase from the insurance company.

At the time of your retirement, the Plan Administrator will survey competitive life insurance companies licensed to transact business in Canada to obtain the most favourable annuity rate. Any such annuity purchased by the Plan Administrator is purchased with all commission fees removed to provide you with the highest possible pension at the date of purchase.

Your pension will be paid to you monthly for as long as you live.

There are many retirement options to choose from, depending on your needs. The form of pension you choose at retirement determines the benefits for your survivors in the event of your death. Some examples of different annuities are described below (Also please see pages 18/19):

**☐ Life Only:**

*The pension is paid for your lifetime only. In the event of your death all subsequent payments cease.*

**❑ Life, with a Guaranteed Period** (5, 10 or 15 Years):

Example: Life Guaranteed 5 Years: *The pension is paid for your lifetime with a guarantee that should you die before you have received 60 monthly payments (5 years), the remainder of the 60 monthly payments would be made to your beneficiary.*

You may also elect a guarantee period of 10 or 15 years.

**❑ Joint and Survivor** (Continuing at 50%, 60%, 66 2/3% or 100%):

Example: Joint and Survivor continuing at 50%: *This pension is paid for your lifetime. Upon your death, 50% of the amount will continue to be paid to your spouse, if then living, for the duration of his/her lifetime. You may also elect a Joint and Survivor option continuing at 60%, 66-2/3% or 100%. A minimum time guarantee can also be provided under this option.*

The form of pension has an effect on the actual monthly amount you will receive. The more attractive the pension option for the surviving spouse or the longer the guaranteed minimum number of payments, the lower the initial pension payments payable to you.

**A Spouse  
at Retirement**

You may select any form of pension available; however, if you have a spouse at retirement and you select a form of continuing pension that provides less than 60% of your pension for your spouse's lifetime after your death, a



third party witnessed Spousal Waiver Form signed by your spouse is required.

### Level Income (Integrated Option)

If you retire before age 65 and before your Canada Pension Plan (CPP) and Old Age Security (OAS) payments commence, you may have your payments from the BCGEU Pension Plan adjusted so that you receive a combined (“CPP / OAS” and “BCGEU”) level monthly income throughout your retirement.

This option provides a larger pension amount from the BCGEU Pension Plan before age 65 (*before your “CPP/OAS” payments begin*) and a smaller amount after age 65 (*after payments from your “CPP/OAS” begin*).

### Portability Options

In lieu of electing to receive an annuity income, you may transfer the value from your Member Contributions, Employer Contributions, any amounts from your Immunization Account (if applicable) and any Locked-In Transfer amounts to your Locked-In RRSP or to a LIF. A LIF is a life income fund, established as a registered retirement income fund under the Income Tax Act (Canada). A LIF allows for prescribed maximum and minimum withdrawals of funds each year based on your age while allowing the plan holder to control the investment policy. (*Locked-In\* provisions apply for all member required and employer contributions made after December 31, 1992 along with investment earnings, to comply with B.C. pension legislation*).



\* NOTE: Funds which are “locked-in” cannot be withdrawn in cash. They must eventually be used to provide you with a life-time pension.

You may transfer any Voluntary Contributions or any Non Locked-In Transfer amounts to your regular, unrestricted RRSP.

## Termination

### A. Vested Termination

#### Termination Benefit

If your employment terminates for reasons other than death, disability or retirement and if you have **AT LEAST either 2 YEARS of Union Membership OR 1 YEAR of Plan Membership**, you will be entitled to receive the proceeds from the redemption of the total number of Units from the following:

- Member Required Contributions; plus
- any Member Voluntary Contributions; plus
- any Locked-In or Non Locked-In Transfers; plus
- Employer Contributions; plus
- any holdings from your Immunization Account (if applicable).

### B. Non Vested Termination

#### Termination Benefit

If your employment terminates for reasons other than death, disability or retirement and if you have **LESS THAN either 2 YEARS of Union Membership OR 1 YEAR of Plan Membership**, you will be entitled to receive the proceeds from the redemption of the total number of Units from the following:

- Member Required Contributions; plus
- any Member Voluntary Contributions; plus
- any Locked-In or Non Locked-In Transfers
- You will forfeit the proceeds from the redemption of the total number of Units purchased with the Employer Contributions.



## Termination Options

You will have one of the following four options to choose from:

- 1) Transfer the value of your benefit to an RRSP:
  - You may elect to transfer the following locked-in entitlements to your **Locked-In** RRSP:
    - Post-1992 Member Required Contributions; plus
    - Post-1992 vested Employer contributions, if any; plus
    - any Locked-In Transfers; plus
    - any holdings from your Immunization Account (if applicable).
  - You may elect to transfer the following non locked-in entitlements to your **(unrestricted)** RRSP (or withdraw as cash):
    - Pre-1993 Member Required Contributions; plus
    - Pre-1993 Employer Contributions; plus
    - any Non Locked-In Transfers; plus
    - any Member Voluntary Contributions.
- 2) Transfer the value of your benefit to your new employer's registered pension plan (*providing they accept such transfer and subject to any applicable locking-in provisions*).
- 3) Purchase an annuity from an insurance company.
- 4) Remain in the plan for up to two years from your termination date.



## Pre-Retirement Death

### *Beneficiary Designation*

If you die before retirement, and you have a living spouse, your pension plan death benefits will automatically be paid to your spouse, regardless of your named beneficiary; however, your spouse may waive all rights as the beneficiary by completing a Spousal Waiver Form. *For purposes of the BCGEU Pension Plan, a spouse is defined by the Pension Benefit Standards Act as either:*

→ *a person you are married to and not living separately or apart from at the time of your death, or*

→ *if there is no such person to whom the above applies, a person living and cohabiting with the other person in a marriage-like relationship (including a person of the same sex) for a period of at least two years immediately preceding the date of death.*



If you do not have a spouse, pension benefits will be paid to your named beneficiary(ies). If you have neither a living spouse, nor a named beneficiary upon your death, benefits will be paid to your Estate.

Once becoming a member of the Plan, if you wish to change your designated beneficiary, you must complete a *Member Record Form* (available from your employer, your BCGEU area office or the Plan Administrator) and submit this to the Plan Administrator.

### *Survivor's Benefit*

If you should die before retirement, your pension is immediately vested and your beneficiary will receive the proceeds from the redemption of your Units from the following:

→ Member Required Contributions; plus

→ any Member Voluntary Contributions; plus

→ any Locked-In or Non Locked-In Transfers; plus

→ Employer Contributions; plus

→ any holdings from your Immunization Account (if applicable).

### **Payment of Benefit to Spouse**

If the designated beneficiary is your living spouse, your spouse will have one of the following options:

1) Transfer the value of your benefits to his/her RRSP:

Your spouse may elect to transfer the following locked-in entitlements to his/her Locked-In RRSP:

→ Post-1992 Member Required Contributions; plus

→ Post-1992 Employer Contributions; plus

→ any Locked-In Transfers; plus

→ any holdings from your Immunization Account (if applicable).

Your spouse may elect to transfer the following non locked-in entitlements to his/her (unrestricted) RRSP or to a RRIF (if over 55) or take the proceeds as cash:

→ Pre-1993 Member Required Contributions; plus

→ Pre-1993 Employer Contributions; plus

→ any Non Locked-In Transfers; plus

→ any Member Voluntary Contributions;

2) Purchase an immediate or deferred annuity from an insurance company.



- 3) Transfer the benefits to his/her employer's registered pension plan (*subject to the locking in provisions*), assuming that plan accepts such transfer.

### *Payment of Benefit to a Non-Spouse*

If you do not have a spouse or your spouse has waived his or her entitlement, your designated beneficiary will receive a lump sum payment in cash, subject to the Income Tax Act withholding rules. The payment will be taxed as ordinary income to the beneficiary.

## **Post-Retirement Death**

### *After your pension begins*

In the event of your death after your pension begins, the benefits will be determined by the form of pension you elected at retirement. (please refer to pages 9 and 10 of this booklet).

## **Disability Contributions**

If you should become disabled, your pension contributions will continue as set out in the collective agreement between your employer and the Union. You should check with your employer that contributions continue to be made to your pension account in the event you are disabled. If there is a discrepancy, the wording in the collective agreement prevails.

## **Re-Employment**

If you terminate your employment with any of the participating employers and thereupon decide to withdraw your termination benefit, upon subsequently re-joining the BCGEU Pension Plan you will once again be treated as a new member of the Plan.

## Marriage Dissolution

Pensions are a “family asset” under the province’s **Family Relations Act**, and the division of family assets, including pension assets, comes under that legislation. Matrimonial property orders made by a Court in British Columbia or elsewhere in Canada are enforceable against pension assets or payments.



Should you require account balance information to be calculated from your date of marriage to the date of separation, you must forward your request to the Plan Administrator. With your request, you should provide certified or official information pertaining to your marriage date and the relevant separation date(s). Payments arising out of the Plan resulting from the division of pension assets will reduce the value of your account by the same value of the entitlements assigned to your Spouse. The same principle would apply to any voluntary contributions.

The BCGEU Pension Plan will not pay fees relating to calculation or administration costs associated with the division of your pension assets. The Plan Administrator will, however, provide you with an estimate of these costs.

## Pension Examples

The two tables following on pages 18 and 19 illustrate the amount of monthly pension under the various forms of pension options that may be purchased by a retiring member (“annuitant”).

The purpose of the tables is to give you a very rough approximation of the amount of pension that may be purchased based on a certain account balance, and to give you an idea of the differences in amounts under certain types of pension options.

Estimated Monthly Pension Amount (\$)				
Age at Retirement	LIFE PENSION OPTIONS			
	Guaranteed Period of Payments (years)			
	0	5	10	15
55	544	543	538	530
60	603	600	590	572
65	684	676	654	621

**THE AMOUNTS IN THE TABLES ARE INTENDED ONLY FOR ILLUSTRATIVE PURPOSES. Your actual pension amount will be determined by the balance in your account and the prevailing annuity rates at your retirement date.**

For illustrative purposes, the following assumptions were used in calculating the amounts shown in both the tables:

- Interest Rate: 4.5 - 5.0% per annum
- Spouse is four years younger than the Annuitant
- Account Balance: \$100,000\*

\* this amount could include other registered funds you may have.

\* From the above example, a 60 year old member who chooses to receive a pension option of "Life with a Guaranteed Period of 10 years" having an account balance of \$100,000 can expect to receive an **estimated** pension of \$590 per month for the duration of the member's lifetime.

Should the Retired Member die *prior* to the end of the guarantee period, the remaining period of monthly benefit (in the amount of \$590) shall continue to be paid to the member's named beneficiary until the end of the 10 year period (from member's retirement date).

Should the Member live *beyond* the end of the guarantee period, the member will still continue to receive a monthly pension of \$590 for the remainder of their lifetime. However, all pension payments will cease upon the Member's death.

Estimated Monthly Pension Amount (\$)								
Age at Retirement	JOINT & SURVIVOR PENSION OPTIONS							
	% Continuing to Spouse on Annuitant's Death							
	50%		60%		66.67%		100%	
	Member	Spouse	Member	Spouse	Member	Spouse	Member	Spouse
55	499	250	491	295	485	323	460	460
60	541	271	530	318	523	349	490	490
65	598	299	583	350	573	382	531	531

\*\* The table illustrates that a 65 year old with an account balance of \$100,000 who chooses to receive a pension option of "Joint and Survivor Continuing at 60%" can expect to receive an estimated pension of \$583 per month for the duration of their lifetime.

Upon death, assuming the spouse is 4 years younger than the member, and assuming he/she is still then living, a monthly pension of \$350 (i.e., \$583 x 60%) will continue to be paid to him/her for the duration of his/her lifetime. Upon his/her death, all pension payments will cease.

Should the Retired Member's spouse pre-decease the Member, the Member will still continue to receive a monthly pension of \$583 for the remainder of his/her's lifetime; however, all pension payments will cease upon the member's death.

It is possible to commence receipt of your CPP benefit before age 65 and as early as age 60. To obtain further information, or to explore this option, phone Service Canada directly at 1-800-277-9914.



# BCGEU AREA OFFICES

## Victoria

(250) 388-9948  
1-800-667-1033  
Fax: (250) 384-8060  
2994 Douglas St.  
Victoria, BC V8T 4N4

## North Island

(250) 338-7774  
1-800-667-1997  
Fax: (250) 338-1345  
#201-910 Fitzgerald Ave  
Courtenay, BC V9N 2R5

## Lower Mainland

(604) 215-1499  
1-888-238-0239  
Fax: (604) 215-1410  
4925 Canada Way  
Vancouver, BC V5G 1M1

## Fraser Valley

(604) 882-0111  
1-800-667-1103  
Fax: (604) 882-5032  
8555 198A St.  
Langley, BC V2Y 0A9

## Kamloops

(250) 372-8223  
1-800-667-0054  
Fax: (250) 372-1782  
158 Oriole Road  
Kamloops, BC V2C 4N7

## Cariboo

(250) 392-6586  
1-800-667-9244  
Fax: (250) 392-5582  
107A 1st Avenue, North  
Williams Lake, BC V2G 1Y7

## Okanagan

(250) 763-6405  
1-800-667-1132  
Fax: (250) 763-9233  
214 – 3001 Tutt Street  
Kelowna, BC V1Y 2H4

## East Kootenay

(250) 489-4361  
1-800-667-1203  
Fax: (250) 489-4700  
#303-105 Ninth Ave. S.  
Cranbrook, BC V1C 2M1

## West Kootenay

(250) 354-4808  
1-800-667-1061  
Fax: (250) 354-3966  
521 Vernon St.  
Nelson, BC V1L 4E9

## Peace River

(250) 785-6185  
1-800-667-0788  
Fax: (250) 785-0048  
10251-100th St.  
Fort St. John, BC V1J 3Y8

## Prince George

(250) 563-1116  
1-800-667-8772  
Fax: (250) 562-9012  
1070-4th Ave.  
Prince George, BC V2L 3J1

## Northwest

(250) 635-9126  
1-800-665-1664  
Fax: (250) 635-3588  
114 - 4710 Lazelle Ave.  
Terrace, BC V8G 1T2

