

# Understanding the IWA Forest Industry Pension Plan

We have had a number of questions regarding the Forest Industry Pension Plan. In an attempt to provide a better understanding the Local Union has put together this publication. **This publication has not been approved or endorsed by the Pension Trustees.**

Our Pension is a multi-employer defined benefit plan. This means that based on funding levels, a set amount is paid for each year of service in the plan. Defined benefit plans are extremely stable and secure. Contributions into our pension are negotiated at the bargaining table.

Our plan is unique due to the scale and number of different participating employers. What makes us unique also strengthens our plan. These strengths have been known for sometime and praised in a National post article more than a decade ago.

*July 22 2003 National Post article (in part)  
by Keith Ambachtsheer*

*"Is it possible to design plans with clearly articulated pension deals and with effective governance and management structure? The answer must be yes, because they exist. Two made in Canada "poster" plans are the Ontario Teachers' and the IWA-Forest Industry pension plans."*

*"Both have fiduciary bodies with clear accountability for governance, and with clear delegation of authority to an expert, internal management team. Both evaluate and compensate organizational performance in line with explicit organizational goals. Both have the scale necessary to produce value for dollars for stakeholders."*

Your Pension is an asset just like a house or any other investment. Many members don't fully understand the value attached to their pension. \$60/month may seem insignificant however if it is received for 20 years it equals \$14,400.00

Although most understand that they receive \$60/year of service, most don't understand that they receive this every month from retirement until they die. And by law their spouse continues to receive 60% until they pass on.

**To help explain this we have provided a brief simplified calculation.**

- Member starts in 2004
- 10 years later retires in 2014 at age 60
- 10 years service X \$60/month/year=\$600/m
  - \* After members death, their spouse will receive 60% for remainder of their life.
- Life expectancy in Canada
  - \* Men 80 /Women 84

If member lives to 80 they will receive 240 pension payments totaling **\$144,000.00**

If spouse collects pension for an additional 4 years at 60% = **\$17,280.00**

**Potential \$161,280.00 pension earnings**

*(this amount will change if member or spouse lives more or less than life expectancy)*

*This is a very simple calculation. Years prior to 2003 have lower multipliers. There are also different pension options that could increase or decrease amount.*

## History of the Forest Industry Pension Plan

As noted below our Pension Plan has only existed since 1973, just over 40 years. During this time we have seen an initial pension benefit increase from \$5/month to the \$60/month today.

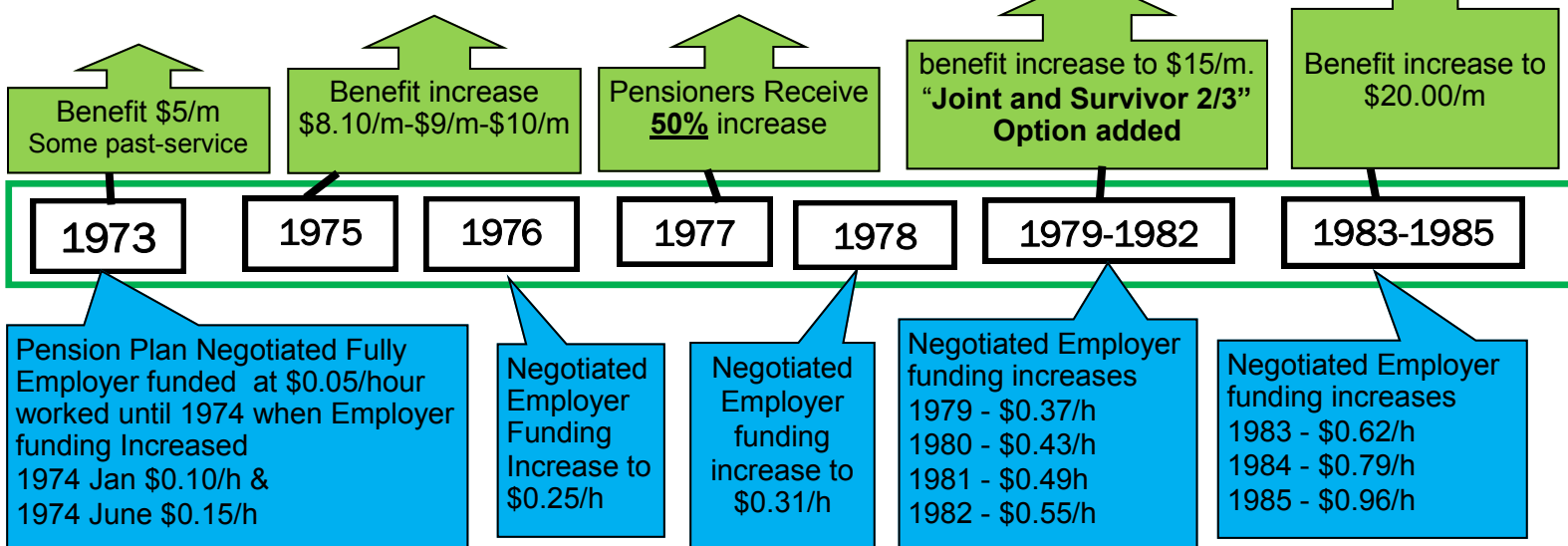
### Noteworthy Points in History

- 1977- Pensioners receive 50% increase
- 1983 - Pensioners receive 20% increase
- 1984 - Required hours lowered from 1600/y to 1500/y
- 1986 - Early Subsidised retirement at age 60
- 1988 - Pensioners receive 15% increase
- 1992 - All active members receive retroactive increase for all years to \$35/m
- **1993 - Members begin to fund Plan, prior to this it was completely employer funded**
- 1992-2003 - Pension benefit increases **71%** from \$35 to \$60.

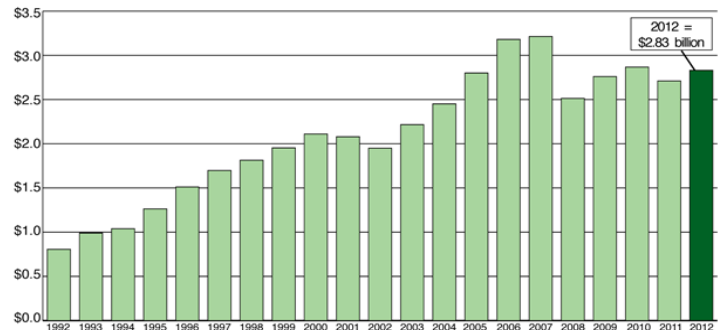
Unlike many other pensions and investments our plan has protected pensioners and active members from reductions despite three financial meltdowns in 1987, 2000 and 2008.

We have dramatically increased amounts for pensioners three different times. Active member working in 1992 received a retroactive increase of all years service to \$35/y, a significant increase for many of our members.

(Table source www.iwafibp.ca)



IWA-FOREST INDUSTRY PENSION PLAN  
MARKET VALUE ASSET GROWTH (BILLIONS)  
(20 years)



(Unofficial plan value Dec 2013 \$3.23 billion. Approx. \$400,000,000.00 increase over 2012)

### The Financial Crisis of 2007–2008

Also known as the Global Financial Crisis, is considered by many economists the worst financial crisis since the Great Depression of the 1930s. It resulted in the threat of total collapse of large financial institutions, the bailout of banks by national governments, downturns in stock markets around the world and a downturn in economic activity leading to the 2008–2012 global recession

Our Pension was not immune to this economic meltdown. As you will see in this document our plan has weathered the economic perfect storm much better than many other retirement savings plans. This is reflected in the 7.7% rate of return averaged over the last 10 difficult years.

## Highlights of the Pension Plan

### Unreduced Pension at Age 60

Active Members are eligible to collect an unreduced pension at age 60. Many plans only allow unreduced pension at age 65. This option is a huge subsidy, without which members pensions would be reduced approximately 36% at age 60.

### Early Retirement Option

Active Members are able to begin their pension at age 55. Although there is a prorated reduction, any member accessing their pension between age 55 to 60 receives a major subsidy.

### Disability Coverage

Pension Plan Members who suffer injury or illness becoming disabled continue to accumulate pension credit as long as they remain receiving disability benefits.

### Industry Bargaining

We have been very successful bargaining pension contributions at a provincial level. It is extremely unlikely that operations would have been successful securing the existing funding level site by site.

### Administration Costs

Our Pension Plan Administration costs was \$61.48/member for 2013. The average cost is \$150/member for other pension plans in Canada.

### Transferable

Members who change employers to a employer participating in the Plan can continue with their pension without a break in service if within a 2 year window.

### Layoff/Additional Hours

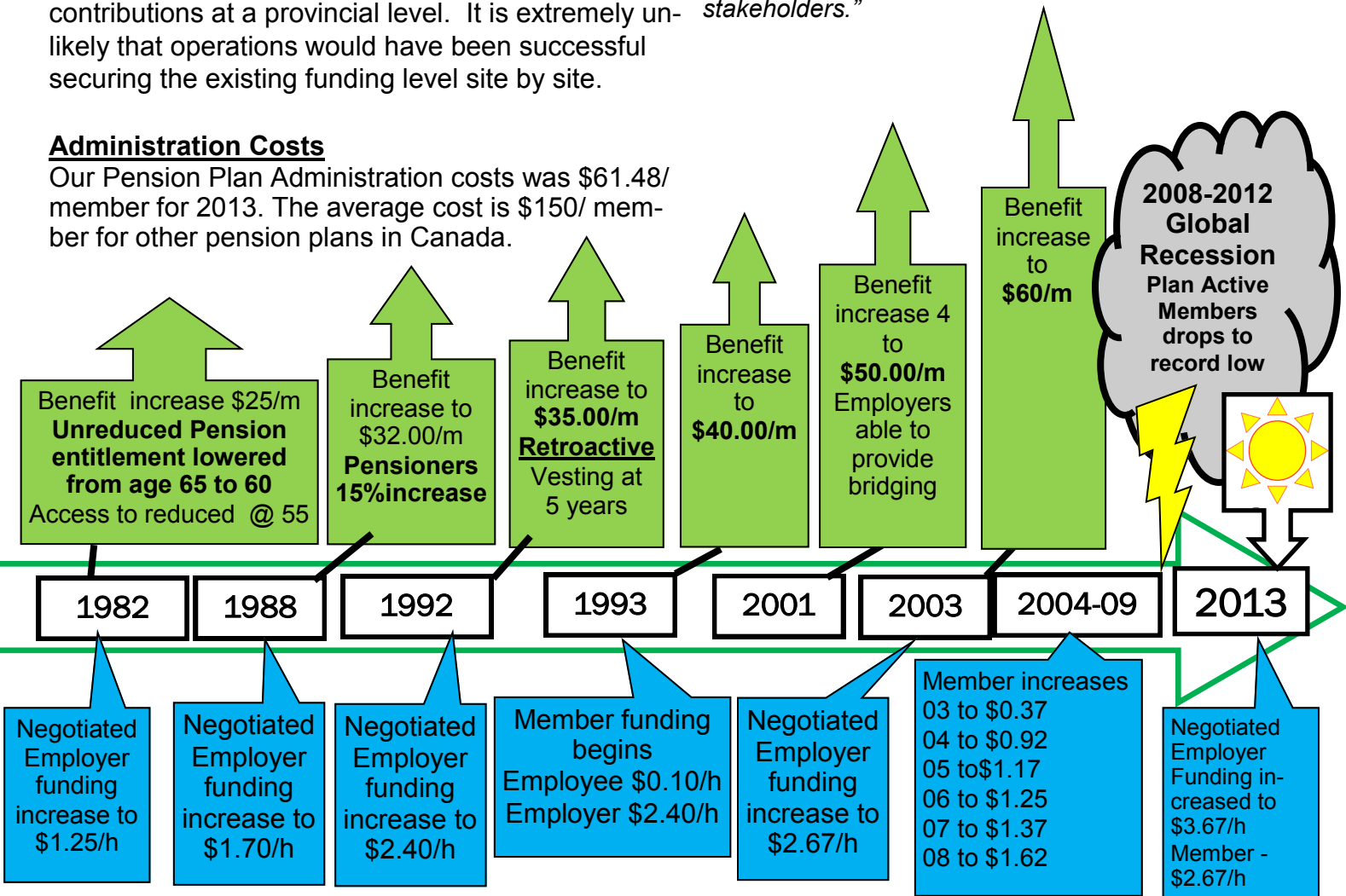
Additional hours may be used to top up years during slow times or receive an additional year pension credit when retiring.

### Multi-Employer Plan

Single employer plans tie members to the fate of their Employer. The Forest Industry plan covers many different Employers providing stability and protection for plan members.

### Economy of Scale

With 3.23 billion dollars in assets our plan is able to keep administration and investment management costs low. As noted in the 2003 National Post article "the scale necessary to produce value for dollars for stakeholders."



## Your Pension Dollars at Work

Record low interest rates are great when renewing your mortgage, however they're not as beneficial if you have money invested. Despite the economic meltdown and record low interest rates, the Forest industry Pension plan has seen a return on investment of 7.7% averaged over the last 10 years.

2013	2012	2011	2010	2009	2008	Last 10 years
15.7%	10.7%	0.6%	10.1%	17.1%	-18.4%	7.7%

(Table source [www.iwafibp.ca](http://www.iwafibp.ca))

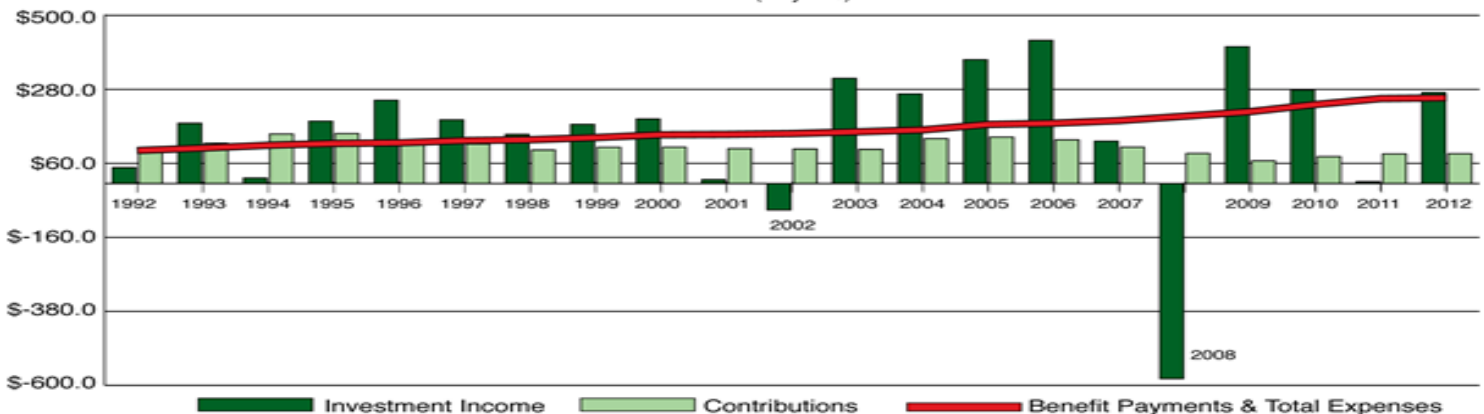
## Government Funding Requirements

With the majority of pension income being generated by investment returns, low interest rates have caused our plan to struggle to meet government funding requirements. It has been argued that the requirements we are being forced to meet should not apply to a multi employer plan. Regardless of our objections we still must meet regulations.

In order to meet government regulations a hybrid approach was taken. This included some structural changes to the plan and a significant increase in contributions from both the Employer (\$1/h) and member (\$0.60/h). This increase in contributions is the single largest funding increase our plan has seen in its 40 years of existence.

Pension Plans are highly regulated. Prior to any pension increase, sufficient funding levels must be established. Although it is not possible to promise pension increases, it has been a long established practice of our plan to not only protect promised pensions but also provide increases when funding permits it.

**IWA-FOREST INDUSTRY PENSION PLAN**  
**INVESTMENT INCOME & CONTRIBUTIONS VS. BENEFIT PAYMENTS & EXPENSES**  
 (20 years)



(Table source [www.iwafibp.ca](http://www.iwafibp.ca). Numbers represent millions of dollars)