

UNITED STEELWORKERS



MÉTALLOS

Local 1998 Pension Plan

Prepared by

USW Research Department

Updated June 2010

Contents

- Your U of T pension**
- Other sources of retirement income**

Key Pension Plan Provisions

- Pension Formula
 - Period over which salary/wages are averaged
 - Pensionable service
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- Early retirement benefits
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Formula - Definitions

Best Average Earnings (BAE)

- Annual average of highest 36 completed months of salary/wages while a member of the Pension Plan

Average YMPE Maximum Salary

- Annual average of Year's Maximum Pensionable Earnings under Canada Pension Plan during the last 36 months of participation in the Pension Plan

Formula - Definitions

Pensionable Service

- continuous service while a member of the Pension Plan
- Part-time employees earn prorated pensionable service to reflect percentage of full-time hours worked

“Normal Retirement Date” is July 1st after your 65th birthday, but you may retire as soon as you turn 65



Pension Formula

EXAMPLE—\$50,000

1.6% of BAE up to
average YMPE



$$1.6\% \times \$46,133 = \$738$$

plus

+

2.0% of BAE over average
YMPE



$$2.0\% \times (\$50,000 - \$46,133) = \$77$$

times
pensionable service



x
30 years

equals
annual pension



$$= \$24,450 \text{ per year}$$



Survivor Benefits After Retirement

For participants without a spouse at retirement date:

- lifetime pension with a guarantee of at least 60 monthly payments

For participants with a spouse:

- lifetime pension, with 60% of the monthly pension continued to surviving spouse after the participant's death;
- No reduction in participant's pension to pay for the 60% continuation unless spouse is more than 15 years younger



Indexation

Pension indexed each July 1st by portion of increase in Consumer Price Index (Canada) (CPI); indexation percentage calculated as the greater of two formulas:

FORMULA 1

75% of increase in CPI up
to a maximum CPI increase of 8%
plus
60% of increase in CPI over 8%

or

FORMULA 2

Increase in CPI - 4%

Indexation

Examples

Increase in CPI	Increase in your Pension
2%	1.5%
4%	3.0%
6%	4.5%
8%	6.0%
10%	7.5%

Early Retirement Benefits

- **Two Types of Early Retirement**
 - **Unreduced early retirement**
 - **Reduced early retirement**

Early Retirement Unreduced

- Participant retires at age 60 or over with “80 points” (age plus continuous service)
- Outside of the pension plan, USW has negotiated a monthly bridge benefit for unreduced early retirement
- Until age 65, the retiree receives a monthly benefit of \$15 per year of service (or an equivalent lump sum)



Early Retirement Window

- Also outside of the pension plan, USW had negotiated a special window, allowing retirement at age 55 with “75 points”
- This window kicks in if the pension plan is fully funded (100%) by July 1, 2010
- Because of the stock-market crash, it will almost certainly not be fully funded by then
- But USW will try to keep this option on the table in future negotiations



Early Retirement Reduced

- **Reduced Early Retirement**
 - If not eligible for unreduced early retirement, pension benefits are reduced by 5% for each year that pension start date precedes normal retirement date
 - Participants may retire within 10 years of their normal retirement date

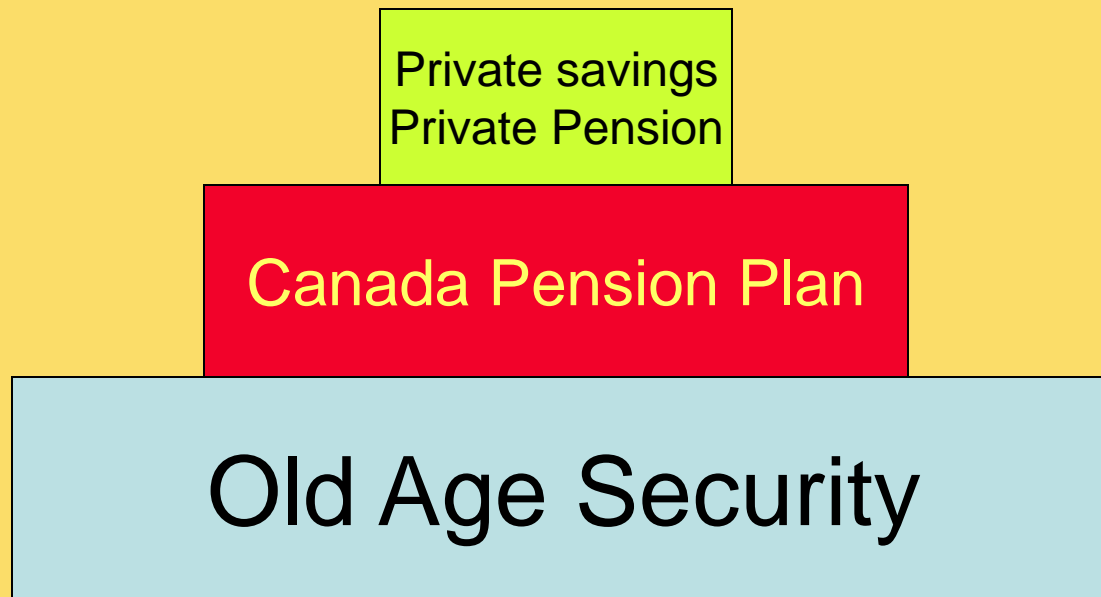
Why you have a good pension plan

- Every time your salary increases your pension increases
- Indexed
- Unreduced early retirement
- Good survivor benefits



Income at Retirement

Income at retirement



Wage Replacement at Age 65

Wage	\$ 30,000	\$ 40,000	\$ 55,000	\$ 75,000
Basic - 1.6%	\$ 14,400	\$ 19,200	\$ 22,144	\$ 22,144
Over YMPE - 2%	\$ -	\$ -	\$ 5,320	\$ 17,320
CPP (approx.)	\$ 7,283	\$ 9,711	\$ 11,200	\$ 11,200
OAS (approx.)	\$ 6,200	\$ 6,200	\$ 6,200	\$ 6,200
Total Pension - 30 years	\$ 27,883	\$ 35,111	\$ 44,864	\$ 56,864
Replacement ratio	93%	88%	82%	76%

Income at retirement

- Payable from age 65
- Old Age Security (OAS) is paid for out of tax revenues.
- The OAS provides a benefit to all Canadians and legal residents (who meet certain residency requirements).

How does OAS work?

You are entitled to a full pension if:

- You have 40 years of residence in Canada between the ages of 18 and 65
- You have 10 consecutive years of residence prior to retirement and you were at least 25 years old on July 1, 1977.
- Rule – “3 for 1” (need 3 year of residence between ages 18 and 55 for each year of absence between 55 and 65).

With a minimum of 10 years residence, you are eligible for a partial pension equal to 1/40th of the full benefits for each year of residence between the ages of 18 and 65.

How does OAS work?

- The benefit starts at age 65 and it is indexed to inflation. The current maximum benefit is \$517 per month. The average is \$489 per month.
- OAS is 'clawed back' from incomes over \$67,000. No OAS is paid to seniors with incomes over \$108,000.

Can I get my OAS out of Canada?

Yes, if:

- You have 20 years in Canada after age 18, or
- You have 20 years residence through one of Canada's International Social Security Agreements

Income at retirement

- Almost all workers participate in the CPP
- Government-run plan, paid for out of employer and employee contributions
 - 4.95% of earnings to a maximum of \$1,989.90
 - Matched by employer

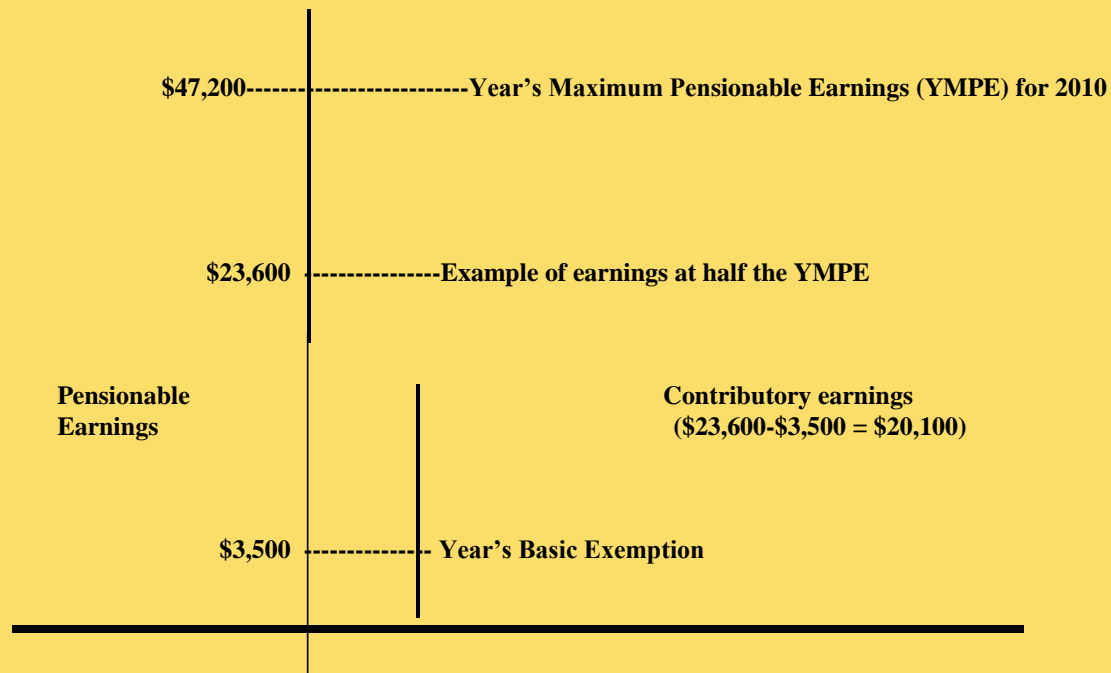
Pension benefit is 25 per cent of pre-retirement earnings to a maximum of the average industrial wage; current CPP maximum is \$934 per month

Credit Splitting



How does CPP Work?

- Full benefits are available at 65. Reduced early retirement at age 60. Increased after age 65.
- Indexed for pre-retirement and post retirement inflation



How does CPP work?

CPP Drop-Out provisions

- Periods on CPP disability
- Periods over age 65
- Periods of child rearing (up to age 7)
- 15% of lowest earning years

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