School District 34 Plan Members of the Teamster's National Pension Plan (the "Plan")

Comparison of the Teamsters' National Pension Plan (TNPP) and

The Municipal Pension Plan (MPP)

It is our understanding, you will be asked to vote on which Pension Plan you would prefer to participate in. You have to choose between two Plan designs and the decision will likely impact your financial position as the Plans provide different benefits. The TNPP is entirely employer funded while the MPP requires employee contributions in addition to employer contributions.

IT IS EXTREMELY IMPORTANT FOR YOU TO VOTE

THE RESULTS WILL APPLY TO YOU EVEN IF YOU DO NOT VOTE

The TNPP does not allow employees of the same company to participate in different pension plans so if a majority of those who do vote choose to move to the MPP then ALL employees of School District 34 who are represented by the Teamsters Local Union No. 31 will move to the MPP.

These questions and answers are designed to help you make this important decision.

Effect of the Vote

Q1: Can some Plan Members choose to stay in the TNPP and some Plan Members move to the MPP?

No, as a requirement of participation in the TNPP all active members represented by the Local Union No. 31 through an employer must participate in the same Plan.

However, current accrued pension benefits can remain in the TNPP until such time as you wish to retire.

Contributions to the Plans

Q2: How are contribution amounts determined?

TNPP: Only your employer is required to contribute to the TNPP based on the collective agreement bargained for your employer group. These contribution levels are established during the collective bargaining process. They are not impacted by the funded status of the Plan and are fixed over the collective bargaining period. The Board of Trustees of the TNPP are willing to consider an amendment to the Plan whereby employees can contribute on a bi-weekly basis should there be enough interest.

MPP: **Both you and your employer contribute to the MPP** based on contribution rates that are reviewed periodically (approximately every 3 years). The contribution rate differs depending on your level of income. Contribution rates are impacted by the funded status of the pension plan and both you and your employer must contribute the amount set by the plan's Board of Trustees. Contribution amounts are subject to change if the plan develops a funding deficit or surplus. Also, your exact contribution rate for the MPP differs depending on your income.

Q3: How much does the Plan cost me?

TNPP: There is no cost to the employee as the contributions are made on your behalf by your employer.

MPP: Both you and your employer would contribute to the MPP.

Your contributions are required (not voluntary) and will be deducted from your payroll. The contributions rates (for Group 1 members) are:

a) Employer Contributions of 9.66% of your gross (before taxes) salary up to the YMPE (changes every year, but for 2020 is $58,700) and 11.16% of your salary above the YMPE; and

b) Employee Contributions of 8.5% of your gross (before taxes) salary up to YMPE ($58,700 in 2020) and 10% of your salary above the YMPE.

Refer to the sample calculations, attached, for a comparison of the two plans' contributions and benefits.

Q4: Will the contributions to the MPP increase in the future?

We cannot know this as we do not administer the MPP. As noted in Question 2, the contribution rates are set by the Board of Trustees and reflect the funded position of the MPP as it exists and changes over time. The MPP is a large, stable pension plan, but we cannot give you any information about whether and how contributions might change.

Q5: How are contributions and benefits related?

TNPP: There is a direct relationship between contributions and the pension benefit earned. The formula is straight forward. For every $1,000 your employer contributes to the pension plan you accrue $12.75 ($15 * 85%) per month towards your pension benefit regardless of your wage.

MPP: Both you and your employer will make contributions based on your income. For earnings above the YMPE, currently ($58,700), contributions made by you and your employer would provide a monthly pension benefit of $7.88 per month per $1,000.00 contributed at normal retirement. For earnings below the YMPE amount, the contributions would provide a monthly pension of $5.97 per month for every $1,000.00.

That is, under the MPP the more you earn the greater the benefit you receive from the Pension Plan. This also means, though, that in the MPP the lower wage earners subsidize the benefits of higher wage earners. From a cost perspective in the MPP, higher salary members receive a higher benefit than lower wage members.

Refer to the sample calculations, attached, for a comparison of the two plans' contributions and benefits.

Q6: What are contributions used for?

For both Plans, the contributions are used to fund the cost of ensuring future pension benefits as well as current pensions in pay. The only difference is in the MPP Plan, the contributions are also used to fund the group health benefits for current retirees.

Q7: If I want to stay in the TNPP and I want to contribute to the TNPP – can I do that?

Based on the current TNPP rules, no regular payroll deducted employee contributions can be made.

However, the Trustees of the TNPP understand from this process that regular employee contributions may be important to some members and are willing to consider an amendment to the TNPP that allows voluntary employee payroll contributions. These would not be mandatory as is the case with the MPP.

Part-Time Employment

Q8: How will part time employment impact my benefits?

The status of your employment can dramatically impact the pension you accrue in a pension plan especially if you are part-time service.

TNPP: Part-time service does not affect your pension accrual or eligibility to participate in the plan. You will accrue pension benefits for all contributions made on your behalf by your employer based on the number of hours work.

MPP: We cannot fully advise you on how part-time employment will be defined or addressed under the MPP. We do know that if your income is less than the current income threshold of $20,545 you are not eligible to be a member of the MPP. Furthermore, you must have two years of continuous part-time service before you accrue a pension in the MPP. However, individual employers have the ability to pass a resolution to allow for earlier enrolment.

Q9: What about my past service purchase if I am part-time?

We do not know the answer to this question, however, we would encourage you to investigate this prior to making your decision.

Pensions Payable

Q10: How is my pension calculated?

Although both plans have defined formulas for determining your benefit, they are quite different.

TNPP: The normal retirement pension is calculated based on:

- the number of hours worked multiplied by the applicable contribution rate, regardless of salary.

MPP: The normal retirement pension is calculated based on:

- Salary - The average of your highest five years of salary
  - The higher the salary, the higher the pension
  - It is not known if salary earned prior to participating in the MPP would be included in determining the average of your highest five years of salary
- The yearly maximum pensionable earnings (YMPE) at your retirement date
- Years of pensionable service (up to a maximum of 35 years)

The amount of monthly pension you receive for both the MPP and TNPP will also depend on other factors that include: (a) your age at retirement, and (b) the pension option you choose.

It is important you understand these differences and refer to the sample calculations attached so as to find one which best represents your personal circumstances.

Past Service Under the TNPP if you Move to the MPP

Q11: If SD34 leaves the TNPP for the MPP what happens to my TNPP pension?

The answer depends on your age at the date you terminate your membership in the TNPP. Even if the SD34 employees vote to move to MPP your membership in the TNPP will not terminate for two calendar years after contributions cease to be made on your behalf. If contributions cease in 2020, then most members will remain in the plan until January 1, 2023.

Pursuant to the terms of the Plan, if you are 57 years old or older as of January 1, 2023, your pension entitlement will stay in the TNPP until such time as you choose to retire.

If you are under the age of 57 as of January 1, 2023, you will be given 90 days to select one of two options:

(a) elect a deferred pension from the TNPP. That means you leave the funds in the TNPP and then you can draw a TNPP pension as early as age 55.

(b) transfer the commuted value of your pension out of the TNPP to either purchase past service in the MPP or transfer the value to another locked-in retirement account.

Q12: If I do move to MPP, will MPP consider the service/earnings from when I was a TNPP member?

It is our understanding, the MPP will allow you to "purchase past service".

As noted in Question 11, if you do elect to transfer your commuted value once you terminate membership with the TNPP (presumably in 2023) we understand, you could use this commuted value to purchase past service with the MPP.

As we do not administer the MPP, we (the Trustees) do not know how the past service purchase amount is calculated. We do know that MPP will make assumptions based on historical data including when you are likely to retire in determining the cost of your past service. Also, we anticipate that the MPP will assume that you will make the retirement and election choices that create the biggest cost to the MPP in determining how much it should be for you to purchase your past service under the MPP.

The benefits are very different between the two plans and the assumptions used to determine the commuted values and the past service purchase amounts are not shared. As such, we cannot determine how much past service could be purchased from your commuted value from the TNPP.

It is, however, safe to say that because the contribution requirements in the MPP are **almost double** the contributions requirements in the TNPP, your commuted value with the TNPP will not cover the full cost of all past service in the MPP. That is, even with the commuted value from the TNPP you will likely not be able to buy an equal amount of past service under the MPP as you would have had with TNPP.

Furthermore, we expect that the MPP will assume you will retire on the date that is most expensive to MPP. This could result in you paying early retirement benefits that you do not receive.

We, the Trustees strongly suggest that you inquire as to how your past service will be calculated from the MPP so you can determine whether it represents "good value" for you.

Q13: How much is the commuted value of my TNPP pension going to be?

The commuted value of your pension is determined by the current Plan funding, financial markets, and the economic environment at the time of the calculation and most importantly your age at termination.

As most School District 34 Plan Members will not be eligible to withdraw or transfer their commuted value until January 1, 2023 at the earliest, it is not possible to accurately provide a determination of the value until that date.

Q14: How long will I have to decide if I want to purchase past service?

We cannot answer this question, however, we believe it is an extremely important one for you to have answered. Remember that funds cannot be transferred from the TNPP until after you have terminated membership (likely not until after January 1, 2023).

Also, the price for the purchase of past service is based on your age and earnings *when you buy the service* which means the price will steadily increase as you get older and your earnings increase.

Funding of the Plans

Q15: What happens if there is a deficit in the plan?

TNPP: At present, contribution rates are fixed by the current collective agreement and only employer contributions are made on your behalf. Accrued benefits are secured by the Trust assets of the Plan and these assets can only be used for the benefit of the Plan Members. However, your employer is only bound by the contribution requirements set out within the collective agreement. If the Plans were to become underfunded, the Trustees of the Plan may reduce benefits to members in order to ensure the Plan stays fully funded.

MPP: Contributions are set by the Board of Trustees. If the Plan becomes under-funded the Board could increase contribution rates for members and employers. Contribution rate increases are shared equally by both members and employers.

Accrued benefits in the plan are backed by the provincial government upon a wind-up of the plan but any unfunded liabilities or future deficits are paid for equally by employer and member contributions. This means that if the assets of the fund are insufficient to pay for past or future benefit accruals, contributions from members must go up to pay for them. In the unlikely event that the province of BC was to go insolvent and your employer unable to pay for their 50% of increased contributions, the benefits in the plan could also be reduced.

Q16: What happens if the plan has a surplus?

TNPP: If the Plan has a surplus it must use the assets for the benefit of members in the form of benefit improvements or save the funds for a future contingency (rainy day fund). Your employer must continue to contribute based on the collective agreement and is not permitted to take a contribution holiday, regardless of the surplus.

MPP: If the MPP has a surplus, it has the option of doing the following:

1. Save the funds for a future contingency (rainy day fund),
2. Increase cost of living adjustments (see question 20) for retired members, or
3. Reduce the contribution requirements for both employers and employees.

Provisions of the Plans

Q17: When can I retire?

Although both plans have a "normal retirement age" the age at which Members can retire and start drawing a pension can be as early as age 55 or by the end of the year in which you turn age 71.

TNPP: The normal retirement age for members is age 67 and the earliest retirement age is 55. The age at which you retire will affect your pension. Your pension will be reduced if you retire before your normal retirement age.

MPP: The normal retirement age for members is age 65 and the earliest retirement age is 55. The age at which you retire will affect your pension. Your pension will be reduced if you retire before your normal retirement age.

Refer to the sample calculations enclosed for a comparison of the two plans' benefits at various retirement ages.

Q18: The MPP pension is be based on "salary" – how will that be calculated?

The publicly available Rules for the MPP state that "salary" means your "base salary" including any additional amounts that the Board of Trustees specifies. The publicly available policies for the MPP state that salary includes ongoing compensation at straight time rate of pay, retroactive pay and common adds to pay.

According to the publicly available policy, salary will not include overtime, lump sum vacation pay and premium or additional pay for statutory holidays.

Refer to the sample calculations enclosed for a comparison of the two plans' benefits at various retirement ages.

Q19: What type of pension do I receive from the plans?

Both the TNPP and the MPP can be described as defined benefit pension plans. Upon retirement, members would receive a lifetime pension from both plans based on specific formulas. However, the formula and governance for each plan is different.

TNPP: The formula is based on the total contributions made on your behalf. The more contributions that are made to the Plan, the higher your benefit will be.

MPP: The formula includes: (a) the number of years of pensionable service; and (b) the average of your highest five years of salary. The more service and higher your salary, the higher your benefit at retirement will be. Pensionable service is capped at 35 years.

See the sample pension calculations provided to understand how each formula works.

Indexation of the Pension Benefit

Q20: Is my pension indexed once I retire?

TNPP: If the Plan develops a surplus, subject to the minimum funding requirements, the Trustees are permitted to increase the pension benefit of retirees. This is done on an ad hoc basis dependent on the funded status of the plan.

MPP: During your retirement, your monthly pension benefit may increase because of annual Cost of Living Adjustments (COLA). The MPP Board of Trustees annually assess relevant funding factors to decide whether COLA can be granted for the upcoming year. COLA is not guaranteed but has historically been applied each year. Once COLA has been applied to a benefit it becomes a part of your basic lifetime benefit.

How the Plans are Run

Q21: How is the plan governed?

Both plans are:

- registered in BC and regulated by the Pension Benefits Standards Act and overseen by the same pension regulator;
- governed by a Board of Trustees who must act for and in the best interests of all members who participate in the plans;
- governed by a Board of Trustees that is made up of trustees intended to reflect the perspective of the members and the participating employers.

TNPP: The Board is made up of 10 Trustees - 5 "Employer Trustees" and 5 "Union Trustees". Currently, SD34 has direct representation on the Board as a Participating Employer.

MPP: The Board is made up of 16 Trustees. (and 16 alternate Trustees) For all but 2 positions on the Board specific organizations have the right to appoint a Trustee (such as the BC Government, the Union of BC Municipalities the BC Nurses' Union and the Health Employers' Association of BC). As such, SD34 may not have any representation on the MPP board.

Health Benefits for Retirees

TNPP: The TNPP currently offers self-pay retiree benefits should you qualify. Benefits include Accidental Death and Dismemberment (AD&D) and Extended Health Benefits. The Trustees have opted to work with the Co-operators who are in agreement to offer individual private policies which include Retiree Health and Dental Products.

MPP: The MPP currently provide voluntary subsidized (by active member contributions) retiree benefits. Retirees pay a premium to receive benefits, however, the premium for extended health coverage varies significantly depending on your years of service in the pension plan. It is not clear if past service is included in determining the subsidy level.

Disclaimer: This Question and Answer document is for information purposes only. Determining how you will exercise your right to vote and determining which Pension Plan makes most sense for you is a personal decision and it is up to you to gather and consider the information that is most relevant given your circumstances. Any sample calculations provided are for information purposes only and intended to help you identify the information you need to have in order to exercise your right to vote. If you need information that is specific to you, please contact the TNPP Plan Office for further information or redirection. The TNPP can only provide general information about the MPP. We strongly encourage you to contact your employer if you want more information about the MPP and your specific situation.