

Alberta Sheet Metal Workers' Retirement Trust Fund

The Soldering Iron: November 2008

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Regular Office Hours:
8:30 a.m. to 12 Noon and
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Monday to Friday



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THE SOLDERING IRON

Markets & Your Pension Plan

The continuing daily volatility of the stock markets and financial systems in North America and around the world has commanded the focus of everyone. No one is untouched by the turmoil and the economic health of private pension plans is of fundamental concern to all Canadians. This message is intended to alleviate your concerns about the stability and health of your Sheet Metal Workers Pension Plan.

Your Board of Trustees have adopted a conservative investment policy to ensure that your benefits are secure. The Plan assets are heavily invested in Government of Canada and provincial bonds. Other investments include corporate bonds, mortgages and equities. The equities are mostly made up of strong institutions, most notably, Canadian financial institutions. It should be noted that Canadian banks have been identified as among the strongest in the world. While not insulated from the global market turmoil, due to the conservative investment policy adopted by the Plan Trustees, the Plan assets have fared better than typical pension plans sponsored by other organizations. The Plan is well positioned to recover some of these losses incurred to date once stability returns to the markets.

At the beginning of 2008, the Plan was in a position to cover more than 100% of the benefits promised. It is estimated that at the end of October 2008 the Plan no longer has an excess cushion, however, benefits are still well supported by the Plan assets. We remain confident that the pension fund will weather these troubled economic times thanks to the conservative policy of our Board and guidance of our Investment Manager.

2008 Tax Deductions

We wish to remind all Active Plan Members that if you are looking for a 2008 tax deduction you can *Purchase Past Service* or deposit funds into a *Flex Account*.

An Inactive Plan Member is eligible to purchase past service only.

In order to receive a tax deduction for 2008 the administration office must receive any eligible payments no later than December 31, 2008.

See page 2 & 3 for details.

Past Service Purchase

(Not Available to Retired Plan Members)



Vested Active and Inactive Plan Members can increase their future retirement income by purchasing Past Service (maximum annual cash purchase is \$3,500). It will *not* decrease your RRSP contribution room if it is applied to a year of Plan membership *prior* to 1990. If you wish to roll-in RRSP funds to purchase past service, there is no annual limit. However, we must comply with the Canada Revenue Agency (CRA) limits.

Please contact our office as soon as possible if you wish to purchase past service in 2008. We will forward your individual calculations and amounts. *Remember: the younger you are, the more lifetime pension your dollar will purchase towards your retirement income.*

Past Service charges are based on your age last December. A sample of the cost per hour is below:

Age at 31-Dec 2007	Cost per hour	Monthly Lifetime Benefit \$3,500.00 Will Purchase
22	\$1.82	\$79.62
26	2.19	66.16
30	2.63	55.10
34	3.17	45.71
38	3.81	38.03
40	4.18	34.67
42	4.58	31.64
43	4.79	30.25
45	5.26	27.55
47	5.77	25.11
50	6.62	21.89
		Payable at age 60*
		Joint and Last Survivor**

~In Comparison to an RRSP ~
 Based on rates at November 12, 2008, a \$100,000 RRSP could purchase approximately a monthly income of \$525 at age 60;
 \$3,500 RRSP = \$18.37 per month

This estimate is based on a male with spouse 3 years younger.

Note: These estimates are of competitive rates which are not always provided by insurers due to the small number of insurance companies. For example a \$100,000 RRSP may provide \$525 /month retirement income but a \$25,000 RRSP only \$125 /month; the annuity is not always proportional to the lump sum.

*You can retire as early as age 55 but at a reduced amount.
 **Joint & Last Survivor—pays to member for lifetime and on death, to Spouse for lifetime.

The highlighted row (age 40) shows that, if you purchased past service at the annual maximum of \$3,500 at age 40, you would earn a monthly lifetime benefit of \$34.67 payable at age 60*.

You would also earn Supplementary Pension equal to 50% of the lifetime benefit payable monthly from age 60 to 65 of \$17.34. Therefore, you would increase your retirement income by \$52.01/month from 60 to 65. After age 65, you would receive \$34.67 /month for your life.

In this example, purchasing Past Service at age 40 would return your \$3,500 investment in less than 6 years **PLUS** you receive an immediate tax break on \$3,500 for 2008.

If you are age 40 or younger, you are wise to purchase past service rather than self pay in February/March of 2009 to improve your benefit earned in 2008. The Self Payment rate for 2008 is **\$4.25** per hour.

Flex Account (available to Active Members only)

The Flex Account interest rate is based on the net return of the Pension Fund on a market value basis. The history of the Flex interest rates since inception have been;

<i>History of Flex Interest Rates</i>			
1998	7.00%	2003	8.00%
1999	7.00%	2004	7.75%
2000	7.00%	2005	12.25%
2001	7.00%	2006	7.00%
2002	6.25%	2007	7.00%

Unfortunately, the rate for 2008 is a negative 3%. This means account balances as at the end of 2007 will reduce by 3%.

If you deposit any funds to your Flex Account by December 31, 2008, the interest rate applied to those funds will be determine in November **2009**.

You can contribute funds to open or add to your Flex Account if you had Employer contributions paid to the Plan on your behalf in 2008 and you are *vested* (meaning the plan has received 700 or more hours of contributions within two consecutive years).

Your flex deposit:-

- Will not affect your RRSP contribution room, and
- Earns annual compounding interest.

You can deposit the *lesser* of:

- i) The sum of \$1,000 plus 70% of employer contributions received on your behalf during the year,
- and**
- ii) 9% of your earned (taxable) income received from participating Employers during the year.

When you retire, your Flex Account will be used to enhance your retirement income. Refer to your Plan Membership Booklet, on the website, or call your administration office for details.

In the following example the annual maximum is \$5,830 (the lesser of):

- a. 2,000 hours contributed at \$3.45 /hr = \$6,900* x 70% + \$1,000 = **\$5,830**
- b. \$65,000[^] annual taxable income x 9% = \$5,850

****Call our office for the calculation of a.***

[All employer contributions for hours worked to the end of November are due by December 15, therefore we can provide at least 11 months of employer contributions.]

^You will need to total your taxable income for 2008 for the calculation of b.

Retirees & Survivors

...who currently receive monthly retirement income

Due to the holiday season:

- Cheques will be mailed on December 17th and
- Direct deposit will take place on December 19th

Effective January 2009, cheques will again be *mailed* on the 22nd of each month and *deposits* will take place on the 25th (or the Monday following if those dates fall on a weekend).

You can expect to receive a **2008 Confirmation of Pension** and information regarding the **2009 tax deductions** in early January. Please be sure to note the tax deductions for 2009 and if you have a concern be sure to call or write us your requested change. Also be sure to return the signed confirmation of pension promptly.

T4A's for your 2008 tax return will be mailed by January 31, 2009. Be sure we have your current address.



Please Note:

...mailing of monthly pension cheques

There are cheques being lost in the mail or delayed in being delivered. If you have any concerns with your mail delivery, we can deposit your monthly income direct to your bank account. An Authorization for Direct Deposit is enclosed for your completion and return.



In Remembrance...

On behalf of the Board of Trustees, Administration Staff and the Plan Membership, we extend sincere condolences to the families of ~

Richard Ahl	Norman Campbell	Lise Desmarais
Dennis Erick	John Harris	Grace Heater
Laurence Hudjik	Walter Lax	John MacCalder
Richard Syrnyk	Andre Valle	William Ward
Hubert Weis		

Pension Administration ~ Holiday Hours

The office will be closed from December 24th at Noon and re-open Friday, January 2, 2009.

We wish you peace, good health, happiness and prosperity in the New Year.

We look forward to assisting you in 2009.

All the best for a Happy New Year!

Karen, Wanda and Paula

