

# Alberta Sheet Metal Workers' Retirement Trust Fund

The Soldering Iron: November 2009

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Regular Office Hours:  
8:30 a.m. to 12 Noon and  
1:00 p.m. to 4:30 p.m.  
Monday to Friday

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## Plan Performance

As of October 31, 2009

Plan assets: **\$150,099,722.**  
(market value)

Rate of return:

1-year: **16.40%**

4-year (avg): **5.19%**

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# THE SOLDERING IRON

## Planning Retirement?

To all those Active and Inactive plan members who are approaching retirement age, please note that you must contact the administration office for an Application for Pension (or go on line and print an application). You can retire as early as age 55. The age at which you will receive an unreduced (full) pension is at age 60. Once the administration office receives your completed application we will send you the options that are available to you.

## Active Plan Members:

At the beginning of February each year you receive an Annual Pension Statement. With that statement you also receive a breakdown of the number of hours your employer(s) have reported and the contribution rate they have paid on your behalf. We recommend that you retain your pay stubs and check your annual statement breakdown. If you wish to periodically check that hours are being correctly reported please call the administration office. The staff will provide you a breakdown of hours received to date.



## 2009 Tax Deductions

We wish to remind all **Active** Plan Members that if you are looking for a 2009 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 2009 the administration office must receive any eligible payments no later than December 31, 2009.**

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 2009. 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 2008	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
46	5.51	26.30
50	6.63	21.86
54	7.97	18.18
58	8.97	16.15
		Payable at age 60*
		Joint and Last Survivor**

~In Comparison to an RRSP ~

Based on rates at November 13, 2009, a \$100,000 RRSP could purchase approximately a monthly income of \$503.00 at age 60;

\$3,500 RRSP = \$17.60 per month

*This estimate is based on a male with a 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 \$503 /month retirement income but a \$25,000 RRSP only \$120/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.

For example, at age 40 (the highlighted row) shows that, if you purchased past service at the annual cash maximum of \$3,500, 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 2009.

If you are age 40 or younger, you are wise to purchase past service rather than self pay in February/March of 2010 to improve your benefit earned in 2009. The Self Payment rate for 2009 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%	2002	6.25%	2006	7.00%
1999	7.00%	2003	8.00%	2007	7.00%
2000	7.00%	2004	7.75%	2008	-3.00%
2001	7.00%	2005	12.25%		

The rate for 2009 is 15%. This means account balances as at the end of 2008 will increase by 15%.

If you deposit any funds to your Flex Account by December 31, 2009, the interest rate applied to those funds will be determined in November **2010**.

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 2009 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:

- The sum of \$1,000 plus 70% of employer contributions received on your behalf during the year,

**and**

- 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 \$6,180 (the lesser of):*

- 2,000 hours contributed at \$3.70 /hr = \$7,400.00\* x 70% + \$1,000 = **\$6,180**
- \$70,000<sup>^</sup> annual taxable income x 9% = \$6,300

***\*Call the administration 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 2009 for the calculation of b.***



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## **In Remembrance...**

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

Albin Bruchal

David Roy Covey

William R McCartney

Wayne T McKechnie

Ethel McKenna

Albert Patry

Englebert Spring

Henry Robertson

Kenneth Steele

Derrel M Thomas

Derle W Tillotson

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## **Pension Administration Office ~ Holiday Hours**

The office will be closed from:

December 24th at Noon and re-open Monday, January 4, 2010.

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

We look forward to assisting you in 2010.

All the best for a Happy New Year!

*Karen, Wanda and Paula*

