



Connection

The Civil Service Superannuation Board

Member Newsletter • Volume 10 - 2008

Greetings

Welcome to our annual member newsletter, **Connection**. In this edition, we hope to bring you up-to-date with news that is important to our members.

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New Board Chair and Appointments

The Civil Service Superannuation Board (CSSB) welcomes its newest Board members, Mr. Al Morin and Mr. Merv Worden. Their terms became effective February 1, 2008.

Mr. Morin was appointed Chair and replaces Mr. Gary N. Coopland who chaired the Board for 14 years. Mr. Morin is the President and CEO of the Assiniboine Credit Union.

Mr. Worden replaces Mr. Tom Bleasdale as an appointed employer representative. Mr. Worden is the President of Worden Actuarial and Benefits Consulting Ltd.

Joining the CSSB's Investment Committee are Ms. Diane Gray who, as the Deputy Minister of Finance, is required by legislation to sit on the Committee, and

government appointee Mr. Richard Brownscombe.

Ms. Gray replaces Mr. Ewald Boschmann who retired as the Deputy Minister of Finance in June of 2007. In addition to taking over as Deputy Minister of Finance, she is also the Deputy Minister responsible for Federal-Provincial Relations and Trade.

Mr. Brownscombe is President of Montrose Mortgage Corporation Ltd. His background includes both direct lending and portfolio management with a major Canadian Chartered Bank, asset management, real estate development and property management in Canada and the United States.

Acknowledgements

The CSSB would like to thank Mr. Coopland and Mr. Bleasdale for their years on the Board and various Committees, and to Mr. Boschmann for his years on the Investment Committee. Plan members, the Board, and Board staff benefited from their dedication and knowledge. Their commitment and hard work in serving the members of the Plan was greatly appreciated.

In Memoriam

We were recently saddened by the loss of Board member Mr. Wayne Andon, who passed away in November. Wayne also served on the Pension and Insurance Liaison Committee for many years.

His dedication to members of the pension and insurance plans will be missed.

Market Developments

The news is filled with talk about plummeting investment markets and dismal economic forecasts. Naturally, this is of concern to all of us, as we wait to see how the situation will play itself out. As part of this concern, some plan members are asking whether the current economic conditions will affect their pension.

You may take some comfort in the following facts:

Your pension is determined based on a formula that uses your salary and service amounts.

This calculation does not look directly at the amount invested or how those investments have performed.

Your pension is, for the most part, protected.

Your pension benefits are provided under legislation in the form of The Civil Service Superannuation Act. In addition, the pension you have earned for your service to date is protected under The Pension Benefits Act.

The pension plan is a long-term undertaking.

Your relationship with the pension plan could last for several decades. When looked at in this perspective, a year or two of poor experience should not be significantly problematic.

Fluctuation in the market is expected and is planned for.

Investment markets have ups and downs, and as long as these are factored in when setting funding requirements, the impact on a pension plan should be minimal. Since 1939 when this plan was established, market downturns have never resulted in benefit cuts.

The Board takes significant steps to manage risk.

Diversification - The pension plan is invested in diverse types of investments within a variety of geographical markets, using varied and complementary investment styles. This diversification reduces the pension plan's exposure to risk in any one market segment.

Monitoring - The pension plan is reviewed by the actuary at least once

every three years, and the Board does interim reviews on an annual basis. In addition, the Board reviews its investment policy each year.

This regular monitoring should expose any trends that might cause problems, thereby allowing the Board to take gradual corrective action before any problem becomes too large.

Planning - The Board holds reserves in anticipation of occasional poor market performance. For example, the 2007 Valuation of the Fund includes a reserve of over \$375 million for asset smoothing. This represents just over 10% of the Basic Benefit Fund assets at the end of 2007. An asset smoothing reserve acts like a shock absorber when markets perform worse than expected.

In summary, the Board recognizes the seriousness of the current economic challenges, but we feel that this situation is temporary and that the pension fund can withstand it. Fluctuations in the market are normal, are expected, and are planned for, and we expect the markets to recover.

Pension Terms

Commuted Value

The present lump sum value of future benefits as determined by the Fund's Actuary. In other words, the estimated amount you would need to invest today to pay a benefit in the future.

Vacation Cashout

On termination, death, or retirement, cashing out vacation (up to two years of normal accumulation, maximum of 50 days) may increase pension benefits by increasing the Average Earnings used to calculate the pension.

A common misconception is that this cashing out means your vacation pay is transferred to the CSSB. In fact, only the appropriate amount of pension contributions will be withheld from your vacation pay and remitted to the CSSB.

Unregistered Pension

The Income Tax Act limits the amount of pension that can be paid from a registered pension plan. If you receive any pension that exceeds this limit, it will be paid as unregistered pension.

For someone retiring in 2008, the registered pension is limited to about \$194 of monthly lifetime pension per year of pensionable service. For example, if you retire in 2008 with ten years of service and your monthly pension is \$2,300, about \$1,940 ($\$194 \times 10$) would be registered pension

income. The remaining \$360 would be paid to you as unregistered pension income. These amounts would be slightly different if you elect to have your pension paid as something other than a lifetime pension.

The maximum pension level is determined by the Canada Revenue Agency. For someone retiring in 2009, the limit is approximately \$204 per month for each year of service. The limit is scheduled to increase each year in accordance with increases in the

Canadian average wage index. Pension accrued while in receipt of Long Term Disability benefits is also payable as an unregistered amount.

It is not clear at this time whether unregistered pension is subject to different tax treatment when it comes to income splitting and the pension income claim. We recommend that you contact the Canada Revenue Agency if you have any questions or concerns.

Employee Contribution Rate

The last five Actuarial Reports on The Civil Service Superannuation Fund have indicated a persistent contribution shortfall which has grown in severity.

The Actuary has recommended a contribution increase of approximately 2% on all pensionable salary. He has further recommended that the increase be implemented as early as possible, and could be phased in over three years.

For example, an employee earning \$40,000 could see a gross increase of \$800 per year (\$2,400 currently to \$3,200). This additional contribution would also be tax deductible.

The Board feels that without changes to the current contribution rates, the shortfall will continue to grow and could have an adverse impact on the sustainability of plan benefits.

As such, the Board has recommended that the Employer Advisory Committee and the Employee Liaison Committee endorse the Actuary's suggested increase in employee contribution rates.

If these committees endorse a change, it would be up to the legislature to formally approve the change.

If you would like to express an opinion regarding this proposal, contact information for the Liaison Committee is provided.

The Liaison Committee represents all members of the pension and insurance plans. Members are appointed to the Liaison Committee by the various groups, unions, etc. and are responsible for negotiating changes to the benefit plans.

You may contact the Committee by writing to:
Chairman, Liaison Committee
c/o MGEU
601-275 Broadway
Winnipeg MB R3C 4M6

Your PIN

As a plan member, you have a unique Personal Identification Number (PIN) that will eventually replace your Social Insurance

Number (SIN) on correspondence from our office. For security and privacy reasons you are encouraged to provide your PIN

when contacting our office. As many people may more readily remember their SIN, we'll continue to give you the option.

DON'T FORGET, YOU CAN VISIT US ONLINE 24 HOURS A DAY www.cssb.mb.ca

Pension and Insurance Seminars

We conduct Employee Pension and Insurance Seminars for all Departments, Boards and Commissions who are interested in having their employees learn more about their pension plan and group life insurance plan.

We discuss such subjects as:

- ▶ Plan eligibility
- ▶ Termination options
- ▶ Beneficiary protection in the event of employee death
- ▶ Disability
- ▶ Marriage breakup
- ▶ Employee group life insurance
- ▶ Pensioner group life insurance

- ▶ Eligibility for retirement
- ▶ Health coverage after retirement
- ▶ Vacation cash-out at retirement
- ▶ Integration with Old Age Security and Canada Pension
- ▶ Optional forms of pension

The seminars are approximately 2.5 hours in duration, often conducted right at the employee workplace, and would be scheduled at the convenience of interested groups of 15 or more.

If interested, please notify your Payroll/Human Resource Department.

Who Should I Ask?

General Enquiries	Linda Corbett Wanda Wilson	946-3245 946-3216	lcorbett@cssb.mb.ca wwilson@cssb.mb.ca
Retirement	Marilyn Stadnyk	946-3242	mstadnyk@cssb.mb.ca
Termination	Larry Scott	946-3236	lscott@cssb.mb.ca
Marriage Separation and Death Benefits	Lorraine Fidler	946-3221	lfidler@cssb.mb.ca
Disability	Cheryl Sobkowicz	946-3212	csobkowicz@cssb.mb.ca
Service Buy Back	Linda Zak	946-3201	lzak@cssb.mb.ca
Seminar Leaders	Larry Scott Wanda Wilson Linda Zak	946-3236 946-3216 946-3201	lscott@cssb.mb.ca wwilson@cssb.mb.ca lzak@cssb.mb.ca

Online Services

Have you registered for the CSSB's Online Services? Use of our Online Services is growing every year as more plan members realize the advantages of the CSSB's Online Services.

You have the flexibility to produce pension estimates using a variety of scenarios — different retirement dates, with or without integration, projected salary levels, vacation cash out and much more. All of this personalized information is available securely at your fingertips twenty-four hours a day, seven days a week.

If you haven't already used our Online Services, please contact our office or visit www.cssb.mb.ca to register; it's simple, secure and free!

And remember that use of our Online Services doesn't end when you retire. Along with the advantage of being able to view your insurance and Blue Cross information at any time, you have the option to have 24/7 access to your monthly pension statements and, in most cases, T4A's.

Questions? Comments?

The Civil Service Superannuation Board

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