

# Our Plans

A NEWSLETTER FROM THE CARPENTRY WORKERS' BENEFIT & PENSION PLANS OF BRITISH COLUMBIA

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## FROM THE CHAIR

In addition to continuing to provide our members with important updates on the financial status of our Plans during the current global financial crisis, it is also important to reiterate some of the fundamental principles which guide our Trustees to ensure that we protect the Plans and their assets for the benefit of all of our members, both active and retired.

In this issue we will explain the relationship between the Pension and Benefit Plan Trustees and the CMAW Executive, and the need for independence on the part of the Trustees from union politics in order to fulfill our fiduciary obligations to our members.

In the past, there have been internal union

disputes which were not brought to the attention of the Plans' membership by the Trustees, because they did not have a direct negative impact on the overall well being of the Plans. We are now faced with an unprecedented situation where we feel it is our duty to report certain activities by the CMAW Executive that could affect the future of your Plans and your benefits.

### Some history . . .

In earlier times in the '70s and '80s, members of the Board of Trustees were primarily business agents of the union, and their decisions on investments of the Pension Plan

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## FROM THE CHAIR . . . CONTINUED

were heavily influenced by the desires of the union.

The Pension Plan was used inappropriately at times as an investment bank for the union, and investments were made by the Pension Plan in various residential real estate development projects which provided carpenters with short term work, but in most cases lost significant amounts of money for the Pension Plan.

Later Boards of Trustees, who were not dominated by union management, inherited a disastrous financial situation where there was no choice but to completely overhaul the administration of the Plans, and make the hard decision to cut Pension benefits in 2003 by between 35-45%. Retired members were the hardest hit by these cuts. You the members were not well served by the mismanagement of your funds.

Your Pension and Benefit Plans are now managed in a much more professional manner with a dedicated Board of Trustees and team of advisors who have collectively pledged, "Never again!" While it is important to strike the right balance of cooperation and mutual goals with the CMAW Executive to ensure that the interests of both active and retired members are served, we can never lose sight of the fact that the fundamental responsibility of the Trustees is to the Plan members.

### What's going on?

In the past few years, we have encountered increasing interference from the Executive of CMAW, and the leader of the union in particular, who have attempted to pressure us to make ill-advised Pension and Benefit Plan changes in order to meet their political needs.

We have been forced to devote a significant amount of our time and Plan resources in order to defend your Plans against unwarranted and potentially damaging interference, and to educate the CMAW Executive as to how the Plans work. The CMAW Executive does not have the expertise to be directing Pension and Benefit Plan decisions, and cannot be allowed to interfere with our work for short term political ends. There is a saying, "Those who do not learn from history are doomed to repeat it".

Your Pension Plan is considered to be one of the best managed pension plans by the BC Pension Standards Branch. It has so far weathered the worst financial storm in 70 years better than the majority of other pension plans. By comparison, direct contribution plans, Group RRSPs, individual RRSPs and personal investments have recorded massive losses in this crisis.

These are turbulent times within CMAW, and there have been increasingly frequent disagreements between our Board of Trustees and the CMAW Executive as to the types of benefit that can be provided, and the appropriate contribution rates for each Plan.

While it is very important to the Plans to receive contributory hours from the work of our active members, the Union must not dictate the decisions of the Plan Trustees to achieve the ends of the CMAW Executive, which may not always be in the best interest of the members.

Our focus as a Board of Trustees is to maintain the long term health of the Plans, not to seek short term gains.

### A few problems . . .

Let me provide a few examples of the problems we have encountered with the CMAW Executive.

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## FROM THE CHAIR . . . CONTINUED

### Plan Membership

Many of the CMAW Executive members are not members of our Plans. They come from different groups within CMAW and different pension and benefit plans, but have participated in decisions that affect our Plans. Why should non-Pension Plan members have any vote within CMAW on issues that affect how we deliver benefits to our members? We have pointed out to CMAW that this is unacceptable to our Board of Trustees.

There are at least five and soon to be six pension plans providing benefits to various groups within CMAW, but only our Pension and Benefit Plans are mentioned in the CMAW constitution. This includes how our Trustees are appointed and the requirement that our Pension Plan report to the annual convention of CMAW.

This may have been appropriate when our Pension Plan was affiliated with a union where the majority of its members were participants in this Pension Plan, but that is no longer the case. None of the other pension plans are required to report to convention, and their trustees are not appointed by CMAW.

### Teamwork

The CMAW Executive should work as a team with our Board of Trustees to further the interests of the Plans and their membership as a whole. Inexplicably, we have encountered confrontation and personal attacks from the head of the CMAW Executive, who simply refuses to cooperate.

### Pension Contribution Increase

We were advised earlier in 2009 that the CMAW Executive was planning to negotiate with the CLRA to divert a scheduled pension contribution increase of \$.50 per hour,

commencing in May of 2009, to an increase in the wage package. Presumably, this would give the appearance of a wage increase, but would have a devastating effect on our Pension Plan.

This increase is crucially needed for pension benefits. We warned CMAW in writing that such a diversion would most certainly result in another round of pension benefit cuts. We were fortunate that the planned diversion was aborted, probably due to our warning, and the fact that the CMAW Executive recognized the likelihood of a member backlash if it was implemented.

### Additional Contribution Hours

For two years, the head of CMAW has made much fanfare about the availability of millions of hours of contributions from BC members of CMAW working in Alberta, or from CEP members working in Alberta or in BC, to our Pension Plan, which is a BC registered plan.

We have agreed to do whatever is necessary to facilitate the receipt of these additional hours in our BC Plan, including registering it in Alberta. Our actuaries provided the CMAW Executive with a simple list of requirements to receive these contributions.

One condition was that there were to be no opt in-opt out privileges once the initial groups of participants had been identified.

Opt in-opt out privileges would inevitably result in our Plan providing benefits to the older, more expensive members.

Younger, less expensive members might wish to have the flexibility of contributing to a Group RRSP, which can be withdrawn at any time and used for things other than for providing retirement benefits.

To allow opt in-opt out privileges would

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## FROM THE CHAIR . . . CONTINUED

seriously affect the overall cost of benefits and could force benefit reductions. This is an actuarial fact, and we took the time and expense to explain it to the CMAW Executive. We have written letters to the CMAW Executive on numerous occasions.

Ironically, the head of CMAW, who has no expertise in pension matters, established a Group RRSP to receive employer contributions under the Alberta collective agreement and other CEP agreements without even consulting our Pension Plan, and then alleged that our Pension Plan was not cooperating to accept hours from these CEP and CMAW members who were participating in the Group RRSP.

We assume this came about because the Group RRSP participants had a change of mind when they saw their Group RRSP returns, or the older members of the CEP groups wanted to participate in our Plan from the beginning, because it is a much better deal for older workers than a Group RRSP.

The CMAW Executive insisted that we enter into a reciprocity agreement with the Group RRSP to divert the hours of certain Group RRSP participants. We pointed out that this is not allowed by the Canada Revenue Agency, but that we could receive contributions if the CMAW Executive could direct the employers to make the contributions to the Pension Plan. The leader of the CMAW Executive flatly refuses to do that.

This should be a very simple process. We have asked CMAW on numerous occasions in writing to have the Group RRSP actuary speak to our actuary to resolve matters. So far, this has not occurred.

We have been doing this dance for two years, and to date we have not received a single contributory hour from the millions of

hours promised! You judge for yourselves as to whether your interests are being adequately represented by the CMAW Executive. And as far as the two million hours are concerned, things are not what they were represented to be.

### No Special Deals

One of the most important aspects of pension plan administration is that we treat all members fairly and in an even handed manner. There are no special deals for any group or any individuals. If a new employer signs the standard collective agreement, the employer is required to remit all employer pension contributions to the Pension Plan. This is a fundamental requirement upon which this Pension Plan was created and built.

You will be surprised to learn that the leader of the Executive Committee personally exempted six employees of Ellis Don, and by e-mail directed that their employer contributions be sent to the Group RRSP!! We pointed out that this was not only an interference with the Pension Plan, but was in violation of the collective agreement. In effect, it was your union leadership allowing opt out privileges to a select few, and undermining your Pension Plan.

### Declining Membership

We continue to see groups (such as the Millwrights, Lathers, or scaffolding workers) leave our Pension Plan, primarily as a result of raids on CMAW. The loss of the accompanying contributory hours is a serious problem for the Pension Plan.

The CMAW Executive blames these departures on the Pension Plan and the Benefit Plan. If you take the time to speak to the members, you will learn that this is not the case. The Millwrights, for example, were ejected from

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## FROM THE CHAIR . . . CONTINUED

CMAW by the CMAW Executive, and they were no longer eligible to participate in the Pension and Benefit Plans. We have heard from members of the other groups that they were not happy with CMAW, and that is the reason they left.

### MSP Coverage

We have heard from many of our members that they are very satisfied with the improvements we have made to the Benefit Plan. The leadership of the CMAW Executive, however, continues to demand a benefit profile that is not cost effective, or in the best interests of our members.

We have provided written presentations to the CMAW Executive, and have had our actuaries and benefit consultants give detailed explanations to them as to why MSP coverage cannot be provided by the Benefit Plan, and how the members are better off obtaining MSP coverage themselves. We repeat this information in an article below.

It is strictly a matter of convenience for the members for the Benefit Plan to pay for MSP coverage which cannot be afforded by the Benefit Plan.

Despite this information, the CMAW Executive continues to demand MSP coverage, and is unable to effectively recruit new members because it is not explaining the issue properly to existing or potential members of CMAW.

### Disputes

Finally, as you are probably already aware, the CMAW Executive is embroiled in a dispute with Local 1995, the largest local in CMAW, which we understand could result in a lawsuit. The dispute relates to the amount of union dues required to be paid into CMAW by Carpenters

locals compared to other CMAW groups, and the disparity in benefits received by such locals. Local 1995 represents the largest group of Pension Plan participants. We should all ask why the CMAW Executive and its largest contributor should be at odds.

### What can we do?

It is time for our members to let the CMAW Executive know that your pensions and your benefit plan must be protected from union politics and cannot be tampered with. We encourage you to give this message to your Locals or to the CMAW Executive, and to make it an issue for debate at the next Convention.

We are tied to CMAW through our Trust Agreements for the Pension and Benefit Plans, and it is CMAW's responsibility to deliver the contributory hours in order to fund the benefits we provide. In the last few years, the total hours going into the Plans have decreased dramatically, as you will see in the article in this issue on hours of work.

Perhaps it is time to consider a different model for our relationship with CMAW to ensure the long term viability of your Plans without the risk of damage due to political infighting and raiding by other unions. We invite your comments on the article, "A New Model for Cooperation".

In summary, we are facing perilous times, and it is important that we keep our members advised as to developments. We are already working on crucial planning to position your Plans in the best way we can. We will be sending out another newsletter shortly to share the results of our planning process with you.

**JOHN DAVIES, CHAIRPERSON  
BOARD OF TRUSTEES  
CARPENTRY WORKERS' BENEFIT/PENSION  
PLANS OF BC**



## PENSION INVESTMENT PERFORMANCE

Volatility continued to rule the investment markets during the first part of 2009. Bad news continued to emerge: growing numbers of unemployed, and the fear of a global health pandemic. Announcements of auto industry shut-downs threaten to create a ripple effect on other parts makers, on raw material producers that feed the parts factories, and on the myriad of businesses that rely on the spending of auto workers.

Capital Market conditions continued to be weak in the first three months of 2009. The Canadian stock market has declined a further 2% in the first quarter of this year, with a 9% decline in the United States and a 10% decline for the stock markets globally.

### How are we doing?

The Canadian stock market has declined more than 32% in the 12 months ending March 31, 2009, and the average Canadian pension plan has lost more than 15% in that same period. The Carpenters' Pension Plan has fared very well compared to the Canadian market and compared to other pension plans. While our Plan lost approximately 11.9% of its value of investments during those same 12 months, this is significantly lower than the average pension plan loss, and just over one third of the stock market decline.

As a result of all the bad news, governments are intervening to try to fix the financial system and the problems. During the last few weeks of March and the month of April, there has been a glimmer of economic hope. The equity markets showed healthy gains, and the investment community sounded more upbeat than it has

in recent times. But the question going forward is whether the upward momentum can be sustained.

### Pension Plan Strategy

The Pension Plan strategy remained very well diversified, with approximately half of the portfolio invested in bonds, and the rest in stocks, real estate and a small amount in

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## STAFF CHANGES

The Board of Trustees is pleased to announce that Isabel Rigolet has been promoted to the position of Manager, Benefits and Pension. Isabel joined us four years ago as Pension and Benefits Coordinator, and subsequently worked as Managerial Assistant. She has worked in pension and benefits for over 30 years.

Tanya Kalashnikov, CA, joined us on March 5 as Manager of Finance. Tanya works part-time, and is responsible for providing a full range of accounting and financial functions for the Plans.

Catherine Thomas, who has been with us since 2000, has moved to Toronto. We wish her all success in her new endeavours. She will be sorely missed.

## PENSION INVESTMENT PERFORMANCE ... CONTINUED

infrastructure assets. This strategy helped to protect the Plan from the severe drop in the stock markets recently, with real estate and infrastructure holding up particularly well. While these assets have declined in value somewhat due to weaker economic conditions, they continue to earn rent or other forms of income that help offset the impact on valuations.

The Trustees continue to actively oversee

the assets of the Plan, and recently met with several of the investment managers to discuss recent performance and the outlook for the managers' portfolios in what is a challenging investment environment. At this point, we feel we are on the right track and see no reason to change our investment strategy. We will continue to provide the members with regular updates on investment performance.



## TAKE NOTE

### Cataract Eyewear

If you are covered under the Green Shield Extended Health Care benefit, there is an error in item 3 on page 7 of the booklet you received. Inadvertently, "cataract eyewear" is showing as a benefit. This is not a benefit of the plan, and should not have appeared in the booklet. Green Shield apologizes for any misunderstandings this may have caused.

### Orthotics

Please note that your claims history with Pacific Blue Cross was transferred to Green Shield, so if you previously had orthotics paid by Pacific Blue Cross, limitations apply. If you want to know if you are eligible for orthotics, and how to claim, please contact Green Shield directly at 1-888-711-1119.

### Remember to let us know if . . .

- Your address changes - we send mail!
- You receive a monthly pension and your banking arrangements change
- You draw up a Power of Attorney or Representation Agreement
- Your beneficiary changes
- You receive WCB wage loss benefits - so we can credit hours and maintain your benefit plan coverage



## HOURS OF WORK ARE CRITICAL TO OUR PENSION PLAN

As you have heard repeatedly in the media, we are in one of the worst economic climates since the Great Depression. As discussed in our Fall 2008 newsletter, this economic crisis has affected our Pension Plan and all other pension plans.

Fortunately, our investment losses have been smaller than other pension plans because we are less exposed to the stock market than many other plans. However, the health of our Pension Plan depends on more than investment returns. The total hours of work are also important.

The total contributions received by the Pension Plan equals the hourly contribution rate (currently \$3.84) multiplied by the total number of hours of work for all members of the Pension Plan. If hours increase, contributions received by the Pension Plan increase. If hours decrease, the total contributions to the Pension

Plan decrease. As contributions decline, it becomes harder to pay benefits.

### Total Hours of Work

The bad news is that total hours of work have gone down, as you can see in the graph below.

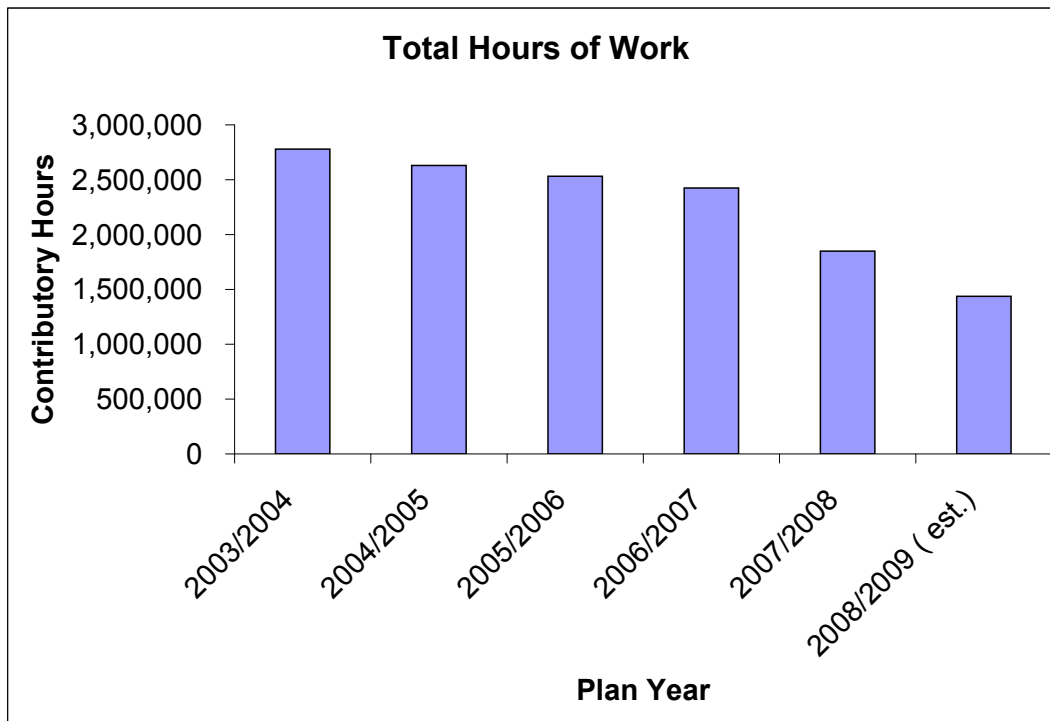
The total hours for Pension Plan members have been going down dramatically in the last few years.

So far in 2009, hours of work continue to decline. The impact on the Pension Plan is severe. Even though the hourly contribution rate has been increasing, the total contributions to the Pension Plan have actually gone down.

### Total Contributions

In 2009, total contributions to the Plan have continued to drop. The graph on page 9 shows

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**HOURS OF WORK . . . CONTINUED**

the total contributions made to our Plan.

For our Plan to maintain its contribution level, either hours of work or the contribution rate have to start increasing. The following table shows how much the contribution rate has to change to offset the effect of changes to the hours of work.

<b>IF ANNUAL TOTAL HOURS OF WORK BY PLAN MEMBERS WERE :</b>	<b>PENSION CONTRIBUTION WOULD BE :</b>
2,500,000	\$3.27
2,000,000	\$4.09
1,500,000	\$5.45
1,200,000	\$6.82

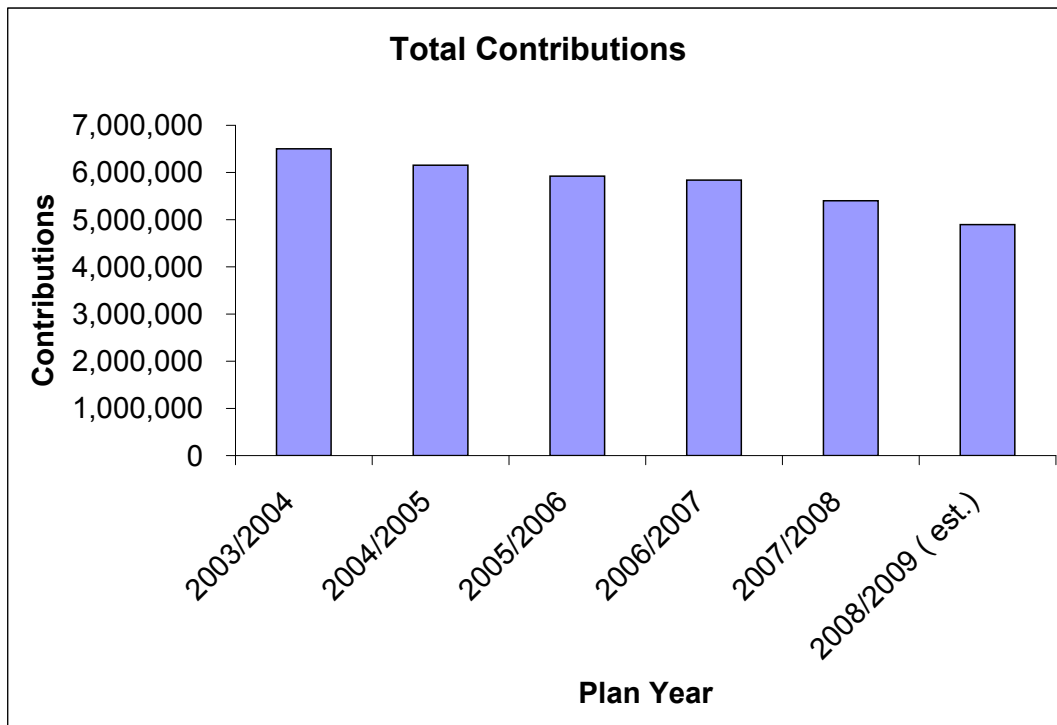
As you can see, a drop in hours has significant impact on the Plan's required contribution rate. We are currently undertaking

a major review of our fiscal health, and will bring a complete report to you in the near future.

Why have the hours of work been decreasing? Is it the economic crisis? The short answer to that question is no. The period from 2003 to 2007 were some of the busiest years in history for the construction industry. Despite that, the total hours have gone down. Why?

The main reason for the decline in total hours is that members have left our union. When members leave the union, their membership in the Pension Plan ends, and they no longer contribute to the Plan. If this trend continues, as it has so far in 2009, our benefits become unaffordable. This trend must stop.

One key to the future of our Pension Plan is for CMAW to recruit more members in the union and to ensure that it does not lose any more members to other unions.





## MSP – WHY DOESN'T THE BENEFIT PLAN PAY FOR IT?

Why doesn't the Benefit Plan pay for the Medical Services Plan (MSP) of BC?

That's one of the most frequently asked benefit questions we get. The short answer is because the Plan can't afford it.

Some background might help put this in perspective. In 2003, the Plan had to cut back benefits for financial reasons. There simply wasn't enough money to continue to pay the benefit levels that existed at that time. Payment of MSP premiums was eliminated.

Why MSP in particular? There are a few reasons:

- MSP is one benefit that everyone can obtain as an individual. You don't need to belong to a group plan to get coverage.
- Unlike other benefits (like the dental plan), there is no advantage to having a "group plan". The cost per member for MSP is exactly the same whether it is paid under a group or paid by an individual. In the dental

and extended health plans, the claims costs are shared by spreading the total cost over the whole membership. Essentially, healthy members help to subsidize members who need more extended health care or dental work.

- Payment of MSP by the Plan would create a taxable benefit for members. Extended health and dental benefits are not taxable.

These facts are as relevant today as they were in 2003. As a result, when the Plan financials improved somewhat and benefits were enhanced last year, payment of the MSP premiums was not included because there were other priorities, which have been well received by members.

All residents of BC are required to enroll in MSP and pay premiums. For more information, visit our website at [www.cwbp.ca](http://www.cwbp.ca), or the MSP website at [www.health.gov.bc.ca/msp](http://www.health.gov.bc.ca/msp).



## A NEW MODEL FOR COOPERATION

The Pension and Benefit Plans are currently tied to the Construction Maintenance & Allied Workers Union (CMAW) through a number of historical provisions in their Trust Agreements:

1. The CMAW Executive appoints the Trustees in accordance with the CMAW Constitution from the delegates at their convention;
2. The CMAW Executive determines eligibility of participating members and unions,
3. The CMAW Executive is required to approve any amendments to the Trust Agreement; and
4. The Trustees provide an annual report to the CMAW Convention.

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## A NEW MODEL FOR COOPERATION . . . CONTINUED

While the tie-in to CMAW can be an effective recruitment tool for the union, it can also cause some strains on the Plans, as the membership of the union has become quite volatile, and is steadily decreasing. There are also ongoing disputes within CMAW that are cause for concern. We have well-managed Plans that are now considered to be role models for other Plans to follow. This has been achieved despite rather than due to the involvement of the CMAW Executive.

It is time for the Plans to become effectively independent from CMAW, so that we can continue to make the right decisions for the right reasons, and at the same time cooperate with CMAW to maintain and grow participation in the Plans, both within and outside of CMAW.

For example, consider the fact that the Trustees of the Plans go through an intensive education and training program for their very technical duties, and it takes years to give them the complete picture. After working with Plan advisors and seeing how the Plans operate, they "get it", and become an invaluable source of wisdom and judgement.

The best Trustees are those who are active over the long term, and for more than five years. This is not, however, a role that all union members are equipped or well-suited for. When you find a good trustee, you should keep him or her for the long term. After investing in all this education and experience, it is entirely

inappropriate that the union can decide to replace well-functioning Trustees for political reasons, and sacrifice the contribution these persons would make.

The Trustees believe that they can better serve the members' interests if the following changes are made:

1. Have the Trustees, rather than the CMAW Executive, appoint new Trustees, and have no requirement that the candidates be delegates to the Convention or be from a specific local, provided they satisfy some minimum criteria as to experience and education;
2. Have the Trustees determine eligibility for participation in the Plans, in consultation with CMAW, which could result in increased membership and more contributions; and
3. Have the Trustees alone approve changes to the Trust Agreement.

Despite the proposed changes, the Trustees will continue to provide reports to the CMAW Convention. In this way, the independence of the decision-making process is assured, and the Trustees will provide support to CMAW.

These are your Plans. It is in your best interest to ensure they continue. We encourage you to forward your views to us on these suggestions for a New Model for Cooperation.





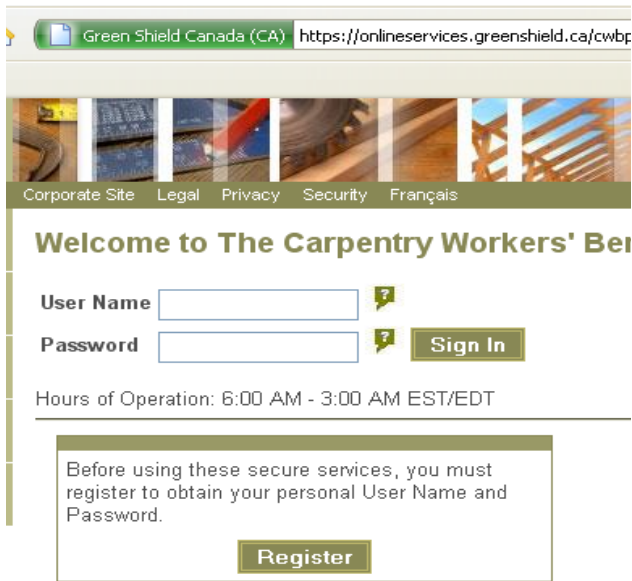
## EXTENDED HEALTH CARE ONLINE CENTRE !

The next time you send in a massage therapy claim for reimbursement, wouldn't it be great if you didn't have to wait for a cheque in the mail? And wouldn't it be convenient to find out just how much you are going to be reimbursed?

The new Carpentry Workers' Benefit Plan Extended Health Care Online Centre is up and running.

This new online centre has been specially designed just for Carpentry Workers' plan members.

Register today, and you will be able to view online all of your Extended Health Care claims and benefit coverage information.



### REGISTER AND ENTER A DRAW TO WIN AN IPOD SHUFFLE!

All Carpentry Workers plan members who register at our Online Centre will be entered in a draw for an iPod Shuffle.

Be sure to register between July 1 and July 31 for your chance to win!

You can also:

- Print a personalized claim form
- Simulate a claim to instantly find out what portion of a claim will be covered
- Sign up for Direct Deposit to get your money back faster

Find the online centre at [http://www.cwbp.ca/benefit\\_plan-extended\\_health\\_benefits.shtml](http://www.cwbp.ca/benefit_plan-extended_health_benefits.shtml).



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