# Sunlife & 692 Pension FAQs

## Bargaining 2025 and the 692 Pension:

### Our Bargaining committee did their best to address concerns brought up in our Bargaining Surveys.

One of the top items in our surveys was pension options. When we looked at pension options and what we as a group already have with Sunlife, the largest concern was protection for members when they retire. We have a diversified Pension within Sunlife and Members can Invest their contributions to their own risk level. What our Pension lacks is cost effective protection when retiring and the 692 Pension provides that protection.

We entered bargaining with the idea of completely moving all contributions in the Sunlife Plan to the 692 Pension:

- 6% Employer contribution
- 5.25% Employee and 1% Employer voluntary contribution
- Total possible contributions of 12.25%

After hearing concerns from the membership, we changed our strategy and negotiated in the following:

- 5% Employer contribution to the Sunlife Plan
- *1% Employer contribution to the 692 Pension*
- 8% Employee and 1.25% Employer voluntary contribution to the Sunlife Plan
- Total Possible contributions of 15.25%

Bargaining in the 1% contribution to the 692 Pension serves multiple purposes:

- Allows all members to continue growing their investments within Sunlife, minus 1.00% to the 692 Pension
- Allows members access to the 692 Pension upon retirement in the future.
- Allows members multiple options when they retire:
  1. Members can retire and continue with Sunlife investments
  2. Members can retire and move their funds to the 692 Pension for a monthly income
  3. Or a combination of both Maintaining their investments and the benefits of a monthly income

### About the 692 Pension

The Machinists 692 Pension is a long-standing pension since 1960. The plan itself has merged with other pensions over the last 6 decades and in 2015 changed from a hybrid Defined Benefit Pension Plan to a hybrid Target Benefit Pension Plan. This Pension is a “Not For Profit Plan”, all funds are controlled by Trustees who are also members of the Plan. This Pension’s only function is to ensure Retirees have a guaranteed source of income upon retirement thus, the funds are paid out to the members of the 692 Pension.

The 692 Pension and its investments are controlled and operated under a Board of Trustees appointed by the Executive officers of the Local. Consultation of the plan and its investments are provided by George & Bell Consulting. The 692 Pension was administered by D.A Townley, a subsidiary of Pacific Blue Cross. In late 2024 Pacific Blue Cross made the decision to close D.A Townley, Due to this closure The Trustees of the 692 Pension made the decision to move the administration of the 692 Pension to Convyta Partners.

### *What does this mean?*

Most Importantly: this is a "Not for Profit" pension which saves the Membership money on their investments and there is no cost incurred by purchasing a RRIF, LIRA or Annuity when members retire and have to move their funds elsewhere.

- Trustees are chosen from the Union's Membership and trained to monitor the pension.
- Administration of the plan is handled by Convyta under the guidance of the 692 Pension Trustees
- Investments are monitored and controlled by the Pension Trustees under the guidance of Convyta Consulting.
- The Employer only contributes to the plan in accordance with the CBA, and do not choose investments

### *Sunlife*

- Members choose how to invest their contributions
- 2 members are chosen to be a part of the DC Advisory Committee and do not take part in the Finning Pension Committee
- Administration is provided by Sunlife
- Members monitor their own contributions
- Finning's Pension Committee chooses what investments are available under the advisement of Mercer

We as Finning Employees have a good pension with Sunlife that members can invest their contributions within their risk tolerance. What the 692 Pension offers is a safe and cost-effective retirement opportunity for all members if they choose.

## *Clarifying the FAQs:*

### What is the 692 Pension?

The 692 Pension is a Target Defined Benefit (DB) Pension, slightly different from a Defined Benefit (DB) Pension. This Pension is designed to Guarantee its members a monthly income/benefit when they retire.

- A Defined Benefit (DB) Pension pays a retiree a monthly income based on years of service, balance of contributions and life expectancy
- The Target Defined Benefit (DB) Pension pays a retiree a monthly income based on the value of their contributions and pooled risk of life expectancy (standard life expectancy is 87 years).

### What is the difference between the 692 (DB) Pension and the Sunlife Defined Contribution (DC) Pension?

- <u>The 692 DB Pension</u> is designed to pool all funds into a large balance to be invested and pay out benefits (monthly income) upon retirement. This Pool is protected by a PfAD (Provision for Adverse Deviation) value over and above the total contributions of 118% and is reviewed annually. When an employee retires with this plan, they are provided a monthly income (benefit).
- <u>The Sunlife DC Plan</u> is a locked in RRSP which members can choose their investments from a list that Finning provides to suit a member's needs, the funds are only protected by the limited risk offered and market conditions. When employees retire, they are required to move their funds to an institution (Insurer, Bank or Trust Company).

**How safe is the 692 pension VS Sunlife?**

- 692 Pension: By design and under Canadian pension Law the 692 Pension is required to carry a PfAD (Provision for Adverse Deviation) to protect the pension from negative market conditions. The minimum requirement is 7% above the total amount of the pension fund. The 692 Pension currently carries a PfAD of 18% above the total amount, enhancing its protection from negative market conditions. This is reviewed annually.
- Sunlife Plan : By design and under Canadian Pension Law the Sunlife DC plan is only protected by the restriction of investment choices provided by Finning's Pension Committee and market conditions. These Investment are chosen by Finning's Pension Committee under recommendations by Mercer.

**What is the 692 Pension's operating costs?**

- Because this Pension is "not for Profit" the operating costs are less than 1/2%, this includes the cost of fees for investments.

  e.g: with a balance of $350 million the costs are less than $1.75 million

**Understanding the difference in Fees concerning the Sunlife DC Plan and the 692 Pension:**

Fees are dependant on the type of investment members choose. The lower the fees we pay the more

- The 692 Pension fees are 0.005%
- In our Current Sunlife Plan fees vary depending on each members investment choices. Fees range from 0.015% to 0.07% depending on the investments a member chooses.

**What is the average Rate of return in the 692 Pension and the Sunlife Pension?**

- Over the past 33 years the 692 Pension had an average rate of return of 8.22% (in the past 10 years a 7.38% rate of return)
- In our Current Sunlife Plan the rate of return on our investments is dependant on the members choices,

  49% of our members are in target date funds with returns ranging from 4.53% to 9.02% in a 10-year period
  Members who've chosen investments such as Equities are seeing a rate of return ranging from 6.8% to 13.94% in a 10-year period

**Has either the 692 pension or the Sunlife Plan lost money on investments? Yes**

- Like any investment, both plans are dependant on the market conditions and possible losses are recovered over time when market conditions recover or improve and the Pension sees investment gains
- The 692 Pension is protected by an 18% PfAD, because of the PfAD the 692 Pension has never reduced the monthly pensions to its members.

**Are my contributions still invested in the 692 Pension when I retire?**

- Yes, your Funds continue to be invested when you retire, thus eliminating the need to convert to an annuity.

**How does my retirement income keep up with inflation if I am locked into a monthly benefit?**

- The 692 pension is a "Not for Profit" Pension Plan, this means that any returns over the PfAD percentage are paid to the retirees as a benefit increase. For example; this year the 692 Pension gave its retirees an increase and will be giving all retirees an increase over the next 2 years. No retiree has ever suffered a reduction in benefit/income.

**Do I have the ability to change investments in the 692 pension?**

- No, The 692 pension is designed to be a secure fund that guarantees all retirees an income after they retire. Local 99 will have Trustee(s) on the 692 Pension Board overseeing the investments.

**When I retire can I withdraw all my funds from the 692 Pension? Is there a penalty for leaving the plan?**

- Only, If you are a terminated member of the plan and you are under 55 you can transfer the total value of your account to a plan of your choice.
- No, there is no penalty.

**Can I access the funds for a lump sum pay out on the date I retire?**

- If you are a terminated member of the plan and you are under 55 you can transfer the total value of your account to a plan of your choice.
- If you have made voluntary contributions you can transfer them at any time up to retirement.

**Can I access the funds for a lump sum after I retire?**

- No, upon completion of "the retirement paperwork", if a member was to contribute a sum of funds (Voluntary contribution such as an RRSPs, GICs or other holdings) the balance of contributions are locked in to provide a retiree a monthly income.

**Do I pay income tax when I retire?**

- Yes regardless of which type of pension, retirees are required to pay taxes based on income.

**What happens to my retirement funds when I die?**

- In the Canadian Pensions Act your spouse as defined by provincial law is entitled to a survivor pension chosen by the plan member and the spouse.
- If the plan member choses to have a beneficiary provided for then the beneficiary would receive the balance indicated by the plan member.
- With the 692 Pension this depends on the options you choose when you retired. For example, If you chose a lifetime pension with a fifteen-year guarantee and you die before the guarantee period has expired, your beneficiary will continue receiving your benefit for the remainder of the guarantee period.
- If you die before withdrawing your benefit from this plan, your spouse or beneficiary has the right to the value of your retirement benefit. The value of the pension is the total of all contributions you and your employer made for you, plus investment returns on those contributions.
- Differences: Defined Benefit Pensions pay the monthly income until the retiree and the spouse passes away or the funds are paid to their beneficiaries. However, the Sunlife pension has a depleting principle which affects your monthly benefit over time.

**Why did the Local 99 Bargaining Committee negotiate the 692 Pension into the contract?**

- Finning would not agree to a 3rd or Different Pension Provider other than Sunlife or the 692 Pension.
- High on the Survey requests was pension options: Finning's Sunlife Plan gives our membership a wide variety of investment options
- The introduction of the 692 pension to our membership provides another choice upon retirement without having to negotiate with other institutions for the cost of rates concerning an Annuity, RRIFs or LIRAs.
- The 692 Pension is a low cost benefit that provides members a secure income after retirement and there is no need to negotiate rates to purchase a RRIF, LIF or annuity.