



Your Pension Benefits Newsletter

September 2007

Mission Statement

To prudently administer the Plan in order to provide the best possible benefits for its members and beneficiaries

In This Issue:

- **New! Frequently Asked Questions**
- **Get Ready For...Pension Income Splitting!**
- **Latest Retirement Age Changed From 69 to 71**
- **Highlights of the 2006 Financial Statement**
- **Meet The Staff**
- **Meet The Trustees**
- **Other News...**

New!! Frequently asked questions

Have you been to the Fund website lately? We've recently added a whole new section of FAQ's (Frequently Asked Questions), which we hope you'll find very helpful! Please take the time to visit the site and let us know what you think. We would appreciate receiving your feedback – and we'd also like to know if you have any new questions that we could add to the growing list.

Our website address is: www.afmepw.com.

Get ready for...pension income splitting!

This change to the Income Tax Act will greatly help many retirees, but it's something active members should be aware of too, since it could affect your approach to RRSP savings. Read on!

Starting this year – 2007 – retirees will be able to split retirement income, from various sources, with their spouses. The reason anyone would do this is tax savings. And there's plenty to be had in the right circumstances!

Note that, since 1978, you've been able to split your Canada/Quebec Pension Plan benefits. Now, you are also permitted to split income from registered pension plans (RPPs), such as the AFM-EPW Fund (Canada), and RRSPs.

There's one "catch" which, as a member of the musicians pension plan, works in your favour— if you retire before age 65, the only income you're permitted to split is income from an RPP [such as the AFM-EPW Fund (Canada)]. Income from an RRSP (usually paid via an annuity from an insurance company or a registered retirement income fund) cannot be split until after you turn 65.

A group called the Canadian Activists for Pension Splitting estimates that a couple who are both age 65 with the lower-earning spouse receiving \$11,000 would save the following amount of tax each year:

Total Annual Income	Annual Tax Savings
\$32,000	\$601
\$52,000	\$1,021
\$72,000	\$3,113
\$92,000	\$5,459

As you can see, it doesn't take a lot of income gap to save some money. In the first example, one spouse is earning \$11,000 and the other is receiving \$21,000, yet they save over \$600 in taxes in the first year, compared to the amount of taxes they would pay if pension income splitting was not available.

Here's how it works. You and your spouse receive your pension incomes as normal throughout the year. Then, when you file your tax returns, the higher income earner "assigns" some of his/her pension income to the lower earning spouse for purposes of determining the taxes you owe for the year.

For active members, knowing this will help you do retirement income planning when the time comes. Until now the only way you could plan in advance for income splitting in retirement was to contribute to a spousal RRSP. Now that you can split the RRSP income after age 65 in any event, making contributions to a spousal RRSP has become much less useful – it's really only beneficial if you're thinking of retiring significantly in advance of age 65.

This is great news for current and future retirees!

For more information on pension income splitting, you may wish to visit Canada Revenue Agency's Frequently Asked Questions on the subject, at: www.cra-arc.gc.ca/agency/budget/2007/pension-e.html. Or, you may want to contact your personal tax professional.

Latest retirement age changed from 69 to 71

In this year's Federal budget, a change was made to the maximum age limit for starting to receive income under registered pension plans (RPPs) and RRSPs. Starting in 2007, you can wait to start your income until the end of the year in which you turn 71 (rather than 69).

In the musicians' pension plan, this means that you don't have to stop earning pension benefits after age 69 – you can continue right up to the end of the year in which you turn 71. As with the pension income splitting mentioned above, this is good news for people who want to keep working and are not in a hurry to dip into their retirement savings, or to stop earning pension benefits under their pension plans.

The change also applies to RRSPs – so if you want to do so, you will have two more years to make tax-deductible contributions and two more years to earn tax-sheltered investment income on your RRSP assets, all of which will contribute to your financial well-being in retirement.

Highlights of the 2006 Financial Statement

We are pleased to report the growth of the fund, from \$596,174,375 as of December 31, 2005 to \$653,863,091 as of December 31, 2006. This represents a growth of over 9.5% over the year.

This amount, by itself, is a nice number, but is not really meaningful if you don't compare it to the value of the benefits owed to all the members and retirees. If you would like to learn more about how this comparison is done, please read question 7 of our FAQ's.

What if \$600+ million dollars is a lot less than the total benefit value?

Here's the short answer – the results of the last actuarial valuation indicated that the negotiated

contributions along with the plan's assets and future investment earnings are sufficient to meet the plan's obligations in full. In other words, unless things take an unexpected turn over the next few years, there will be no need to increase contributions or to reduce benefits.

In 2006, the Fund paid out almost \$17 million in benefits, an increase of almost 9% compared to benefit payments the previous year.

The administrative cost of running the Fund in 2006 increased slightly to just over \$2.8 million. This includes all professional fees paid to advisors and investment managers. This represents approximately 0.4% of fund assets, which is a very low expense rate and demonstrates one of the great advantages of a large pension plan – "economies of scale". Generally speaking, the bigger you are, the more cost-effectively, in percentage terms, you'll be able to run your fund.

For a complete copy of the 2006 Financial Statement, please visit our website and look for it in "Publications".

Meet the Staff

In a series which will continue in future Newsletters, we're featuring an interview with one of the fund office staff.

Humbert Martins Manager, Pension Benefits

It's safe to say that Humbert is a "fixture" at the fund office – he has worked for the fund full-time for 23 ½ years and, prior to that, for 2 ½ years as a student. How did he get the job? Humbert says his older brother was there first, and called him when they needed help one summer for a couple of weeks. He liked the people and the office, so he decided to stay, and has worked his way up over the years. He is an economics and mathematics university grad, so the work definitely suits him with that background.



A day at work usually consists of:

- dealing with telephone and written information requests from members, with the help of his able assistant Dale McDonald
- setting up and processing monthly pension payroll
- dealing with ongoing pension applications and other plan payouts
- reviewing newsletter drafts and other communications materials
- preparing for member presentations
- being "right-hand man" to fund administrator Ellen Versteeg-Lytwyn

Humbert says the best thing about his job is helping members figure out their options and get their pensions. He says that he can often take members from "darkness to light" in terms of understanding a particular feature of the plan. Making things clearer for the members is very rewarding work, according to Humbert.

This ties in with what Humbert views as one of the toughest challenges for the fund – keeping members informed and getting the right information out to the right people at the right time. Humbert is hoping that the recently introduced website section "Frequently Asked Questions" will help to answer members' questions. He believes that being able to read the answers is also helpful in terms of members being able to retain and/or at least revisit the information at their leisure. Humbert plans to continue, and even increase, his work in the "face-to-face" communications area, through more participation at various conferences and local events.

When he's not in the office, Humbert loves spending time with family, especially his three nephews and his niece. He also enjoys games, whether they are cards, board or on-line games, and he's an avid movie-goer and reader. The last Harry Potter was finished within 72 hours of its release!!

Humbert is a dedicated member of the team who plans on staying at the Fund until his retirement!

Meet the Trustees

In a series which will continue in future Newsletters, we're featuring an interview with one of the Fund Trustees.

Charles Barbeau, Vice-President, Montréal Québec Musicians' Guild

Charles is a new Employee Trustee on the Board. He has a 30-year history of great success in the music business, as a leading pianist/keyboardist and more recently as musical director and/or conductor with such organizations as Radio-Canada, the National Arts Centre Symphony Orchestra, the Montréal Symphony Orchestra and for numerous television productions. He has worked with such notable Canadian musicians as André Gagnon, Ginette Reno, Lara Fabian, and even Céline Dion at the beginning of her career. He has traveled all over the world displaying his musical talent – including the US, France, Italy and Japan.

Charles will always be a musician, but with more time available lately, he agreed in March of 2006 to run for office with the Guild. Charles says his interest in both the Guild and the musicians' pension fund is based on his desire to "give back" to an industry that



has supported and nourished him for many years. He has a strong desire to share his experience and knowledge with the next generation of musicians. From managing his own assets (and some family assets as well), he has developed a keen interest in investments. Charles believes his personal experience will serve him well in his duties as a trustee.

Charles' views on the biggest challenge that lies ahead for the Fund: "Like the rest of pension funds in Canada, we're facing the possibility of declining membership and more retirees – partly because of legislation affecting our own industry and also simply because of the phenomenon of the aging baby boomers. One of our key goals as Trustees is to focus on finding the right investment strategy to manage our way through the coming years as the baby boomers amongst our members move out of the contribution stage and into the pension payout phase of their lives."

In his spare time, Charles is a horse-lover and runs an equestrian farm which his wife and two daughters love as well.

We are fortunate indeed to have Charles on the Board of Trustees and hope he'll be willing to continue "giving back" for some time to come.

News

Employee Trustee Bobby Herriot, after many years of dedicated service to the Federation (including his tenure as a Trustee of the Fund) announced his retirement effective July 31, 2007. We thank Bobby for his service to the Fund and extend best wishes to both Bobby and Etta for a long, happy and healthy retirement.

We welcome Bill Skolnik, newly elected Vice President from Canada, AFM, to the position of Employee Trustee.

A publication of the American Federation of Musicians' and Employers' Pension Welfare Fund (Canada) designed to promote the Fund and educate its members about the Fund rules and general benefit issues.

DISCLAIMER

Every effort is made to ensure the accuracy of information contained in this newsletter. In the event of any differences in interpretation between this newsletter and the official Rules and Regulations of the Plan, the official Rules and Regulations of the Plan will apply.