



# in concert

Helping you understand your pension plan

Fall Newsletter 2010

## Musicians' Pension Fund of Canada

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**in concert** covers general pension issues and explains how your pension plan works.

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## New Name!

# Musicians' Pension Fund of Canada

We are pleased to announce that, by a unanimous decision of the Board of Trustees on August 12, 2010, the name of the Fund has been changed to the **Musicians' Pension Fund of Canada**. For years, this is how our members have referred to us. We believe the new name better reflects who we are and what we do.



## Official Notice to Members

# Plan changes effective January 1, 2011 to include a benefit rate reduction

**The benefits you have accrued (earned) to December 31, 2010 will not change. Also, pensioners and beneficiaries receiving a benefit at December 31, 2010 will not be affected.**

In earlier publications, we advised you that the Trustees have been studying the effects of economic conditions on the sustainability of Plan benefits.

In the past, the Plan has been in a surplus position, and this surplus has helped to subsidize the benefit costs. Over the past few years, economic conditions and other factors have caused the surplus to disappear. In fact, the annual cost of benefits is considerably higher than the annual contributions and there are no longer any extra funds available to remedy this situation.

Without a surplus to help, unfortunately the current level of benefits is not sustainable.

The Trustees asked the Plan's actuary to provide information on the cost impact of a number of different scenarios. Their intent, throughout this important benefit review, has been to focus on options that will minimize the impact on current accrual rates.

The Trustees also wanted to ensure that benefit levels would continue to be harmonized across the country. Certain provinces restrict the ability to reduce benefits that have already been earned. With this in mind, the changes being made are on a go-forward basis only. **Benefits already in pay or already accrued will not be affected.**

The Trustees believe that the changes being made are in line with their mandate to provide the best possible benefits for members and their beneficiaries, and at the same time, protect the long-term health and sustainability of the Fund.



Part 1 – Plan Provisions to December 31, 2010 (Pre 2011 accruals)	Part 2 – Changes Effective January 1, 2011 (Post 2010 accruals)
<b>Accrual Rate:</b>	
\$3.70 per month for each \$100 of contributions.	\$3.25 per month for each \$100 of contributions.
<b>Special Retirement Pension:</b>	
Unreduced pension at age 61 with 15 years of contributions. If younger than 61, reduction of 4% per year younger than age 61.	Unreduced pension at age 61 with 20 years of contributions. If younger than age 61, actuarial reduction for each year younger than age 61
<b>Normal Form:</b>	
Life annuity with 120-payment guarantee.	Life annuity with no guarantee.
<b>Joint Form:</b>	
66 $\frac{2}{3}$ % continuation to surviving spouse with no reduction to the pensioner's benefit.	Pensioner's benefit is actuarially reduced to provide for 66 $\frac{2}{3}$ % continuation to surviving spouse.
<b>Early Pension:</b>	
Age 60 or over – 4% reduction for each year younger than age 65. Between ages 55 & 60 – 6% reduction for each year younger than age 60 and 4% reduction for each year between 60 and 65.	Between ages 55 & 65 – Actuarial reduction for each year younger than age 65.
<b>Optional Forms of Pension Payment:</b>	
Provide 66 $\frac{2}{3}$ % Joint and Survivor pension with 120-payment guarantee on an actuarially reduced basis.	Provide a number of optional forms of payment on an actuarially reduced basis.



### Benefit accrual rate change

Effective January 1, 2011, the benefit accrual rate will change from \$3.70 to \$3.25 for each \$100 of contributions. As indicated above, this change is being made on a prospective basis only – benefits accrued to January 1, 2011 will continue to be based on the pre-existing accrual rates.

The accrual rate for the portion of contributions over 10% will remain at \$2.00 for each \$100 of contributions.

### Special retirement pension

The right to an unreduced pension at age 61 with 15 years of contributions continues in respect of benefits earned up to January 1, 2011. Let's say, for example, that you attain age 61 on January 1, 2012 and have 15 years of contributions on that date. Your benefit would consist of two parts:

**Part 1 – for contributions for engagements taking place up to December 31, 2010:** Your benefit in respect of these contributions would be unreduced.

**Part 2 – for contributions for engagements taking place on and after January 1, 2011:** Your benefit in respect of your 2011 contributions will be actuarially reduced from age 65.

#### What does actuarial reduction mean?

Actuarial reduction means a reduction in your pension to reflect the fact that you are taking your pension early – it accounts for the cost of your pension being paid over a longer time period.

In the example above, the pension in respect of the member's 2011 contributions would be reduced by approximately 30% to account for the longer payment period.

#### Another example

Consider a member who retires on January 1, 2013 at age 58 with 20 years of contributions. Again the benefit would consist of two parts:

**Part 1 – for contributions for engagements taking place up to December 31, 2010:** Your benefit in respect of these contributions would be reduced by 12% (3 years early at 4% for each year).

**Part 2 – for contributions for engagements taking place on and after January 1, 2011:** Your benefit for these two years of contributions would be subject to an actuarial reduction of approximately 23%.

The "splitting" of the benefits between two time periods makes the calculation of your pension more complex; however, the Fund Office is, as always, very happy to assist you any time you have questions about your pension benefits.

Please note that you will receive one monthly payment that combines both portions.

## Normal form

As with the other changes, this one is prospective only. Your benefit will be split in two parts:

**Part 1 – for contributions for engagements taking place up to December 31, 2010:** Your benefit in respect of these contributions is payable for your lifetime but guaranteed for 120 months (10 years) in any event.

This means that if, for example, you were to die after 85 months, your pension would continue to your beneficiary (or estate if you have no beneficiary) for the remaining 35 months.

**Part 2 – for contributions for engagements taking place on and after January 1, 2011:** Your benefit for contributions made on and after January 1, 2011 is guaranteed to be payable for your lifetime only. But please note that the Plan will offer you a number of different options at retirement, so you can add a five, ten, or fifteen-year guarantee to your pension if you want. If you add a ten-year guarantee, then this benefit will match the one in respect of contributions up to December 31, 2010.

There is a cost to adding the guarantee.

For example, if you retire at age 65 and you add a ten-year guarantee to your post-2010 benefit, your benefit in respect of these contributions will be reduced by approximately 4%.



## Joint form

**There is an actuarial cost to providing the “joint and 66  $\frac{2}{3}$ % survivor” benefit.**

**Effective January 1, 2011, that cost will no longer be borne by the Fund but by you, the pensioner.**

If you have a spouse on the date you retire, your benefit will consist of two parts:

**Part 1 – for contributions for engagements taking place up to December 31, 2010:** Your benefit in respect of these contributions is guaranteed to be paid for your lifetime. After your death, if your spouse survives you, it will continue to your spouse in an amount equal to 66  $\frac{2}{3}$ % of your pension. (This is referred to as a “joint and 66  $\frac{2}{3}$ % survivor” pension.)

## Early pension

If you decide to retire early and are not yet eligible for a special retirement pension, your benefit will consist of two parts:

**Part 1 – for contributions for engagements taking place up to December 31, 2010:** Your benefit in respect of these contributions would be reduced in accordance with the table “Changes at a Glance” on page 2.

**Part 2 – for contributions for engagements taking place on and after January 1, 2011:** Your benefit in respect of your contributions on and after January 1, 2011 will be actuarially reduced from age 65.

Let’s look at an example. Suppose you are retiring on January 1, 2013 at age 57 with 14 years of contributions. Your two-part benefit would be calculated as follows:

**Part 1 – for contributions for engagements taking place up to December 31, 2010:** Your benefit in respect of these contributions would be reduced by 38% (8 years early – 4% for each year between age 60 and 65 = 20%, plus 6% for each year between age 57 and 60 = 18%).

**Part 2 – for contributions for engagements taking place on and after January 1, 2011:** Your benefit for these two years of contributions would be subject to an actuarial reduction of approximately 45%.

As mentioned earlier, the “splitting” of the benefits between two time periods makes the calculation of your pension more complex; however, the Fund Office is, as always, very happy to assist you any time you have questions about your pension benefits. Keep in mind, as previously stated, you will receive one monthly payment that combines both portions.

**Part 2 – for contributions for engagements taking place on and after January 1, 2011:** Your pension benefit will be actuarially reduced to provide for the 66  $\frac{2}{3}$ % continuation to your surviving spouse.

For example, if you are 65 and your spouse is 62, your benefit in respect of these contributions will be reduced by approximately 13%. The younger your spouse is in relation to your own age, the higher the reduction.

You and your spouse may waive your right to take your benefit in the form of a joint and survivor pension if a waiver form is completed at the time you retire. When you apply for your pension, the Fund Office will provide you with more information about these options.

## Optional forms of pension payment

Due to the changes in the normal form and the joint form, as described, the Plan will now make available a broader set of optional pension forms at retirement to all members.

Here is the list of optional forms that will be available:

- Pension for member's life but guaranteed for five years in any event
- Pension for member's life but guaranteed for ten years in any event
- Pension for member's life but guaranteed for fifteen years in any event

For members who have a spouse at retirement, the above options are also available if a spousal waiver form is completed.

In addition, members who have a spouse can continue to elect a form of pension that adds a ten-year guarantee to the joint and 66  $\frac{2}{3}$ % survivor benefit. This means that, if the member dies in the ten-year period after retirement, the benefit stays at the 100% level for the remainder of the ten years and only then does it reduce to 66  $\frac{2}{3}$ % of the member's benefit, payable for the spouse's remaining lifetime. In the event that the spouse also dies in the first ten years, the benefit will continue to an

appointed beneficiary (or the estate) for the remainder of the ten years.

Members who have a spouse can also elect a joint and 100% survivor benefit. With this option, when the member dies, the pension payable to the spouse equals 100% of the pension that was being paid to the member, and this pension continues for the spouse's remaining lifetime.

When you elect an optional form, there will be an actuarial adjustment taking into account the option you choose. The amount of the adjustment will vary depending on a number of factors, including your age, your spouse's age if applicable, and the optional form. The adjustment factor will also differ for the two parts of your benefit – the pre-2011 benefit and the post-2010 benefit.

When you are getting ready to retire, contact the Fund Office and they will provide you with a quotation and further information regarding the various available options.

## Conclusion

The Trustees have worked hard to provide changes that make sense, are fair, are aligned with their mandate, and maintain the Plan on a sustainable platform. Of course, nobody can predict the future. The Trustees will continue to monitor all aspects of the Plan and the Fund to ensure their ongoing success.

## Your comments are welcome

If you have any comments about the Plan changes, please feel free to submit them in writing to the Fund Office and/or Ontario's Superintendent of Financial Services.

The Superintendent's address is:

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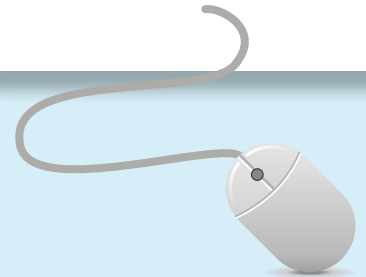


## Remitting contributions

We would like to remind all leaders that contracts and accompanying pension contributions have to be filed with the local on a timely basis. Applicable legislation requires that pension contributions be remitted to the Fund office within 30 days after the month of the engagement. The Fund also has a Collection Control Policy (CCP) which takes into account these legal requirements and the Fund must adhere to the policy.



The 2009 Financial Statement is now available on the Fund's website.  
[www.mpfcanada.ca](http://www.mpfcanada.ca)



## About this newsletter

This publication was prepared on behalf of the Trustees of the Musicians' Pension Fund of Canada. It provides summary information about the Fund in plain language. This publication is not intended to provide advice. If there is a discrepancy between this document and the legal documents that govern the Fund, the legal documents will apply. The Trustees expect to maintain the Fund indefinitely. However, they reserve the right to change or cancel any or all benefits under the Fund for active or retired members and their survivors and dependents.