

JANUARY 2010 – LL764 PENSION COMMITTEE REPORT

Our Pension Plan has what is called a Joint Life and Survivor benefit when the pension is taken as a monthly benefit. What this means is that if you are married, your spouse is entitled to continue to receive a portion of your pension if you predecease them. It also means that your spouse is entitled to receive a portion of your pension if you die prior to retiring.

When pension plans were initially designed the survivor benefit was originally 50% of the pension payable. Changes made to the PBSA legislation over the years have changed the default survivor benefit to 60% of the pension payable. You, or more correctly your spouse, can still elect to receive the 50% option but they must sign a waiver indicating that they wish to receive the smaller amount. This waiver form is one of the documents that the company will send to you in your benefit option selection package when you retire.

Because the total amount of the pension payable has to be actuarially calculated to ensure there is sufficient money to pay your pension, a larger % survivor pension results in a smaller initial pension for you. Things have to balance out. Having said that, if you run a detailed report for your projected retirement date and look at the decrease in your pension for the 60% vs. 50% JL&S options you will notice that the reduction is typically only about 1/10th of the increase in your spouses survivor pension. In other words, you should see about a 2% reduction in your pension to leave your spouse with about a 20% increase in their survivor pension.

The choice of the 50% or 60% option is very much up to each couple to decide based upon their own personal circumstances. Consideration should be given to such things as your relative health, chronic illnesses, your spouse's retirement income and your overall financial picture to name a few.

The 60% option is only available to couples who are married at the time the first pension payment is made. If you marry after you retire, only the 50% JL&S option is available for your spouse. In an interesting side note the JL&S option you select at the time of your retirement is a factor if you subsequently divorce and remarry after retiring. If your spouse at the time of retirement opted to take only the 50% JL&S option, then your next spouse would also be entitled to receive a JL&S 50% survivor pension (of the pension you have left as your share after your divorce of course). If your spouse at the time of retirement had selected the 60% JL&S option, then no future spouse is entitled to any JL&S option should you remarry.

Anyone who is single at the time of retirement receives a monthly pension equivalent to the JL&S 50% option. This is still the default value that is used to **calculate** all pension benefits payable. If you marry after retiring, your new spouse would be eligible for the JL&S 50% benefit only, as noted above.

Email is the most effective way to reach me. I may be contacted at pres764@telus.net with any questions or concerns that you may have.

Respectfully Submitted,

Christopher Hiscock
Chairman, LL764 Pension Committee