

March 2021

USW Local 1976 - Unit 613

Quick Facts About Your United Steelworkers Pension

Your target-benefit pension is professionally administered and invested. **Your fund grew by 14% in 2020, and earned an average return of 8.5% over the last 10 years**, a better track record than the average stock market 10-year return of 5.8%.

Most pension experts and financial planners advise that a target-benefit or defined-benefit plan is a safer bet than a defined-contribution plan.

Here are more details about your USW pension:

- ✓ The USW Plan is called a “Multi-Employer Target-Benefit Plan.”
- ✓ It is registered and regulated under the Ontario Pension Benefits Act, adding a layer of oversight.
- ✓ **The employer and employee each contribute 4%.**
- ✓ The money goes into a pension fund that is **professionally administered and invested.**
- ✓ In 2020, the fund had a return of 14%. For the last 10 years: 8.5%.
- ✓ The plan is administered at arms-length from the union and overseen by a board of trustees consisting of USW members and staff.
- ✓ If you die before your pension payments have started, your spouse, or beneficiary (if you have no spouse), or estate (if you have not designated a beneficiary), will receive a lump-sum amount equal to the present-day value of the pension you had earned up to the date of your death.
- ✓ There is a Joint and Survivor pension benefit if you die after retirement.
- ✓ Member statements are mailed out each June.
- ✓ Benefits accrue based on the following formula: **contributions x 1.5% = monthly pension.**
- ✓ Pension is payable for life, with a minimum of five years.
- ✓ Your individual statement will provide you with an accurate account of your accrued earnings.

Some organizations (such as CLAC, which is trying to get rid of your union) offer “Defined Contribution” plans. A DC plan is inferior to a target-benefit plan. The USW always works hard in negotiations to help members improve their pension plans and prevent switching to a lesser plan. Here’s why:

- ✗ **With a DC plan, you do not know what your benefits will be.**
 - ✗ It is totally **dependent on interest rates.** Members purchase an annuity upon retirement with the funds that are available.
 - ✗ Often, there are **not enough funds to last for the retiree’s lifetime.**
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- ✘ If the retiree purchases a “lifetime annuity,” the returns are lower than for a fixed annuity.
- ✘ **The retiree bears ALL of the investment risk.** If investment returns are low at the point of retirement, the pension will be low.
- ✘ **DC plans also pay higher investment fees,** because the accounts have to be individually administered.

For these reasons, most pension experts and financial planners (except for those who want to sell you these kinds of plans) advise that a target-benefit or defined-benefit plan is a safer bet than a DC plan.

 Sample monthly pension calculation with your USW pension plan	
Years of participation in Plan from April 1, 2016, to Mar. 31, 2046	30
Estimated annual basic earnings for first year of work in 2016	\$45,791.76
Employer’s contribution (4%) plus Employee’s contribution (4%):	8% of basic earnings per year
The annual pension accrual is calculated as follows:	
Annual earnings x 8% contributions x 1.5% accrual	
$\$45,791.76 \times 8\% \times 1.5\%$ for 2016	= \$54.95 pension/month for 1 st year of service
Add up the monthly amounts for every year of service.	
After 30 years, with assumed wage increases of 2% to the annual wages every year, the monthly pension amount is \$2,252.05.	= \$2,252.05 pension/month after 30 years of service

Assumptions: Level 3.4 screener working 40 hours per week – allowance made for unpaid leave; hours estimated to be 2,000 hrs per year. Note: USW contract provides that contributions are made on all earnings, including sick leave, overtime, vacation, COLA/VRSC, etc. Actual wage rates are used until the expiry of the current agreement in March 2022. Wage increases of 2% annually assumed thereafter. Contribution rates and accrual rates don’t change.

The results show that a screener who began work on April 1, 2016, and worked 30 years until March 31, 2046, **will receive a lifetime pension of \$2,252.05 per month, for the rest of their life.**

For more precise explanations, refer to the Pension Booklet.

Remember, as a member of the Steelworkers Pension Plan, you can log in directly to get info about your pension: steelworkerspensionplan.ca

For further information, feel free to contact:

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