Bell Pensioners' Group

Together, Protecting our Pensions and Benefits

June 2009 – Newsletter

Toronto Chapter

P.O. Box 5-Stn "D" Etobicoke ON M9A 4X1 www.bellpensionersgroup.ca Volume # 48 18th June 2009

Record Turnout attends 2009 Annual General meeting

The BPG, Toronto Chapter, Annual General Meeting was held on 13 May, 2009, at the Pavilion Royale. A capacity crowd attended with well over 500 members eager to get the latest information on the status of our pension plan, an update on BPG's activities in regards to proposed changes to the federal pension regulations and an update on the financial status of the Toronto Chapter of BPG as well as BPG overall.

In his opening remarks, Al Bowcott advised that 2009 marked the 15th anniversary of BPG. It was 15 years ago that a group of Bell pensioners, concerned about their RRSP savings after the collapse of The Confederation Life Insurance Company, met to form what was to become the Bell Pensioners Group.

In that first year there were only 285 members. Since 1994, membership in the BPG has grown to a little over 10,000 fully paid up members spread over five Chapters in Ontario and Quebec.

Currently there are approximately 30,000 Bell retirees. That means that two out of three Bell pensioners are still not BPG members.

Al went on to stress that to maintain and build on the credibility, recognition and esteem that the BPG has with government, the regulator and other pension advocacy groups, we must continue to grow our membership. Al stated that our most effective recruiters are our current members. Adding that if each member was to contact a Bell pensioner friend or former colleague, who is not a member of the BPG, and convince them to join us, we could significantly increase our membership numbers.

we must continue to grow our membership. Al stated that our most effective recruiters are our current members.

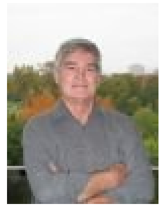
To this end, those in attendance were asked to pick up a brochure and a copy of the article "BPG Wants to Ensure that the Pension Promise is Kept" (this was the lead article in our April newsletter) as they left the meeting and to pass it on those who have not yet joined BPG. He also stated that all our e-mail members will be contacted and asked to forward this information to their Bell pensioner contacts and other groups and clubs they may belong to that have Bell pensioners as members.

In This Issue

PIC Elections

As we go to press, Bell will have provided details concerning the 2009 Pension Information Committee (PIC) elections and the call for nominations in the June 2009 issue of "In Touch". As you know we are very fortunate that Allison Henriques, our current back-up PIC representative, has agreed to stand for election as our Ontario PIC representative. Titus Ramkhalawansingh, our former Chapter treasurer, has agreed to run as well and is prepared to be Allison's back-up representative. Accordingly, our BPG Board and Chapter committees have assured that Allison and Titus will receive sufficient nominations to be placed on the ballot. For more information see the article on page 9

Raymond Bertrand BPG President Provides Update at AGM



Raymond Bertrand, president of BPG provided an update on the recent activities of BPG. He began by stating that since 2005 BPG has expended a great deal of time and effort to have the current pension legislation and regulations provided by the Pension Benefits Standard Act (PBSA) changed to ensure better protection for retirees' pensions. Existing legislation dates back to 1985,

Given the current economic situation and the resulting pressure from many stakeholder groups, the Federal Government has finally agreed to take action. Last October in his Economic Statement the Minister of Finance announced they would be holding a national Consultation on Strengthening the Legislative and Regulatory Framework for Private Pension Plans.

On 15 March, BPG filed a formal submission with the Minister of Finance which detailed some 27 recommendations that would strengthen the current legislation and provide the improvements needed to protect our pensions. Cross country Public meetings chaired by the Parliamentary Secretary for the Minister of Finance, Mr. Ted Menzies MP, took place to obtain stakeholders views and recommendations with the intention of introducing new legislation by year end 2009. On March 18, the BPG was invited to participate and present our views as an expert witness selected from a cross section of representatives from labour, retirees, plan sponsors and legal or professional consultant firms.

Raymond said that BPG's efforts continue unabated in order to take full advantage of this long awaited opportunity to change the rules. He went on to advise that Pension Reform is a BPG priority and that it is essential all members understand what's at stake as they may be asked to take a more active role as the process continues.

At this point Raymond went on to review some of the other initiatives that have been undertaken by the Board of BPG in the past year.

He thanked Pam Went and her team for the excellent work done to update our Corporate Governance rules and procedures including a complete revision to the BPG Vision Statement. He emphasized that good governance is essential to our success and allows BPG executive to fulfill its mandate to protect our pensions and post retirement benefits.

The Communications Committee chaired by Andre Bergeron has assured timely and top quality communications. They have been able to re-act quickly and effectively in keeping the information flowing by providing articles for the Chapter Newsletters, our BPG website, briefs for various government inquiries, etc. Further in this regard, Raymond advised the Corporate and Chapter websites have been completely updated and webmasters have been trained. Development work is continuing to provide additional web based capabilities for the Chapters. Raymond emphasized that good communications are essential to our effectiveness as they impact all our activities and offered special thanks to Andre, his team and Chapter volunteers that participated in these projects.

Earlier this year a Strategic Task Force was assembled to re-examine our position on the key issues we as a pension advocacy group face today. The Task Force has undertaken a complete review of our activities, and re-affirmed our priorities looking forward which are to ensure the "pension promise" including improving pensioner rights in the event of sponsor bankruptcy, sustain our post retirement benefits, tailor BPG's services to meet the needs of our membership and to grow our membership.

The work done to date has served to clarify the many inter-relationships between our various activities which will enable us to develop appropriate strategies and tactical plans to meet our objectives.

Increasing membership continues to be one of the top priorities for BPG. Raymond cited some examples of new initiatives that are being tried to accomplish this goal, e.g. our Board member, Carol Ann Cole, has initiated a campaign using her contacts in the various other volunteer groups she is involved with to search out potential new members; some Chapters that represent large geographical areas in Quebec and Ontario are holding information and recruiting meetings in various locations in their operating area. Raymond went on to invite members to emulate Carol Ann's initiative, emphasizing the importance of getting Bell Pensioners who are not members to join BPG – particularly at this time.

Raymond congratulated Dan MacDonald and the members of the Benefits Committee on the excellent job they've done in resolving the sometimes complex problems some of our members have with their post retirement benefits. He went on to advise that a search of Bell's Archives to determine and document the history Bell's Benefit plans has been completed and forwarded to our legal advisors for evaluation in the event of a future challenge to our benefits entitlement.

Raymond offered a special thank you to Gwen Guillet, our corporate treasurer and the five Chapter treasurers who have done an exceptional job in maintaining the financial accounts of BPG. Our auditors continue to be impressed with the quality and accuracy of the work done by our financial team.

Raymond provided an update to the recent Pension Entitlement Audit initiated by Bell late last year. As of 16 April, 2009 Bell sent approximately 31,000 letters to all then current pensioners. Responses were received from about 29,000, About 1,000 are in process and 533 have not responded. Two additional letters were sent plus attempts to contact the non-respondents by phone. Bell is continuing with this process and advise that as of 30 June, pension cheques will be stopped and when contact has been established all pension entitlements will be reinstated immediately.

Pension Plan Update - Bob Farmer

Bob Farmer, the chair of BPG's Pension Committee provided the following update at our AGM.

The effect of the collapse in world financial markets has had a serious impact on defined benefit pension plans. The Bell Pension plan lost 19.5 % of its value leaving an estimated solvency deficit of $1.8 billion. As a result of pressure from both plan sponsors who want to reduce the financial burden required to properly fund plan deficits and from pension advocacy groups such as BPG to tighten and improve the funding requirements, the Federal Government is currently in the process of considering legislative changes to the Pension Benefits Standards Act, which regulates federally registered define benefit pension plans.

The outcome of this process will have a long lasting impact on pensioners.

> ***"Bell's proposals change the way in which the plan surplus/deficit is calculated in a way that puts much more risk onto pensioners"***

Bell's proposals change the way in which the plan surplus/deficit is calculated in a way that puts much more risk onto pensioners. Bell believes the current rules are onerous, too conservative and undermine their competitiveness and productivity.

Accordingly, Bell, as part of a consortium of six other federally regulated defined benefit pension plan sponsors, have submitted several recommendations that in the opinion of BPG's legal consultants, would make it appear that there is no plan deficit at all which would put pensioners at serious risk of having a constantly under funded pension plan.

To counter this thrust, BPG has been actively working with the government, Bell and others. We have submitted 27 recommended changes to the PBSA. We were asked by Finance Canada to represent the voice of pensioners in the consulting process (both public and private sessions). We've had discussions with the parliamentary secretary of the Minister of Finance. We have had meetings with Bell. And we are coordinating our efforts with the Canadian Federation of Pensioners who represent 150,000 pensioners including Bell.

As the debate about changes to the regulations proceeds BPG will continue with the consulting process and discussions with key government decision makers. We have also engaged legal and actuarial assistance to help us counter some of the more onerous recommendations made by the Bell/ Consortium.

The Government plans to release the proposed changes to the PBSA in the summer months with a view to enacting the related legislation by year-end.

In politics numbers really matter! You can help now. The strength of BPG in this debate will be measured by the number of paid-up members we represent. For every member of BPG two Bell retirees are not yet members. Talk to them – get them on board!

Depending how things progress over the summer, we may have to call on you to take a more active role as the Government proceeds to enact their proposed legislation . See also articles on pages 4,5 & 6 for further information.

2008 Audited Financial Statements - Presented by Glen Simpson - Chapter Treasurer

Collins Barrow LLP, our Ottawa-based auditors, delivered the audited 2008 financial statements of Bell Pensioners Group Inc. to the corporate board on April 2, 2009. It stated "these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2008 and the results of its operations and its cash flows for the year then ended". The Corporate Board approved the audit, as well as the auditor's appointment for the following year and maintenance of the membership fee at $20. At the AGM on May 13, 2009, the Toronto Chapter membership similarly approved these three motions.

The auditors noted favorably BPG Inc.'s continuing progress in updating governance, procedures and policies, in improving the web site, in increasing membership and in managing expenses so as to generate a surplus reserve to fund future projects. That reserve totaled $237,555 at year-end. Finally, the auditors recommended in this general context further documentation and clarification of the organization's policies on ethical behavior, investment and capitalization, as well as the inclusion of future year budget numbers in financial statements. BPG Inc. board is pursuing these. No recommendations specific to the Toronto Chapter were made.

The auditor's report is available for any member to review by contacting the Chapter Chair or the Treasurer

Summary Financial Highlights: *(Toronto Chapter figures shown in parentheses)*

- ◊ Membership increase by 2.7 percent and now surpasses 10,000 members. Toronto Chapter has 3586 members
- ◊ Revenues mostly from membership fees totaled $212,047 ($73,847)
- ◊ Expenses $171,671 ($20,959). Chapter expenses are mainly incurred on newsletter publishing and General Meetings. Also, half of annual membership fees are transferred to Corporate. While Chapter expenses declined by 3%, Corporate expenses climbed by 29.2% reflecting a dramatic ramp-up in legal, research and advocacy arenas.
- ◊ Toronto Chapter ended 2008 with a surplus over our retained revenues of $17,000. The Toronto Chapter, largest of the five chapters, again reported the lowest expense dollars per capita at $6

Pension Plans Under Study by the Federal Government

There is a great deal of interest these days in pension plans. Even a casual reader of the daily news will see frequent articles on pension plans. This is, unfortunately, because pension plans have been hit hard by the economic downturn, lowering their asset valuations in 2008 by double digit percentage figures.

At the same time a number of large Canadian employers, who sponsor defined benefit pension plans like the one offered by Bell, are facing serious financial troubles that challenge their very existence. Nortel, Chrysler, GM, Abitibi-Bowater are some examples. These employers all have pension plans which are significantly underfunded. That means that if they were to go under, their pensioners (and employees) would not receive the pension payments that had been committed to them.

In January of this year, the federal government started to look at the rules that govern pensions within its jurisdiction. This is particularly important to Bell pensioners because Bell Canada's pensions are federally regulated. That is, the federal laws and regulations have a direct impact on how Bell Canada's pensions are operated. In particular, it is the federal rules that specify the many parameters of the pension plan, including:

"One way for Bell retirees to be counted in this debate is for them to be members of BPG"

- ◊ the degree to which Bell must fund its pension plan,
- ◊ the way in which pension plan assets and liabilities are calculated,
- ◊ the frequency with which Bell must report the financial status of the plan to the regulator and to its members,
- ◊ the conditions under which Bell can take a contribution holiday or partial holiday,
- ◊ the pace at which Bell must make good any plan deficit that may arise.

All of these affect the risk that pensioners face, and

the information that Bell must provide to its plan members

For instance, if Bell's pension plan is allowed to get into a state where it will be unable to meet its pension obligations, or if Bell is allowed to take a long time to fix any deficit situation, or if Bell can go a long time before even reporting to its members or the regulator about the status of its pension plan, then Bell's pensioners risk being in the same unfortunate situation as the pensioners of Chrysler, GM, or Nortel if Bell should run into financial difficulties and have to declare bankruptcy.

The federal government has heard from 200 parties in this process, and is currently evaluating what changes, if any, will be made to the current pension rules. It is expected that any changes to legislation will be introduced in Parliament before the end of year.

Through the rest of this year, BPG will continue to represent your interests to government to push for government to take into account the recommendations that BPG has made as well as let government know the negative consequences for pensioners of the proposals of others. BPG is particularly concerned about some of the proposals put forward by Bell, because those proposals place greater risk on our pensioners than do the current rules,

You can help.

Making amendments to legislation is a political process, because it is politicians who must decide whether changes should be made, and what the nature of those changes should be. One way for Bell retirees to be counted in this debate is for them to be members of BPG. Right now BPG has about 10,000 members. This compares to about 30,000 Bell retirees. If BPG can say that pensioners are joining BPG to express their concern about the security of their pensions, then BPG – and by extension Bell pensioners – will have a greater voice and greater credibility when talking to decision makers.

For every member of BPG, there are two Bell retirees who have not joined. BPG members should talk to them and tell them that important issues that will affect the security of their pensions are at stake – and their joining BPG is a sign to government that they are concerned.

Some Bell retirees know the politicians who represent them, either provincially or federally. If a politician hears directly from his constituents, and especially if he hears the message frequently, then he or she starts to take notice. If you are in a position to do so, let them know you are concerned. You don't need to become an expert in the matters, but you should convey your concern.

Mention that BPG is representing your interests, and has made some very concrete proposals. Tell them you are particularly concerned by proposals that some large sponsors of defined benefit pension plans have made, including Bell. All pensioners should be ready to play an even more active role later this year, when the federal government announces which changes it is planning to make to the legislation.

The Debate About the Pension Rules

Earlier this year, the federal government launched a process to look at the changes that should be made to the rules that govern the operations of existing pension plans, including the defined benefit pension plan offered by Bell. The Pension Benefits Standards Act is the name of the legislation that governs Bell Canada's pension plan. This Act has not been changed since the 1980's.

The federal Government has invited any parties with an interest in pension issues to suggest changes to the pension rules. BPG has submitted proposals to the government. You can see the BPG submissions at http://bellpensionersgroup.ca/.

Bell too has made submissions to government. It has done so separately, and as part of a Consortium of seven large sponsors of defined benefit pension plans. The other six companies in the Consortium are CN, Air Canada, Nav Canada, Canada Post, CP Rail, and MTS Allstream.

Though we are not far apart on some issues, we have a strongly different view than Bell on others.

Premise of Proposals

The debate over the rules can be put in context by examining the underlying theme of the BPG proposals and the Bell proposals.

BPG's concern is that the pension promise that has been made to Bell's retirees could be placed at risk because the rules do not sufficiently protect the security of the pension plan. Consequently, BPG has made numerous recommendations in its submissions that would strengthen the rules and reduce as much as possible the risk to pensioners. It is important to keep in mind that the risk cannot be eliminated. However, BPG's mandate is to do what it can to make the risk as small as possible.

Bell acknowledges that it has made a promise to its pensioners, and that promise is found in the terms of the defined benefits that your pension provides. Bell has not made an attempt to change the nature of the promise, rather it wants to change the rules in such a way as to give the company more financial flexibility to invest more in its business and less in the pension fund. . The company says that the current rules are onerous and undermine sponsors' competitiveness and productivity. Consequently, it calls for changes to the government's pension rules which, it says, would allow it to invest more heavily in its business.

The specifics of Bell's funding proposals are very troubling for BPG.

Minimum Funding Obligations

As is the case with any plan sponsor, Bell is required to make sure that its pension plan has sufficient funds to cover both its ongoing liability and its solvency liability. The solvency liability is the measure of what is needed in the pension plan to ensure that every pensioner would receive the full amount of his/her pension should the company wind-up its pension fund as in the case of a bankruptcy or merger.. If, , the pension plan were to wind-up when it is carrying a deficit, then the pension promise could not be fully delivered and pensioners would receive less than their promised pension income.

To help protect against this risk, BPG has made a number of proposals to encourage companies to invest more in the pension fund and has also recommended that the pension fund should always have more than it needs from a solvency liability point of view e.g. BPG proposed that a sponsor should be required to fund its plan not just to 100% of its solvency liability, but to 105% of that amount. In this way, if a sponsor comes upon times when pension plan investment performance is poor – which is almost inevitable at some point – then the deficit will not be as deep, nor will it take as long for the sponsor to eliminate it through special payments.

Given the relatively sudden and significant declines in assets over the past year – which are very bad times indeed – BPG has also recommended changes to the Income Tax Act to allow companies to contribute up to 25 per cent more than its solvency liability..

In contrast to BPGs proposals, Bell has suggested that not only should there be no buffer, but that the calculation of the solvency liability should leave out some of the major obligations of the pension plan. This result would be that Bell would not have to inject nearly as much money to maintain the solvency of the plan. It has made two specific recommendations in this regard.

First, Bell is proposing that the indexation provisions of the Bell pension plan be excluded from its calculation of its solvency liability. Bell is not stepping away from its promise to index your pension. Rather, it is saying when it comes to figuring out how much money it needs to make sure your pension is fully protected should the plan be dissolved i.e. the solvency liability, it should not have to include the indexation obligation in the calculation of the liability.

One can think indexation is a small deal when you consider that indexation only amounts to about two percent a year, or less. But when you take into account that the exclusion would happen for every year of your retirement, and that its effect compounds, then the combined impact is surprisingly large.

The solvency liability for the Bell pension plan in 2007 was $11.8B. Of this, $2B was attributable to the indexation provision. If Bell's proposal were accepted, this change in calculation alone would wipe out the $1.8B solvency deficit that its most recent Annual Report estimates for 2008. It also means that if Bell actually funded its plan to the levels that it is proposing, the pension plan would be short of what it would need in the event of a plan wind-up by $2B.

Second, Bell is proposing that the solvency liability calculation be performed using methodologies that are suited to a situation where the pension plan is ongoing. But the whole idea of a solvency liability calculation is to simulate a plan wind-up so that it would be known what funding is necessary in the eventuality that a company goes bankrupt.

(continued on next page)

The Debate about Pension Rules (cont)

Bell's proposals assume that it will not go out of business, ever. All pensioners readily hope for that outcome, and wish Bell the best. But you can't build your future on those wishes and hopes; and the government certainly shouldn't build its pension policy on wishes and hopes. The government would have to be extraordinarily complacent, and blind to the all too common examples of pension sponsors in trouble, to assume along with Bell that it couldn't possibly ever cease to be successful. Does anyone seriously think that GM, the world's largest car manufacturer for 78 years of its 79 year history, assumed that its success would come to a sudden halt?

Amortization of Plan Deficit

Under the existing rules, a sponsor must make special payments over a five year period to make up any solvency deficit of the plan . This five year period is the amortization period associated with the solvency deficit. Under current temporary regulations, because of the dramatic decline in market-based assets, a sponsor is permitted to take ten years, provided that conditions are met. The conditions are:

- ◊ No more than one-third of active plan members or non-active members and beneficiaries, including retirees, object
- ◊ the sponsor covers the difference in payments between the 5 year amortization and the 10 year amortization with a letter of credit (One can think of a letter of credit as an insurance policy purchased by the sponsor).

BPG agrees with the conditions: in particular, a letter of credit provides even greater protection to pensioners. However, BPG has requested that the pension regulator not grant the amortization extension automatically and that approval be granted on a case by case basis..

Bell disagrees with the conditions, proposed by the government.. It is asking that the amortization period be extended, permanently and without condition, for ten years. In particular, Bell finds the letter of credit condition onerous because of the costs associated with it.

Role of Pensioners in Bankruptcy

Current legislation includes pensioners along with other *unsecured* creditors should a pension plan wind-up when in a deficit position. That means that, typically, financial institutions will get first crack at any company assets in a bankruptcy proceeding, and all other creditors will share whatever – if anything – is left. BPG has proposed a change to the Bankruptcy Act to place pensioners among the list of secured creditors.

For the same reason as above, Bell expects that pensioners having priority access to assets in a bankruptcy proceeding will increase its cost of debt – and so opposes any change to the Bankruptcy Act.

Are You Aware?

Government Announces Changes to CPP

Several changes to the Canada Pension Plan will affect our members who are not yet receiving CPP benefits. These were announced on May 25th 2009. Since many of our recent retirees do not yet qualify for CPP they should note in particular the plans to reduce benefits to those applying before age 65 starting in 2012 as well as increases to the drop out period which may affect their payments.

The key changes are as follows and only affect new applicants:

1. Starting 2012 there will no longer be a requirement to stop working in order to apply and receive CPP benefits.
2. Currently there is a low drop out period of 15% in the calculation of benefits. This equates to 7 years for those who request benefits at age 65 and 6.3 years for those receiving benifits at age 60. The percentage will increase to 16% in 2012 or 7.5 years and 17% in 2014 or 8 years based on application of benefits at age 65.
3. Currently those who draw CPP benefits but return to work do not have to pay into the CPP. Starting in 2012 those under 65 will be required to contribute to the CPP and above 65 it will be voluntary. These additional contributions would see the CPP benefit paid to these folks who return to work increase by 1/40th of the maximum pension amount if they made the maximum contribution.
4. Currently those who decide to receive their CPP before 65 see it reduce by .5% for each month under 65 so that at age 60 the CPP is reduced by 30%. Starting in 2012 and over a 5 year period this will be increased to .6% a month so that by 2016 someone choosing to collect CPP at age 60 will see the benefit decreased by 36%. Conversely those who delay collecting their CPP benefits after age 65 will see the benefit increase from .5% to .7% starting in 2012 over a 5 year period so by 2016 someone who waits until age 70 will see their benefits increase by 42% instead of the current 30%.

See link for the full release from the Finance Department. http://www.fin.gc.ca/n08/data/09-051_1-eng.asp

Toronto Chapter launches Discussion Forum

The Toronto Chapter Team is pleased to announce the trial of a new e-communications "discussion forum" or "chat room" for BCG members who like to use the internet and want to communicate with friends and associates. This easy to use tool can be viewed by visiting http://www.phpbbplanet.com/bpgcanada/ . You can view all the discussion groups without signing up, so take a look and hopefully this will stimulate your interest in joining in the discussions of your topic of interest. If you would like to receive an Introductory Information Package explaining the Discussion forum, please email philthomson@bellpensionersgroup.ca . "

Suspension of benefits — Plan "B"

A member asked on our Forum: "Can I discontinue by Family plan, additional costs benefits while I am on an extended stay out of Canada (greater than a year), stop paying for these benefits from my monthly pension AND then have them reinstated (if they still exist) at the then future rate as charged to other members at some future date?

The answer is: A member can make a change once a year to their benefits, or during a family event. In the case described below, it would be better for the retiree to opt out of the plan for the period he is out of Canada and then opt back in upon return. He can do these steps by contacting the Benefits Administrator. They will provide him with the appropriate change form.

Pension Guide for Members - Updated Version

The Pension Guide for Members of Federally Regulated Private Pension Plans has been updated to reflect the changes to life income funds and locked-in retirement savings plans. This revised version of the Guide also reflects phased-in retirement, which came into force on March 31, 2009. The Guide is available on the OSFI web site at:

http://www.osfi-bsif.gc.ca/osfi/index_e.aspx?ArticleID=3051

You may also call Publications Distribution OSFI at: (613) 990-7655 or email information@osfi-bsif.gc.ca to receive a copy via mail.

Vacation Supply of Prescription Medications

If travelling for less that 100 days, no specific approval is required as long as your existing supply is at least 2/3 used up. Otherwise you must call the Manulife Financial Group Benefits Customer Service Center (Manulife Call Center) for an exception in order to purchase an advance supply. Please allow one week for your advance vacation supply of medications to be processed and approved. If you do not obtain advance approval from Manulife before going to the pharmacy, the prescription drug refill will automatically be refused at the pharmacy because it is being refilled too soon. Upon receipt of approval from Manulife, you will have a 30-day window period during which your pharmacist will be able to process your vacation supply.

If you need a supply of medications for 100 days or more
You must always call the Manulife Call Center in advance to make special arrangements. Please allow one week for your advance vacation supply of medications to be processed and approved. You then have a 30-day window period to purchase your prescriptions.
Please contact the Manulife Call Center if you have any questions regarding the process for obtaining a vacation supply of your prescription medications.
Manulife Financial Group Benefits Customer Service Center

Bell Canada Retirees
If you live in Québec: 1 800 749-5953
If you live outside Québec: 1 800 558-8909

Missing members

Once again we are asking for you help in locating members who have likely moved and forgot to inform us. We would appreciate your letting us know if you know the current whereabouts of any of the following members:

William Hills - Oakville , Ralph Jones - Cobble Hill BC, Barbara Murphy - Gravenhurst

Keynote Speaker Malcolm Hamilton's Address at AGM

The guest speaker was Malcolm Hamilton, a Principal with Mercer Human Recourses Ltd., a company that has provided consulting services to most of the large pension plan sponsors in Canada, including Bell and Air Canada.

Malcolm is a pension actuary and is without peer in his knowledge of defined benefit pension plans in North America. His expertise is sought by pension plan sponsors, the media and pension regulators.

The following is a summary of Malcolm's presentation – "The Economic Crisis and Its Impact on Pension Plans":

By any conventional measure, 2008 was a horrible year for pension plans. The average large pension fund earned -18% of its value. Prior to 2008 the worst year on record was 1974 at -13% and the second worst was 2002 at -4%. It is safe to predict that all of the G7 economies will shrink significantly. Interest rates are at 50 year lows. Last year witnessed the steepest decline in commodity prices on record and we experienced the worst global stock market declines since and possibly including 1929.

Virtually without exception, pension plans are more poorly funded today than they were a year ago; according to the Mercer pension database, the average pension solvency ratio dropped from 104% to 81%. The good news is that for the most part, pension plans, unlike financial institutions, have the luxury of being patient. The consequences of large losses in 2008 are minimal if the markets recover in the next few years. However, if the recovery is slow or delayed, sponsors of defined benefit plans will need to contribute more for a longer period of time.

Indications are that there is a growing crisis in defined benefit pension plans as once in a century event are coming twice in a decade. The typical pension loss in 2008 was about 25%. When surveyed, 88% of Canadian executives say we have a crisis and more than 10% of defined benefit plan sponsors see their pension plan as a threat to their survival. Having said this, defined benefit pension plans do not cause healthy businesses to fail. But, for many corporations, poorly funded DB pension plans become complications in the struggle to survive. In healthy businesses an increase in plan contributions is disappointing but manageable.

The world now has two serious problems – a shaky financial system, i.e. technically insolvent financial institutions; and a rapidly declining real economy, as tapped out American consumers are suddenly forced to live within their means and are no longer able to counterbalance thrifty Asians who want to produce more than they consume.

We learned from the Great Depression that deflationary depressions are to be avoided because once they get going, they are difficult to stop.

So what is the plan? Governments have moved to recapitalize the Banks, provide stimulus to create jobs, lower interest rates to encourage consumers to borrow and spend, and provide guarantees so businesses and people can get credit. Basically, cure the problems created by over-borrowing and over-spending by encouraging people to borrow and spend, or by having government borrow and spend on their behalf.

If the plan succeeds, the U.S. must withdraw this fiscal and monetary stimulus before speculation and inflation get out of control and at the same time encourage Americans to save more and spend less and hope that Asians spend more and save less. Pulling this off will require great skill and some luck.

The Canadian economy and our pension plans did not cause the world's problems. However, they will be affected and must begin a potentially painful adaptation to a changing world.

The Canada Pension Plan is in good shape, but it cannot be scaled up to solve all of our problems. Funded as it is today, a good CPP pension would cost around 40% of pay. A fully funded extension to CPP takes 30 to 50 years to mature and will have the same risk management problems as do defined benefit plans.

Defined benefit pension plans have risk management issues that are not easily addressed. As the plans mature, they are less able to bear risk and as interest rate decline DB plans become expensive *or* risky; the costs are high at very inopportune times.

It is unlikely that DB plans will flourish in the private sector. Nonetheless, to improve the chances of success the plans need to be better capitalized, or de-risked. The benefits need to be better defined, in particular, inflation protection, and plan surpluses need to be recoverable by sponsors *or* the members must share the risk.

No one should imagine that any funded pension or savings plan can painlessly endure losses like those encountered in 2008. A better designed and more robust system might make the pain more bearable, but there will always be pain in circumstances such as these.

Finally, while solving our long-term problems is a good thing, most solutions do not address the challenges that arise from an economic crisis. For example, what can we do about large funding deficiencies in plans sponsored by financially troubled corporations; large funding deficiencies in public sector plans; and individual Canadians who have lost large amounts of money with little or no time to recover? The sad truth is it is easier to loose money than to unloose it and the largest losses often come when they are painful to bear. But challenging times often lead to great advances.

Meanwhile, for DB pensioners the best protection is a financially strong plan sponsor, responsible funding and investment policies, and open lines of communication

PENSION INFORMATION COMMITTEE ELECTIONS

In the June issue of In Touch, Bell had an article about the upcoming PIC elections. These elections are held every three years to fill the two positions occupied by retirees on the six-member Pension Information Committee (PIC).

In addition to two retiree representatives – one from Ontario (Ontario and Western Canada) and one from Quebec (Quebec and Maritimes) – the committee comprises two representatives from the Communications, Energy and Paperworkers Union of Canada (CEP) and two Bell managers.

All retired member representatives are elected to a three-year mandate (January 2010 to December 2012). In the event of an incumbent representative's resignation, the runner-up in the election will serve as an official back-up and assume responsibility for the remainder of the mandate.

This year, the nomination period will run from From June 29 to July 31 while the voting will take place over a five-week period, from August 10 to September 14, 2009.

BPG feels it is essential that the representatives elected to these positions have the knowledge and skills required to understand and question the information presented to them by Bell. The candidates endorsed by BPG in the past have been outstanding representatives of pensioners from both Ontario and Quebec. BPG was able to provide them with the support they required to accomplish their duty; in return, they played a key role within the Group and proved to be a mine of information for all our membership. The current PIC representatives, Jim Murray and Richard Vanslette, were both members of BPG's Pension Committee and were instrumental in preparing our recommendations on Pension reform.

The upcoming PIC elections represent a great opportunity for all BPG membership to show the strength of our group. It is essential that all BPG members vote for the candidate supported by the group. Keep this page handy in order to remember when it is time to vote.

HOW TO VOTE

Voting will take place from August 10 to September 14, 2009

Vote online at www.services-bell.com/election/PIC, where you will find instructions on how to vote electronically, by using your employee number.

You can obtain a paper ballot by calling 1-888-330-3020.

Jim Murray, who has served as PIC representative for Ontario pensioners for the last six years, has done an outstanding job both on the PIC and as a member of BPG's Pension Committee. Jim has recently been selected as President of the Canadian Federation of Pensioners (CFP) and will step down as PIC representative at the end of his mandate.

Late Breaking News: Minister of Finance Announces Coming Into Force of Pension Solvency Regulations

The Honourable Jim Flaherty, Minister of Finance, today (June 12th) announced the coming into force of new regulations that provide temporary solvency funding relief for federally regulated defined benefit pension plans. The measures cover plans established for employees working in areas that fall under federal jurisdiction. These plans currently represent 7 per cent of all private pension plans in Canada, accounting for approximately 12 per cent of pension assets. "These measures will help protect pension benefits while allowing companies more flexibility in meeting their pension obligations," said Minister Flaherty. The measures coming into force today will:

- Extend the solvency funding payment period by one year for deficiencies reported as of year-end between November 1, 2008 and October 31, 2009.
- Extend the solvency funding payment period to 10 years from 5 years with the agreement of members and retirees.
- Extend the solvency funding payment period to 10 years from 5 years when the difference is secured with a letter of credit.
- Extend the solvency funding payment period to 10 years from 5 years for agent Crown corporations with terms and conditions to ensure a level playing field.
- Allow asset smoothing above 110 per cent with the difference in payments subject to a deemed trust.

As announced in Canada's Economic Action Plan, the Government has conducted national consultations on Canada's legislative and regulatory framework for federally regulated private pension plans, chaired by Ted Menzies, Parliamentary Secretary to the Minister of Finance, with a view to introducing comprehensive new regulations in the fall.

Pension 101 or Every thing you always wanted to know about Pension Plans

ABOUT PENSION PLANS

Every month you receive a payment covering your Bell pension. Have you ever wondered what backs up these payments, and what steps have been taken to make sure the payments keep coming? This article covers some of the basics of the Bell Canada defined benefit pension plan.

What is a "defined benefit" Pension Plan?

First, the term "defined benefit" is self-explanatory. What your pension payments will be is known to you before you retire. In fact, well before retirement you knew that the pension payment you would get is derived from a formula that uses your age, number of service years, and earnings. That is, the pension amount, which is the benefit, has been well defined.

Not all pensions are defined benefit (DB). For instance, Bell Canada no longer enrolls new employees into its DB plan. Rather, now they offer a "defined contribution", or DC, plan. In this type of plan, both the employee and employer contribute money into a fund over time, and the money in the fund is then invested. In good times, the fund grows well. In bad times, the fund grows more slowly, or even contracts. Whatever is in the fund at retirement, that is what the pensioner gets. Contributions have been defined, the benefit has not.

Back to DB plans. For most employees, their pensions come entirely from the Bell Canada pension plan. For others, a portion of their pensions come from this same plan, and the rest comes from Bell Canada revenues. This article is only going to address that part of the pension payment that comes from the pension plan.

What is a Pension Plan?

The pension plan can be thought of as a large investment account. Bell Canada puts money into it when necessary, and money is taken out of it to pay pensioners their pensions. The amounts in the account are invested by the plan administrator, on behalf of and accountable to Bell Canada. In good times, the investments will grow; in bad times they grow slowly, or contract. Obviously Bell's objective is to have their investments placed where the amounts will grow, but also where the risks of losses are low.

The pension plan has to be big enough to cover all of its obligations. The chief obligation is the pension amounts that are owed to pensioners, now and into the future. Ideally, the pension plan would be so big that whatever investment returns it makes in a year are enough to pay all the pension payouts in that year. For instance, if there was $1000 in the pension fund, and it made a return of 5% in a year, then it would be considered "big enough" as long as it didn't have to pay out more than $50 in the year.

This example is far simpler than the arithmetic that the pension administrator really has to work with, but the pension plan operates on the same principle – though on a very much more complicated level we need not get into here.

How Do We Know if There is Enough Money in the Plan?

Bell knows whether the plan is "big enough" by looking at the plan's assets and it liability. Basically, the plan assets are the value of everything that is in the investment account, or can be expected to be in the investment account, at a particular time. The liability of the plan is the value of everything that should be in the investment account so that it is big enough to make all the pension payments that it has to make, now and into the future. To use the example above, if Bell knows that it needs to make a $50 payment every year, and it can expect to make a return of 5% a year, then it knows its pension plan must have at least $1000 in it. The liability of the plan in this case is $1000.

If the assets match the liability, then everything is fine because there the fund is big enough to meet all of the pension obligations. If the assets are greater than the liability, then there is said to be a "surplus". That's good too, because there is more than enough money is the fund to meet its obligations. If the assets are less than the liability, then the pension plan is not big enough and there is said to be a "deficit". The surplus and deficit are measured as the difference between the assets and the liability.

Who Decides How Much Money is Enough?

There are many rules that determine how the assets and the liability are to be calculated. For Bell Canada's plan, the rules are laid down in federal legislation, in regulations, and by the actuarial standards body, the Canadian Institute of Actuaries. It is federal legislation and regulation that is relevant to our pension plan because the Bell Canada plan falls under federal jurisdiction. Another article will discuss changes that are being contemplated for the rules, and how those changes could affect pensioners.

If assets match the liability, then that means the pension plan fund is just big enough to cover off its liability. Bell Canada as the sponsor of the fund only has to make sure that any changes in liabilities over the coming few years will be covered, and this may require them to make a payment into the fund, called the "annual service cost".

If there is a surplus, then the liability is more than covered. In this case Bell need not make any payments into the fund, other than the amount by which the annual service cost exceeds the surplus. If the surplus is greater than the annual service cost, then Bell need make no contributions into the fund at all. This is called a "contribution holiday". If Bell has to make a contribution because the annual service cost is bigger than the surplus, then it need only contribute the difference between the annual service cost and the surplus. This is called a "partial contribution holiday". Even if Bell need not make a contribution to the fund, it is permitted to do so, so long as the total amount in the fund does not exceed the limit specified by the Income Tax Act. This is discussed in the next paragraph.

Pension 101 Continued

The Income Tax Act does not let a surplus grow any larger than 10% of the plan's liability. So, if the liability was $1000 and there was $1100 in the pension plan, because its investments performed so well or for some other reason, then Bell would have to stop its contributions to the plan. Whether this 10% cap should be increased, or removed altogether, is one of the rules that is being rethought.

Using the same example, let's assume a plan liability of $1000, and that assets are $1080. There is an $80 surplus. Who owns the $80? Does it belong to Bell, to the pension plan, to pensioners? This is a simple question, but the answer is neither unambiguous nor uncontentious. BPG has taken a stand on the issue, as have others.

Who Owns the Money in the Pension Plan?

Setting aside the question of any pension plan surplus, who owns the money in the pension plan? It belongs to the pension plan, and therefore to the beneficiaries of the pension plan – i.e. the pensioners. It does not belong to the plan sponsor, Bell. That is why when Bell reports its assets and liabilities, it does not include the pension plan assets nor the pension plan liability.

What Happens When There is a Deficit?

What happens when there is a deficit, i.e. when the plan liability is greater than its assets? The answer is that the difference has to be made up by Bell, the plan sponsor, because for a pension plan of type provided by Bell, the sponsor is responsible for making sure the pension plan has enough resources in it to meet all of its pension obligations. Bell does this by making contributions over a specified period of time that are big enough to make up the deficit. These contributions are called “special payments” in the language of the federal legislation that sets down the rules. Because they are paid over time in installments, they are said to be payments towards the amortization of the deficit, much the way a homeowner pays down his mortgage. The period of time over which the payments are made is called the “deficit amortization period”.

How Long does it Take to Pay for a Deficit?

How long is the deficit amortization period? Another simple question, with a complicated answer. The fact is there are two different ways to calculate the plan liability. One way of doing it assumes that the sponsor will operate indefinitely.The liability associated with that scenario is called the “ongoing liability”.

The other way of calculating the plan liability is to determine the amount that must be in the pension fund so that it would be capable of meeting all the pension obligations even if the sponsor were to cease business. Because this calculation simulates that the sponsor is insolvent, and would therefore have to wind-up the plan, it is called a “solvency liability”. In this scenario, each plan member is supposed to receive an amount that will match the value of what he/she would have received from the pension plan had it kept going.

Each type of plan liability calculation is performed, and compared to its assets. The plan deficit is the larger of the ongoing deficit and the solvency deficit. If the larger of the deficits is the ongoing deficit, then the sponsor has 15 years to make it up through special payments. If the larger of the deficits is the solvency deficit, then the sponsor has 5 years to make it up, according to the current regulations. However, fairly recently temporary regulations have allowed sponsors to take 10 years to make up the solvency deficit, rather than 5, as long as they meet certain conditions. Whether the amortization period should be extended to 10 years permanently, and whether conditions should apply, are other rules that are being rethought.

Who Sets the Rules?

Bell, as a DB pension plan sponsor, has to show it is complying with the legislation and regulations. It does this by filing with the regulator certain information about the pension plan, including its ongoing and solvency liabilities, assets, whether there is a deficit or a surplus, what type of deficit if there is one, and what steps in terms of special payments it will take to amortize any deficit it may have. These reports must be filed at least every three years. If there is a deficit, and as long as there is a deficit, reports are filed annually. Once there is a surplus, reporting need only be done every three years. The frequency of filing these reports is also being rethought. There appears to be a consensus building that annual filings should be required whether there is a deficit or a surplus. It is expected that the filing requirements will be changed soon to reflect this consensus.

The regulator is the Office of the Superintendent of Financial Institutions (OSFI). OSFI does not write the legislation governing pensions, rather its mandate is to ensure compliance with pension related legislation that comes from Parliament, and to institute and enforce regulations consistent with that legislation.

What is the Situation of Bell’s Pension Plan?

So far this article has been using hypothetical figures to illustrate the concepts. Bell Canada's pension plan is quite large, because it has over thirty thousand DB retirees to support. The last time Bell filed a report with OSFI was at the end of 2007. At that time its solvency liability was $11.891B, its ongoing liability was $11.209B, and its assets were $11.908B. Consequently, Bell's plan had a surplus: $77M on a solvency basis, $699M on an ongoing basis.

Financial markets have been unkind to investment portfolios in 2008. Bell has not filed a study of its pension plan for 2008. However its Annual Report for 2008 indicated that its pension plan fund had a return of -19.5%. Though this is clearly a very poor return, it is fairly indicative of the returns of most large investment funds for that year. Not surprisingly, with such a sharp decline of plan assets, the Bell pension fund in 2008 is estimated by Bell to have had a solvency deficit of about $1.8B, and on ongoing deficit of about one billion dollars. Bell's annual service costs in 2009 are $200M, and it is expected to make contributions towards its solvency deficit, based on a ten year amortization period, of about $170M

Comtech

The following ad was sponsored through a generous donation from our friends at COMTECH

Bell Pensioners' Group

Together, Protecting our Pensions and Benefits

The annual fee of $20.00 covers the period from January 1 to December 31.

All fees received will be applied to 2009. Amounts over $20.00 will automatically be credited to future years.

I wish to become a member of the Bell Pensioners' Group (BPG) Inc and I enclose my cheque for $20.00.

Please make the cheque payable to: **Bell Pensioners' Group**

New Application ____ Renewal ___ (indicate with an "x")

Family & Given Names:		Initials:
Address:		Month/Year Retired /
City or Town:	Province	Postal Code:
Telephone:	Email:	
I would like to receive my newsletters by:	Email ______	Mail_______
Signature:	Date: (dd/mm/yy)	

Please mail completed form along with your cheque to: Bell Pensioners Group, P.O. Box 5-Stn "D"
Etobicoke, ON, M9A 4X1