

To help you understand these changes to your Interior Lumbermen's Pension Plan (ILPP), we have created a Frequently Asked Questions guide.

1. What has triggered this change?

The pension plan is required to meet the solvency requirements regulated by BC Financial Services Authority (BCFSA). We are experiencing the lowest interest rates in Canadian history and this significantly impacts the solvency calculations used. To ensure the plan can meet the solvency requirements, there needs to be an increase in the pension plan contributions.

2. Who are the pension regulators?

The BCFSA regulates pension plans within the province to help ensure compliance with legislative requirements. The ILPP is registered under the BC Pension Benefits Standards Act and falls under the oversight of BCFSA.

3. Is this a permanent change?

The agreement with BCFSA assumes that today's low interest rates will continue indefinitely, and it will require ten years for the ILPP to meet the provinces solvency requirements. We do not know how long employee contributions will be required.

4. How much will this contribution cost me?

The amount is 2% of your gross pay. For a position at \$32.65 per hour, that is \$0.65 per hour. Assuming a full-time position (40 hours per week for 52 weeks), that would be \$1,358.24 per year. This would amount to approximately \$978 after taxes. These calculations are for demonstration purposes only and do not represent the exact amount you, personally, will contribute each year. Your employee contributions are tax-deductible much like a RRSP.

5. How often will the employee contribution rate be re-evaluated?

Every three years the pension plan has to complete an actuarial review where the plans actuarial and solvency positions will be recalculated. The biggest driver of the pension plans solvency position going forward will be driven by where interest rates are at time of these actuarial reviews.

6. Is the pension plan in trouble?

No, the ILPP has continually increased employer contributions over the last fifteen years, while diversifying and de-risking the investments, however, the significant reduction in interest rates has had a material impact on the solvency position of the plan. Your pension plan today on an actuarial basis is 100% funded.

7. What does the term Solvency mean and how does it relate to the Plan?

The solvency calculation works on the assumption that all businesses that are a part of the pension plan go bankrupt. With this, there would no longer be anyone to manage the plan assets, so they would be invested in long-term bonds which do not need management. Because interest rates are currently so low, the return on these bonds is negligible and they would not generate enough of a return to meet paying the pension obligations as people retire. This is NOT how the plan assets are invested under the active management of the ILPP and advisors.

8. What does the term Going Concern mean and how does it relate to the Plan?

This is what actuaries use to estimate how well funded the pension plan is based on their going concern assumptions around contribution rates and average investment returns.

9. Can I opt out of the plan?

No, enrolment in the pension plan is mandatory for all eligible employees.

10. If I have further questions, who do I contact?

You can contact ILPP's office with your questions by calling 250-860-3738 or emailing penadmin@iflra.com.