

Plantalk

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Ad Hoc COLA Review in 2003

Since HEPP's inception in 1997, the financial position of the Plan has enabled the Board of Trustees to approve ad hoc cost of living adjustments (COLAs) to retirees, disabled and deferred vested members each year at 70 per cent of the consumer price index (CPI) during the 12 month period ending as of the preceding June 30.

Ad hoc means that COLAs are granted only if HEPP is in a financial position to do so.

COLAs are reviewed each fall and implemented on January 1, if approved. Board decisions are based on advice from HEPP's actuary.

This year however, as a precautionary measure, the Board is deferring the decision to grant ad hoc COLAs

until 2003, when the 2002 financial position is determined. Please refer to the *Financial Markets – Impact on the Plan* article below, which highlights issues currently impacting most pension plans.

COLAs granted since HEPP's inception:

COLA PAID ON	COLA (% INCREASE)
Jan. 1, 2002	2.34
Jan. 1, 2001	2.03
Jan. 1, 2000	1.12
Jan. 1, 1999	0.70
Jan. 1, 1998	1.60

Financial Markets Impact on the Plan

What is currently happening in financial markets?

Stock markets around the world have been declining over the past few years following what many observers have called a "bubble" in equity markets. In general, a "bubble" occurs when investors push the price of stocks up too quickly and dramatically when compared with underlying economic conditions.

The present "post-bubble" stock market environment can be seen in the following chart showing the dramatic difference between "pre-bubble" returns and current returns in the Canadian and US stock markets:

3 YEAR ANNUALIZED RETURNS	PERIOD ENDING SEPT. 30, 2000	PERIOD ENDING SEPT. 30, 2002
Canadian Stock Market	15.5%	-2.5%
US Stock Market	19.8%	-10.7%

How has the downturn in markets impacted the Pension Plan?

Generally, pension plans use a surplus calculation to assess the financial position of the plan. This calculation compares the value of the plan's assets to the plan's liabilities. The plan's liabilities are the value of pensions that the plan owes to members.

There are 2 types of surplus calculations that pension plans use:

- A going-concern calculation, which assumes that the plan continues on indefinitely, and
- A solvency calculation, which assumes that the plan is "wound-up" on the date of the calculation.

HEPP reports these calculations each year in the annual reports sent to all members. At December 31, 2001, HEPP had a going concern surplus of \$87 million (compared to \$188 million at December 31, 2000) and a solvency surplus of \$286 million (compared to \$417 million at December 31, 2000).

At December 31, 2001 HEPP had \$2.079 billion in net assets (up from \$2.034 billion in net assets at December 31, 2000.)

What measures will be taken?

HEPP's assets are invested across different asset classes in order to reduce the impact of any single asset class such as the equity markets. An overall asset mix of 60% equities and 40% fixed income has been established to reduce the risk to HEPP's surplus position.

Due to lower investment returns in the "post-bubble" stock market environment, the HEPP Board of Trustees, and many other Canadian pension plans, believe extra caution must be exercised in dealing with any issues that may impact the financial position of the plan.

Thus, the Board will wait for the results of the December 31, 2002 actuarial valuation - which determines the plan's surplus position - to determine if an ad hoc cost of living adjustment (COLA) will be granted this year. (See *Ad Hoc COLA Review in 2003*, above.)

Should investment returns continue to be lower than expected, the Board may need to review the level of contributions required for the Plan, and if necessary, they will make recommendations to stakeholders for an adjustment to contribution rates.

The Board will review these issues once the annual actuarial valuation is complete in early 2003.

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HEPP/HEBP Manitoba
900-200 Graham Ave., Winnipeg, MB R3C 4L5
Phone: (204) 942-6591
Toll Free: 1-888-842-4233 or 1-877-567-4996
Fax: (204) 943-3862 Website: www.hepp.mb.ca

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Plantalk Newsletter Wins National Award

Plantalk placed first in the newsletter category at the 5th Annual Communications Awards, sponsored by the Canadian Pension and Benefits Institute and Benefits Canada Magazine.

The awards celebrate the best in benefits and pension plan communications in Canada. Entries are judged for their design, writing, communications strategy and ability to meet specific goals.

Welcome!

Two facilities have joined HEPP/HEBP since spring and are participating in one or more plans:

- Canadian Women's Health Network
- Pan Am Clinic

The continuing expansion of participating facilities means increased portability of pension and benefits for our members throughout Manitoba.

The Inside Story

On Benefits

Group Healthcare - Member Survey Update

Results of the survey distributed to all Group Healthcare Plan members in August 2002 are currently being tabulated. We would like to thank all respondents for their feedback. A total of 5,744 completed surveys out of the 20,702 mailed were returned to HEBP, representing over 28% of Group Healthcare Plan members.

On Pension

Governance Manual Approved

The HEPP Board has developed and approved a governance manual that establishes how Trustees and administration will operate and administer HEPP in the best interests of members. The manual will serve as a reference for Trustees on issues such as risk management, Board and Committee structure and roles, fiduciary duty, and effectiveness and conduct of Trustees.

In conjunction with the development of the governance manual, two new committees have been established to support the HEPP Board:

- The Audit Committee will assist the Board in fulfilling its responsibilities in the areas of external financial reporting and actuarial valuations.
- The Governance Committee will review and provide recommendations to the Board on governance issues and risk management.

The Investment Committee will continue to oversee the investment of the Fund's assets in accordance with the Statement of Investment Policies and Procedures as established by the Board.

Each HEPP Board Trustee will be required to serve on at least one of the three standing committees. (Please see *From the Boardroom* for Committee changes and appointments.)

Working at More Than One Employer

If, while participating in HEPP at one employer, you begin employment with one or more other participating employers, you must continue your membership through your first employer and join HEPP immediately at your new employer(s).

- Pension service accrued at each employer is combined.
- Your pension benefits will be processed when you retire from *all* participating employers.

Designating a Pension Beneficiary

Active Members

Pension beneficiary designation forms were mailed to active members along with Annual Statements in June 2002. It is important that HEPP has your beneficiary designation to know how to direct pension benefits in the case of your death.

If you have a legal or eligible common-law spouse at the time of your death, your spouse

will automatically be the beneficiary of your pension. If you do not have a legal or common-law spouse at the time of your death, your pension benefits will be directed to your named beneficiary.

If you do not have a legal or common-law spouse, and no beneficiary is named at the time of your death, payment will be made to your estate.

Retired Members

Upon the death of a retired member, payments are made according to the form of pension and options that were chosen at retirement.

If you are receiving a **single life form of pension** and die *within the guarantee period* that you chose at retirement, payments will continue to your spouse until the end of the guarantee period. For a beneficiary other than your spouse, a lump sum amount equal to the commuted value of the remaining payments will be paid.

At retirement you can choose to guarantee payments to a beneficiary for 5, 10 or 15 years. For example, if you retire at age 60 and choose a single life five year guarantee, and die at age 62, approximately three years of benefit will be

paid to your beneficiary.

- If you die *following the guarantee period*, no further payments will be made.

If you are receiving a **joint life form of pension**, benefits will be paid to your spouse upon your death based on the options you selected at your retirement.

- If you *and* your spouse die within the guarantee period, a lump sum amount equal to the commuted value of the remaining payments will be paid to the estate of the last survivor.
- If your spouse predeceases you and you die following the guarantee period, no further payments will be made.

Important Information For All Members

For both active and retired members, your pension beneficiary must be a person - you cannot name a charity, financial institution etc.

If you name a child under age 18 as your beneficiary, a trustee who is over age 18 must also be assigned.

When you experience a significant life event such as a birth, someone's death, or a change in marital status, you may want to consider changing your beneficiary designation. For more information or assistance, please contact a Member Services Representative (MSR) at HEPP, or your employer.

From the Boardroom

HEPP Board & Committee Changes

The HEPP Board of Trustees has appointed Bob Malazdrewich from the Canadian Union of Public Employees (CUPE) as the 2002/2003 Chair and Ray Spokes from St. Boniface General Hospital as the 2002/2003 Vice Chair. The Board welcomes newly appointed trustee Doug Laurie of the International Union of Operating Engineers (IUOE).

The HEPP Investment Committee has appointed Darcy Zaporzan of RBC Dominion Securities Inc. as the 2002/2003 Chair and Ray Erb of the Manitoba Government and General Employees Union (MGEU) as the 2002/2003 Vice Chair.

An Audit Committee and a Governance Committee have been established in conjunction with the development of the governance manual.

The Board has appointed Ken Swan of the Manitoba Association of Health Care Professionals (MAHCP), Marilyn Robinson of Fred Douglas Lodge, Penny Sorensen of the Assiniboine Regional Health Authority, Bob Romphf of the Manitoba Nurses Union (MNU) and Gordon Webster of The Faneuil Group to the Audit Committee.

The Board has appointed Gary McIntosh of the Brandon Regional Health Authority, Bob Malazdrewich of CUPE, Gloria O'Rourke of the Winnipeg Regional Health Authority and Robert Ziegler of the United Food and Commercial Workers Local 832 to the Governance Committee.

HEBP Board Changes

Mark Nekar of Seven Oaks General Hospital has been appointed as the 2002/2003 Chair of the HEBP Board of Trustees, and Bob Romphf of MNU has been appointed as the 2002/2003 Vice Chair.

The HEBP Board welcomes newly appointed trustees Ken Swan of MAHCP and Lorraine Sigurdson of CUPE, and extends their thanks to Jeffrey Dovyak of MAHCP and Larry Stratton of CUPE whose four year terms ended in June 2002.

Answers to your questions...

When I retire, when will I receive my first pension payment?

Your first pension payment is payable on your retirement date - the first day of the month following the last day *for which pensionable earnings are paid to you*. Note: The issue date of your final pay does not affect your retirement date, even if the issue date extends into your month of retirement.

Example:

- Last day for which pensionable earnings are paid to you: November 29
- Issue date of your last pay: December 4
- Retirement Date: **December 1** (Your first pension payment is payable on this day.)

To ensure your first pension payment is ready to be issued on your retirement date, please advise HEPP at least two months before you plan to retire.

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