

UNANSWERED QUESTIONS



Q *As an actual member of the Plan, I have a concern that indexing will not be there for me when I retire if full cost-of-living adjustments (COLA) continue to be paid. Are the Trustees looking at that?*

A The trustees spend time at virtually every meeting discussing the future of the Inflation Adjustment Account (IAA). As you know, there is no guarantee of inflation protection. The trustees have begun discussions about what can be done to improve the long-term viability of the IAA account. We have committed to making this a priority over the next several years so we do not run into a crisis in the future.

Q *When I retire I will know my income and my expenses, thus I'll know how my retirement will look financially. My question is, how can I make my plans when I don't know if my contributions to benefits are going to fluctuate?*

A Just like your other expenses in retirement, the cost of group benefit premiums will likely increase. Group benefit costs are not unlike the cost of food, gasoline, insurance and all of the other costs we face, whether working or retired.

If your pension payment is not large enough to cover the premiums, you can pay the extended health benefits (EHB) or dental premiums directly to Blue Cross via pre-authorized withdrawal from your bank account.

Any EHB or dental premiums you are required to pay may be tax deductible as part of your eligible medical expenses.

Q *I'm not clear. Are the projected investment returns for 2009 still going to be in the negative?*

A Projected investment returns for 2009 are predicted to be positive. More information on financial returns will be available in the coming months.

Q *If bringing other groups into our Plan presents an overall negative effect to the IAA and our benefits—why do we accept these groups? Do we have no choice?*

A Accepting new employers and the new plan members they bring into the Municipal Pension Plan (MPP) does increase the eventual demand on the IAA. Eventually, these members will retire and their pensions may be adjusted to reflect changes in the Consumer Price Index (CPI) based on the inflation protection policy in place at that time. However, during their period of active membership, these members and their employers will contribute to the IAA.

We know that the rate of contribution to the IAA is not sufficient to pay for full cost-of-living adjustments forever. However, the addition of new members to the MPP does not make this situation better or worse.

In the shorter term, a portion of the employer IAA contribution is used to provide money for subsidies for post-retirement group benefits. The addition of new employers and new members means the amount of current pensionable salaries increases, leading to more cash flow for group benefits subsidies.