YOU RECEIVE A PENSION FROM CARRA?

If you receive a pension from CARRA, in last January you received a statement of deposits for the last six months of 2009 with your notice of indexation. The notice showed, depending on your situation, the indexation rate and the annual and monthly gross amounts of your pension for the years 2009 and 2010.

Please note that you will receive your statement of deposits for the 12 months of 2010 early in 2011.

The only changes that can affect the net amount, after indexation and income tax deductions, are usually due to insurance premiums deductions or pensioners' association membership deductions. In those cases, the information concerning the deductions will be provided by the insurer or the association.

If you need to know the detail of the deductions made on your pension in 2010, you can contact the Service des contacts clients at 418 643-4881, from the Québec region, or toll free at 1 800 463-5533.

TO KEEP INFORMED, REGISTER TO OUR ELECTRONIC MAILING LIST

Registering on CARRA’s electronic mailing list will allow you to obtain information about changes affecting the various pension plans it administers. By tabling on sustainable development, CARRA wishes to favour that means of communications over the use of paper documentation.

The mailing list is available on our Web site under “Mailing list”.

THE MEMBERS OF YOUR PENSION COMMITTEE

Since the spring of 2009, new members have joined your pension committee:

Mrs. Nadyne Daigle
Regroupement des associations de cadres en matière d’assurance et de retraite

Mrs. Josée Lamontagne
Coalition de l’encadrement en matière de retraite et d’assurance

Mrs. Isabelle Martel
Secrétariat du Conseil du trésor

Mrs. Carole Gobeil
Association des cadres du gouvernement du Québec

Mr. Patrick Bessette
Ministère de la Santé et des Services sociaux

The complete list of the members of the PPMP Pension Committee is on our Web site at CARRA > Pension Committees.

TO CONTACT US

Commission administrative des régimes de retraite et d’assurances
4 ½, rue Saint-Amable
Québec (Québec) G1R 5X3

418 643-4881 (Québec region)
1 800 463-5533 (toll free)

Internet: www.carra.gouv.qc.ca

The information contained in this newsletter is of a general nature and does not supersede the legal provisions of the act that governs your plan or its regulations.

© Gouvernement du Québec, 2010

A newsletter for the members and pensioners of the Pension Plan of Management Personnel (PPMP)

Volume 5, Number 1
March 2010

A 9.8% RETURN IN 2009

The PPMP members’ fund delivered a return of 9.8% in 2009. Among the elements of that return, stock markets have performed the most. For example, the value of the Canadian Equity held by the Caisse de dépôt et placement (CDP) in the PPMP fund increased by 36.7%.

On the opposite, the year was more difficult for investment activities in real estate debt, with a return of -20.3%. This largely explains the fact the PPMP fund has obtained a return that is lower by 3.9% compared to the indexes used to measure its performance. Confronted to that situation, the CDP announced last August the repositioning of its Real Estate group to focus on its core business. The restructuring will reduce the risk associated with those investments.

Assessing the Last Decade

During the last ten years, the PPMP fund delivered an average annual return of 3.1%, which is significantly lower than the average annual return of 10.8% recorded during the 1990s, and 12.9% during the 1980s. The economic environment of the recent years was apparently less favourable than in prior decades. Regarding the PPMP, although the plan was established in 1997, management personnel’s contributions have been paid into the fund since 1975. Up to now, the average return of the fund has been 8.8%.

In January 2007, the PPMP Pension Committee adopted the PPMP funding policy, which has among its main objectives to help stabilize the PPMP members’ contribution rate.

However, the harsher economic environment and particularly the -24.1% return of 2008 will create an upward pressure on the PPMP members’ contribution rate. It is too soon to express an opinion about the extent of the rise, because in addition to the return of the fund, several economic and demographic factors such as inflation, wages increases, retirement date, life expectancy, etc., will also have to be considered and will affect results.

The impact of all those factors is measured in actuarial valuations, and the next one is scheduled for the fall of 2010.

A 6.4 Billion Dollars Fund

During 2009, fund 302, in which the PPMP members’ fund is invested, increased by 0.4 billion dollars, rising from 6.0 billion dollars as at December 31, 2008 to 6.4 billion dollars as at December 31, 2009.

As a rule, the PPMP members’ fund pays approximately half of the benefits under the plan while the other half comes from the Consolidated Revenue Fund.

The PPMP at a Glance

The complete list of the members of the PPMP Pension Committee is on our Web site at CARRA > Pension Committees.
**The PPMP at a Glance**

**DID YOU KNOW?**

The average length of membership in the PPMP is relatively short compared to other pension plans. Members usually join the PPMP around 43 years of age and retire around age 58. This contributes to the rapid evolution of the demographic profile of the PPMP.

**Evolution of the number of members versus the number of beneficiaries:**

- **1990**
  - 2 active members → 1 beneficiary
- **2002**
  - 1 active member → 1 beneficiary
- **2013**
  - 1 active member → 1 beneficiary

The rapid evolution of the PPMP demographic profile is taken into account in the actuarial valuations that are used to determine the members’ contribution rate. The variability of the contribution rate is where the evolution of the PPMP demographic profile poses the greatest challenge, because gains and losses have to be absorbed by an always decreasing number of active members.

Despite the funding policy adopted by the PPMP Pension Committee, fluctuations of financial markets increasingly affect the fund, and those fluctuations are absorbed by the active members, through the contribution rate.

**IMPACT OF TAX RULES ON PENSION CALCULATION**

If you are planning to retire, you must be able to estimate your income once you stop working. Usually, your retirement pension will be your most significant source of income. This is why we wish to draw your attention to its calculation, which must take into account the maximum benefit limit set by the income tax rules (Canada Income Tax Act).

So, if your annual salary was or is higher than the maximum pensionable salaries shown in the following table, your pension could be limited due to the tax rules.

<table>
<thead>
<tr>
<th>Year</th>
<th>Maximum pensionable salary *</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$141,242</td>
</tr>
<tr>
<td>2009</td>
<td>$138,427</td>
</tr>
<tr>
<td>2008</td>
<td>$132,382</td>
</tr>
<tr>
<td>2007</td>
<td>$126,406</td>
</tr>
<tr>
<td>2006</td>
<td>$120,291</td>
</tr>
<tr>
<td>2005</td>
<td>$114,385</td>
</tr>
</tbody>
</table>

* Salaries calculated by CARRA in order to comply with the maximum benefit limit provided under the Income Tax Act.

As you probably know, this is the PPMP basic pension calculation formula since January 1, 1992.

\[
\text{Annual pension accrual rate} \times \text{Years of service for calculation purpose} \times \text{Average pensionable salary of the three best-paid years of service}
\]

However, because of the income tax rules, calculation of a pension earned before 1992 is different from the calculation of a pension earned after that date. Consequently, two calculations must be made to determine the amount of your pension.

When we calculate the pension earned after 1991, the salaries that we use to determine the average salary are limited to the maximum pensionable salaries of each of those years, as shown in the table above. This is what is called the limited average salary of the 3 best-paid years.

However, for the calculation of the pension earned before 1992, the salaries of your best-paid years are not limited, but the income tax rules must be applied. So your pension earned before 1992 could be limited by those rules, which could result in the average salary of your 3 best-paid years not being used for the calculation.

When the pension earned before 1992 is limited in that manner, CARRA makes sure it is at least equal to the pension calculated on the basis of the unlimited average pensionable salary of your 3 best-paid years of service, in order to respect your vested rights.

To obtain an example of a detailed pension calculation and information on the maximum benefit rules under the PPMP, we suggest you go to CARRA’s Web site: Guide d’administration > Départ de l’employé; then click on RBPE under Prestation maximale.

**A NEW ETHICS CODE**

On November 11, 2009, the PPMP Pension Committee adopted a new ethics code that defines the values and principles the committee members must apply in the course of their duties. Among other things, the text mentions the fact they are subject to the Regulation respecting the ethics and professional conduct of public officeholders, their general duties, the discretion and confidentiality that are required from each member as well as their obligations regarding conflicts of interests.

**A PORTRAIT OF CARRA’S MODERNISATION**

The global investment plan (PGI), which is intended to carry out an organisational and systemic transformation, is the most significant modernisation project ever known at CARRA.

The last component, which is the renewal and the integration of our essential systems (RISE), will result in the replacement of CARRA’s mission systems. It will make it possible to integrate the PGI’s new applications and processes. As pension plan administrator, this is how CARRA will become more performing in providing its clients and partners with quality services at a competitive cost.

**CARRA’s 2009 Annual Report**

If you wish to know more about the PPMP financial statements, you can refer to CARRA’s Rapport annuel de gestion 2009, which will be published in June 2010 on our Web site under “Documentation”. That document will also provide our results with respect to our Service Statement and strategic planning. You will also find the year’s highlights as well as the financial data regarding pension plans. A true gold mine of information at your disposal!
The average length of membership in the PPMP is relatively short compared to other pension plans. Members usually join the PPMP around 43 years of age and retire around age 58. This contributes to the rapid evolution of the demographic profile of the PPMP.

**Evolution of the number of members versus the number of beneficiaries:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Active Members</th>
<th>Beneficiary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>2002</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2013</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

The rapid evolution of the PPMP demographic profile is taken into account in the actuarial valuations that are used to determine the members’ contribution rate. The variability of the contribution rate is where the evolution of the PPMP demographic profile poses the greatest challenge, because gains and losses have to be absorbed by an always decreasing number of active members.

Despite the funding policy adopted by the PPMP Pension Committee, fluctuations of financial markets increasingly affect the fund, and those fluctuations are absorbed by the active members, through the contribution rate.

**DID YOU KNOW?**

The number of beneficiaries is always lower than the number of active members:

<table>
<thead>
<tr>
<th>Year</th>
<th>Active Members</th>
<th>Beneficiary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>1993</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>2010</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

The number of beneficiaries is calculated by CARRA in order to comply with the Income Tax Act.

**IMPACT OF TAX RULES ON PENSION CALCULATION**

If you are planning to retire, you must be able to estimate your income once you stop working. Usually, your retirement pension will be your most significant source of income. This is why we wish to draw your attention to its calculation, which must take into account the maximum benefit limit set by the income tax rules (Canada Income Tax Act).

So, if your annual salary was or is higher than the maximum pensionable salaries shown in the following table, your pension could be limited due to the tax rules.

<table>
<thead>
<tr>
<th>Year</th>
<th>Maximum pensionable salary*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$141,242</td>
</tr>
<tr>
<td>2009</td>
<td>$138,427</td>
</tr>
<tr>
<td>2008</td>
<td>$132,382</td>
</tr>
<tr>
<td>2007</td>
<td>$126,406</td>
</tr>
<tr>
<td>2006</td>
<td>$120,291</td>
</tr>
<tr>
<td>2005</td>
<td>$114,385</td>
</tr>
</tbody>
</table>

* Salaries calculated by CARRA in order to comply with the maximum benefit limit provided under the Income Tax Act.

As you probably know, this is the PPMP basic pension calculation formula since January 1, 1992.

\[
\text{Annuarly pension} = \frac{\text{Average pensionable salary of the three best-paid years}}{2} \times \frac{\text{Years of service for calculation purpose}}{12} \times \frac{\text{Average pensionable salary of the three best-paid years}}{2} \times \frac{\text{Years of service for calculation purpose}}{12}
\]

However, because of the income tax rules, calculation of a pension earned before 1992 is different from the calculation of a pension earned after that date. Consequently, two calculations must be made to determine the amount of your pension.

When we calculate the pension earned after 1991, the salaries that we use to determine the average salary are limited to the maximum pensionable salaries of each of those years, as shown in the table above. This is what is called the limited average salary of the 3 best-paid years.

However, for the calculation of the pension earned before 1992, the salaries of your best-paid years are not limited, but the income tax rules must be applied. So your pension earned before 1992 could be limited by those rules, which could result in the average salary of your 3 best-paid years not being used for the calculation.

When the pension earned before 1992 is limited in that manner, CARRA makes sure it is at least equal to the pension calculated on the basis of the unlimited average pensionable salary of your 3 best-paid years of service, in order to respect your vested rights.

To obtain an example of a detailed pension calculation and information on the maximum benefit rules under the PPMP, we suggest you go to CARRA’s Web site: Guide d’administration > Départ de l’employé, then click on RRPE under Prestation maximale.

**A NEW ETHICS CODE**

On November 11, 2009, the PPMP Pension Committee adopted a new ethics code that defines the values and principles the committee members must apply in the course of their duties. Among other things, the text mentions the fact they are subject to the Regulation respecting the ethics and professional conduct of public officeholders, their general duties, the discretion and confidentiality that are required from each member as well as their obligations regarding conflicts of interests.

**A PORTRAIT OF CARRA’S MODERNISATION**

The global investment plan (PGI), which is intended to carry out an organisational and systemic transformation, is the most significant modernisation project ever known at CARRA. The last component, which is the renewal and the integration of our essential systems (RISE), will result in the replacement of CARRA’s mission systems. It will make it possible to integrate the PGI’s new applications and processes. As pension plan administrator, this is how CARRA will become more performing in providing its clients and partners with quality services at a competitive cost.

**CARRA’S 2009 ANNUAL REPORT**

If you wish to know more about the PPMP financial statements, you can refer to CARRA’s Rapport annuel de gestion 2009, which will be published in June 2010 on our Web site under “Documentation”. That document will also provide our results with respect to our Service Statement and strategic planning. You will also find the year’s highlights as well as the financial data regarding pension plans. A true gold mine of information at your disposal!
A 9.8% RETURN IN 2009

The PPMP members’ fund delivered a return of 9.8% in 2009. Among the elements of that return, stock markets have performed the most. For example, the value of the Canadian Equity held by the Caisse de dépôt et placement (CDP) in the PPMP fund increased by 36.7%.

On the opposite, the year was more difficult for investment activities in real estate debt, with a return of -20.3%. This largely explains the fact the PPMP fund has obtained a return that is lower by 3.9% compared to the indexes used to measure its performance. Confronted to that situation, the CDP announced last August the repositioning of its Real Estate group to focus on its core business. The restructuring will reduce the risk associated with those investments.

A 6.4 Billion Dollars Fund

Assessing the Last Decade

During the last ten years, the PPMP fund delivered an average annual return of 3.1%, which is significantly lower than the average annual return of 10.8% recorded during the 1990s, and 12.9% during the 1980s. The economic environment of the recent years was apparently less favourable than in prior decades. Regarding the PPMP, although the plan was established in 1997, management personnel’s contributions have been paid into the fund since 1975. Up to now, the average return of the fund has been 8.8%.

In January 2007, the PPMP Pension Committee adopted the PPMP funding policy, which has among its main objectives to help stabilize the PPMP members’ contribution rate.

However, the harsher economic environment and particularly the -24.1% return of 2008 will create an upward pressure on the PPMP members’ contribution rate. It is too soon to express an opinion about the extent of the rise, because in addition to the return of the fund, several economic and demographic factors such as inflation, wages increases, retirement date, life expectancy, etc., will also have to be considered and will affect results. The impact of all those factors is measured in actuarial valuations, and the next one is scheduled for the fall of 2010.

A 6.0 Billion Dollars Fund

During 2009, fund 502, in which the PPMP members’ fund is invested, increased by 0.4 billion dollars, rising from 6.0 billion dollars as at December 31, 2008 to 6.4 billion dollars as at December 31, 2009.

As a rule, the PPMP members’ fund pays approximately half of the benefits under the plan while the other half comes from the Consolidated Revenue Fund.