



University of Saskatchewan 1999 Academic Pension Plan

AGM Presentation – October 19, 2017

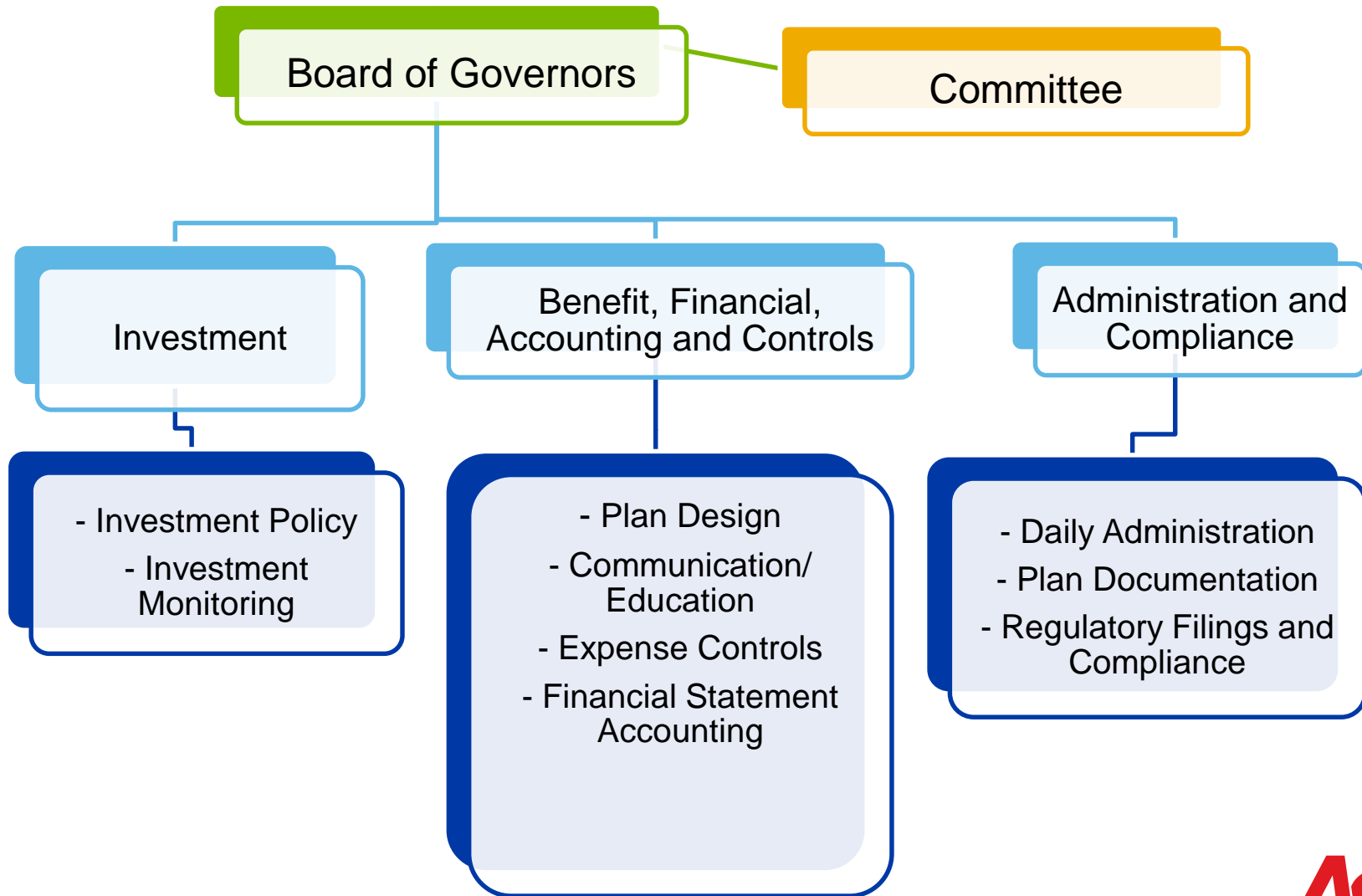
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Presentation to University of Saskatchewan 1999 Academic Pension Plan

Agenda

- Governance Structure
- The 1999 Academic Plan Basics
- Calculation Examples
- Financial Position at Dec. 31, 2016
- Current Pension Landscape
- FAQs – Pensions Office and Retirement
- Plan Membership

Governance Structure for the Plan



The 1999 Academic Plan Basics

- *What type of Plan do I have?*
 - The Academic Pension Plan is a defined benefit pension plan
 - Provides a monthly pension at retirement
 - Based on service and best average earnings at retirement

The 1999 Academic Plan Basics - continued

- *How is my pension calculated at retirement?*

$$(2\% \times \text{Service} \times \text{BAE4}) - (0.4\% \times \text{Post-2005 Service} \times \text{FAYMPE3})$$

where:

- Service = pensionable service earned while a member of the Plan
- BAE4 = Best Average Earnings, based on average of highest 48 continuous months of earnings
- Post-2005 Service = pensionable service earned after 2005
- FAYMPE3 = Average of the final 3 years of the Yearly Maximum Pensionable Earnings

The 1999 Academic Plan Basics - continued

- *What do I contribute to the Plan?*
 - Current member contribution rates are 8.50% of earnings

- *What does the University contribute to the Plan?*
 - The University matches your contributions **plus** pays for any additional amounts required to meet minimum funding standards (deficit funding)
 - Current University contribution rates per year are:
 - 8.50% of pensionable earnings (no deficit funding currently required)

The 1999 Academic Plan Basics - continued

▪ *When can I retire?*

Normal Retirement

- June 30th immediately following age 67

Postponed Retirement

- Last day of any month following a member's normal retirement
- No later than November 30th of the year that member turns age 71

Early Retirement

- June 30th immediately following age 55, or last day of any month following (pension subject to early retirement reductions)

The 1999 Academic Plan Basics – continued

- *Is my pension reduced at retirement?*
 - Depending on when you retire, your pension might be reduced at retirement
 - Pre-92 service
 - not subject to early retirement reduction
 - Post-91 service
 - Amount of reduction for early retirement is equal to 0.25% for each month between your early retirement date (ERD) and the **earlier of**:
 - ♦ Age 60; or
 - ♦ Rule of 80
 - Members with less than 10 years are subject to an actuarial equivalent reduction

The 1999 Academic Plan Basics – continued

- *How will my pension be payable?*

- Pension is payable at the end of each month for your lifetime
- Normal Form = Single Life, 10 year guarantee
- Pension on annual statement always calculated in normal form
- Optional forms available:
 - With Spouse:
 - ♦ Joint & Survivor, reducing to 60%, 66 2/3%, 75% or paying full 100%
 - ♦ A guarantee period of 5, 10 or 15 years can be attached
 - ♦ Integrated options upon request (i.e. level income option)
 - Without Spouse (Single Life)
 - ♦ 15 year guarantee
 - ♦ Integrated options upon request (i.e. level income option)
- Normal form pension actuarially reduced based on which optional form chosen

The 1999 Academic Plan Basics – continued

- *Is my pension limited?*
 - The Plan limits the amount of pension you can earn in any given year
 - Limit is set by CRA and increases each year
 - Historical earnings limits

Year	Maximum Pensionable Earnings Limit
2017	\$156,782
2016	\$155,480
2015	\$151,665
2014	\$149,000
2013	\$145,054
2012	\$142,354
2011	\$137,271
2010	\$134,162
2009	\$131,482
2008	\$125,647

Example #1 – Pension Calculation

- **Member Information:**

- Member is age 60, retirement date is Dec. 31, 2017
- Spouse is age 57
- 21 years of total service (9 years of pre-2006 service and 12 years of post-2005 service)
- Earnings and YMPE for the last 4 years are as follows:

Year	Actual Earnings	Annual Pensionable Earnings After Applying Maximum Limit	Year's Maximum Pensionable Earnings
2017	\$105,000	\$105,000	\$55,300
2016	\$103,000	\$103,000	\$54,900
2015	\$100,000	\$100,000	\$53,600
2014	\$95,000	\$95,000	\$52,500

Example #1 – Pension Calculation

- Calculation of BAE4 and FAYMPE3:
 - BAE4 is based on average of highest 48 continuous months of earnings
 - FAYMPE3 is based on average of final 3 years of YMPE

Year	Annual Pensionable Earnings After Applying Maximum Limit	Year's Maximum Pensionable Earnings
2017	\$105,000	\$55,300
2016	\$103,000	\$54,900
2015	\$100,000	\$53,600
2014	\$95,000	\$52,500

BAE4

$$= (105,000 + 103,000 + 100,000 + 95,000) / 4$$
$$= \$100,750$$

FAYMPE3

$$= (55,300 + 54,900 + 53,600) / 3$$
$$= \$54,600$$

Example #1 – Pension Calculation

- Calculation of pension:

$$(2\% \times \text{Service} \times \text{BAE4}) - (0.4\% \times \text{Post-2005 Service} \times \text{FAYMPE3})$$

Lifetime Pension

$$= (2\% \times 21 \times \$100,750) - (0.4\% \times 12 \times \$54,600)$$

= **\$39,694.20 per year payable in the normal form**

= **\$3,307.85 per month payable in the normal form**

Example #1 – Optional Forms

- Optional forms of Pension are available (e.g. J&S 60%, 75% and 100%)
- Normal form pension is reduced to reflect additional benefits added under optional form

Non-Integrated Monthly Retirement Options

		Guaranteed Period (Years)			
		0	5	10	15
Single Life Options		N/A	N/A	\$3,307.85	\$3,262.95
-	Member's Amount				
Joint Life Options – J&S 60%					
-	Member's Amount	\$3,116.89	\$3,112.99	\$3,102.17	\$3,084.82
-	Spouse's Amount	\$1,870.13	\$1,867.79	\$1,861.30	\$1,850.89

Example #2 – Pension Calculation

- Member Information:

Age: 65, retirement date is December 31, 2017

Service: 31 years (19 years of pre-2006 service and 12 years of post-2005 service)

Earnings and YMPE for the last 4 years are as follows:

Year	Actual Earnings	Annual Pensionable Earnings After Applying Maximum Limit	Year's Maximum Pensionable Earnings
2017	\$185,000	\$156,782	\$55,300
2016	\$180,000	\$155,480	\$54,900
2015	\$175,000	\$151,665	\$53,600
2014	\$170,000	\$149,000	\$52,500

Example #2 – Pension Calculation

- Calculation of BAE4 and FAYMPE3:
 - BAE4 is based on average of highest 48 continuous months of earnings
 - FAYMPE3 is based on average of final 3 years of YMPE

Year	Annual Pensionable Earnings After Applying Maximum Limit	Year's Maximum Pensionable Earnings
2017	\$156,782	\$55,300
2016	\$155,480	\$54,900
2015	\$151,665	\$53,600
2014	\$149,000	\$52,500

FAYMPE3

$$\begin{aligned} &= (55,300 + 54,900 + 53,600) / 3 \\ &= \$54,600.00 \end{aligned}$$

BAE4

$$\begin{aligned} &= (156,782 + 155,480 + 151,665 + 149,000) / 4 \\ &= \$153,231.75 \end{aligned}$$

Example #2 – Pension Calculation

- Calculation of pension:

$$(2\% \times \text{Service} \times \text{BAE4}) - (0.4\% \times \text{Post-2005 Service} \times \text{FAYMPE3})$$

Lifetime Pension

$$= (2\% \times 31 \times \$153,231.75) - (0.4\% \times 12 \times \$54,600.00)$$

$$= \$92,382.89 \text{ per year payable in the normal form}$$

$$= \$7,698.57 \text{ per month payable in the normal form}$$

Maximum pension payable for each year of service is \$2,914.44 (for retirements in 2017)

$$= \$2,914.44 \times 31$$

$$= \mathbf{\$90,347.64 \text{ per year payable in the normal form}}$$

$$= \mathbf{\$7,528.97 \text{ per month payable in the normal form}}$$

Financial Position

	Going-Concern		Solvency	
	Filed Dec 31, 2015	Filed Dec 31, 2016	Filed Dec 31, 2015	Filed Dec 31, 2016
Total Assets	\$ 178,624,000	\$ 178,605,000	\$ 178,424,000	\$ 178,405,000
Total Liabilities	<u>166,361,000</u>	<u>172,177,000</u>	<u>216,158,000</u>	<u>211,638,000</u>
Surplus / (Deficit)	\$12,263,000	\$6,428,000	\$ (37,734,000)	\$ (33,233,000)
Funded/ Solvency ratio	107%	104%	83%	84%
Current service cost	22.2%	23.6%		

Current Pension Landscape

- Challenges facing DB pension plans:
 - Sustainability and affordability
 - Margins in plans may not be adequate
 - Some indications that Saskatchewan Superintendent of Pensions wants margins to be higher than 5%
 - Pensions being paid for longer (increasing mortality improvements)
 - Investment markets volatile and uncertain
 - Maturing of pension plans

FAQs – Pensions Office

Where is the Pensions Office?

- Administration Building, Room E180

When should I contact the Pensions Office?

You should contact us if you:

- have general questions about your pension plan or annual statement
- are retiring or leaving the University
- are considering retirement and require information
- need to make changes to your pension beneficiary designation
- have already left the University and require assistance understanding your options or completing your pension option forms

pensions.inquiries@usask.ca or 306-966-6633

FAQs – How to Retire

When should I give my retirement notice?

- Notice requirements are outlined in your collective agreement
- Your retirement date will be the last day of the month
- Your last physical day at work will depend on whether you are taking vacation prior to your retirement
- Provide written notice (as per your collective agreement) and copy the Pensions Office

What should I expect once I've given my retirement notice?

- Pensions Office will send option forms to your home address approximately 3 months before your retirement date
- You may set up an appointment with a Pension Specialist to explain your options and answer any questions

Can I bring my spouse with me to the appointment?

- Yes - please feel free to bring someone along to your appointment

FAQs – How to Retire

What forms will I need to fill out, and what information will I need to provide?

- There are several required forms to be completed, depending on the option chosen. All required forms are included in your package, and the Pensions Office can assist you in completing your forms.
- You may need to provide proof of age and spouse's proof of age, banking information, transfer information from a financial institution

What about CPP and OAS?

- Contact Service Canada for information
1-800-277-9914 or servicecanada.gc.ca

FAQs – How to Retire

What about my health benefits?

- Your University benefits will end on your retirement date, but conversion options are available through Sun Life

I'm not yet ready to retire, is there anything I need to do?

- Review your annual statement, it provides estimates of your monthly pension on retirement
- Ensure all data and beneficiaries are correct

Appendix: Plan Membership

Active Members

	Dec 31, 2015	Dec 31, 2016
Number	106	91
Average age	59.2 years	59.5 years
Average years of service	21.1 years	21.2 years
Average annual salary	\$ 131,885	\$ 130,636
Accumulated employee contributions with interest	\$ 27,541,921	\$ 23,699,332
Accumulated University contributions with interest	\$ 28,588,910	\$ 24,429,190
Expected average remaining service lifetime	5.7 years	5.5 years

Appendix: Plan Membership - continued

Pensioners and Survivors

	Dec 31, 2015	Dec 31, 2016
Number	153	162
Average age	71.2 years	71.7 years
Average annual pension	\$ 42,351	\$ 44,482
Average period since retirement	7.7 years	8.1 years

Temporary Pensioners

	Dec 31, 2015	Dec 31, 2016
Number	25	21
Average monthly pension	\$ 4,930	\$ 4,968
Average period since retirement	2.4 years	2.8 years
Average total number of payments remaining	33.8 months	27.2 months

Appendix: Plan Membership - continued

Other Members

Total Contributions with Interest	Dec 31, 2015	Dec 31, 2016
Number	20	23
Deferred	\$ 2,150,219	\$ 3,740,552
Pending Terminations	\$ 655,402	\$ 542,191
Pending Retirements	\$ 0	\$ 457,504
Total	\$ 2,805,621	\$ 4,740,247

Pending Transfer Deficiency Payouts

	Dec 31, 2015	Dec 31, 2016
Number	44	34
Average transfer deficiency balance	\$197,000	\$204,000
Average period remaining until payout	2.7 years	2.1 years

Questions

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