



University of Saskatchewan and Federated Colleges Non-Academic Pension Plan

AGM Presentation – October 2016

Prepared by Aon Hewitt

Presentation to University of Saskatchewan

AON
Empower Results®

Agenda

- Pension Terms
- The Non-Academic Plan Basics
- Calculation Examples
- Latest valuation results
- Current Pension Landscape
- FAQs – Pensions Office and Retirement
- Retirement Sessions
- Plan Membership

Pension Terms

- ***Pensionable Service:***

- the period of service earned while contributing to the Plan
- starts at date of enrolment in the Plan and ends on the date of termination, death or retirement

- ***Pensionable Earnings:***

- Includes: all regular salary and wages, shift differential, additional earnings for holding a temporary position, cumulative sick leave payments and market adjustments received by the Member that are deemed eligible by the pension plan.
- Excludes: overtime pay, cost of living bonuses, additional earnings for part-time Employees who are employed beyond their agreed to hiring status, unsociable hours differential or any other type of income.

- ***4-year Average Earnings:***

- the member's average pensionable earnings for the 48 continuous months where the earnings were highest.

The Non-Academic Plan Basics

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

2% x Pensionable Service x 4-year Average Earnings

The Non-Academic Plan Basics - continued

- *What do I contribute to the Plan?*
 - Current member contribution rates are:
 - 8.50% of pensionable 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:
 - 15.65% of pensionable earnings (\$4.7M additional contributions per year above the matching 8.50%)

The Non-Academic Plan Basics - continued

■ *When can I retire?*

Normal Retirement

- 1st of the month immediately following age 65

Postponed Retirement

- 1st of any month following a member's normal retirement
- No later than December 1st in the year you turn age 71

Early Retirement

- 1st of any month following age 55, 30 years of service or Rule of 80 (subject to early retirement reductions)

The Non-Academic Plan Basics – continued

- *Is my pension reduced at retirement?*
 - If you retire early, your pension might be reduced at retirement
 - Amount of reduction is equal to 0.25% for each month between your early retirement date (ERD) and the **earlier of**:
 - Age 60; or
 - Rule of 80 (i.e. Age + Pensionable Service = 80)
 - No reduction if you have 30 years of service
 - Maximum reduction is 15%
 - Reduction is applied to pension permanently for all future pension payments

The Non-Academic Plan Basics – Example #1 - Reduction

■ Member Information:

- Date of retirement = December 1, 2016
- Age at date of retirement = 56.0
- Pensionable Service at date of retirement = 21.0 years
- Age plus service equal to 77 (i.e. 77 points towards rule of 80)

■ Calculation of early retirement reduction:

- a) Months until age 60 = 48
- b) Months until rule of 80 = 36

Early retirement reduction = $0.25\% \times 36 = 9\%$

The Non-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
 - 10 year guarantee: Payments are guaranteed for a minimum of 10 years
(If you die before 10 years of payments, the remaining payments will continue to your beneficiary)
- Pension on annual statement always calculated in normal form
- Optional forms available:
 - With Spouse:
 - ♦ Joint & Survivor, reducing to 60%, 75% or paying full 100%
 - ♦ A guarantee period of 5, 10 or 15 years can be attached
 - ♦ Integrated with CPP and OAS options for early retirements (i.e. level income option)
 - Without Spouse (Single Life)
 - ♦ Guaranteed for 15 years
 - ♦ Integrated with CPP and OAS options for early retirements (i.e. level income option)
- Normal form pension will be reduced under optional forms (i.e. reduced to reflect the payment now attached to 2 lives)

The Non-Academic Plan Basics – Example #2 - Unreduced

■ Member Information:

- Date of retirement = December 1, 2016
- Age at date of retirement = 55
- Age of member's spouse = 52
- Pensionable Service at date of retirement = 26 years
- Age plus service equal to 81 (i.e. 81 points towards rule of 80)
- 4-year Average Pensionable Earnings = \$48,250

■ Calculation of pension:

- Lifetime Pension (normal form)
 - = $2\% \times 26 \times \$48,250$
 - = **\$25,090 per year**
 - = **\$2,090.83 per month**

**2% x Pensionable Service x
4-yr Average Earnings**

- No reduction because the member meets rule of 80

The Non-Academic Plan Basics – Example #2 - Unreduced

- 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	\$2,090.83	\$2,070.44
-	Member's Amount				
Joint Life Options – J&S 60%					
-	Member's Amount	\$2,003.80	\$2,001.87	\$1,996.55	\$1,988.50
-	Spouse's Amount	\$1,202.28	\$1,201.12	\$1,197.93	\$1,193.10

The Non-Academic Plan Basics – Example #2 - Unreduced

- Integrated Options provide a level income before and after age 65
- CPP and OAS are paid in addition to the payment from the University (only University amounts shown below)

Integrated Monthly Retirement Options

	Guaranteed Period (Years)			
	0	5	10	15
Single Life, integrated with CPP & OAS				
- Member's amount before age 65	N/A	N/A	\$2,796.96	\$2,776.57
- Member's amount after age 65	N/A	N/A	\$1,243.59	\$1,223.20
- For guaranteed period	N/A	N/A	\$2,090.83	\$2,070.44
Joint Life, integrated with CPP & OAS				
Joint & Survivor 60%				
- Member's amount before age 65	\$2,709.93	\$2,708.00	\$2,702.68	\$2,694.63
- Member's amount after age 65	\$1,156.56	\$1,154.63	\$1,149.31	\$1,141.26
- For guaranteed period	\$0.00	\$2,001.87	\$1,996.55	\$1,988.50
- To spouse after member's death and guaranteed period	\$1,202.28	\$1,201.12	\$1,197.93	\$1,193.10

The Non-Academic Plan Basics – Example #3 - Reduced

■ Member Information:

- Date of retirement = December 1, 2016
- Age at date of retirement = 55
- Member's Spouse's age = 52
- Pensionable Service at date of retirement = 20 years
- Age plus service equal to 75 (i.e. 75 points towards rule of 80)
- 4-year Average Pensionable Earnings = \$48,250

■ Calculation of pension:

- Lifetime Pension (normal form)
 - = $2\% \times 20 \times \$48,250$
 - = **\$19,300 per year**
 - = **\$1,608.33 per month**

**2% x Pensionable Service x
4-yr Average Earnings**

- In this case, reduction will be the full 15%, so the reduced pension will be 85% of the normal form pension
- $\$19,300 \times 85\% = \textbf{\$16,405 per year}$

Transfer Deficiency

- Applies to individuals who terminate employment (prior to retirement eligibility) and elect to transfer the lump sum value of their entitlement out of the Plan
- When a Plan has a solvency deficiency, legislation requires that a portion of every lump sum (LS) payment be held back
- **Transfer Deficiency (Solvency Holdback) = Portion of LS held back**
 - = (1- solvency ratio) x total lump sum entitlement**
 - = 33% x total lump sum entitlement**
- Transfer Deficiency paid out, with interest, at end of five year period following the date of payout
- No impact on members retiring and commencing a pension from the Plan

Transfer Deficiency - continued

- Example – Transfer Deficiency
 - Date of termination = Dec. 1, 2016
 - Total lump sum entitlement = \$100,000
 - Solvency ratio = 0.67
 - LS payment on Dec. 1, 2016 = $0.67 \times \$100,000 = \$67,000$
 - Transfer Deficiency payment on Dec. 1, 2021
= $0.33 \times \$100,000 = \$33,000$ (with interest)

Valuation Results – Contribution requirements

	Dec 31, 2015 (Not Filed)	Dec 31, 2014 (Filed)
Employees	8.50%	8.50%
University	16.80%	15.65%

- The 2014 valuation revealed that the University will contribute an additional 7.15% of pensionable earnings to the plan over and above the employee contribution rate of 8.50%
- Approximately \$4,700,000 in 2016
- Transfer deficiency holdback = 33%
- A 2015 valuation was prepared but was not filed with the regulators. Next required filed valuation will be no later than Dec. 31, 2017

Current Pension Landscape

- Challenges facing DB pension plans:
 - Sustainability and affordability
 - Margins in plans may not be adequate
 - Saskatchewan Superintendent of Pensions putting pressure on plan sponsors to enhance margin to 10% by next valuation
 - Pensions being paid for longer (increasing mortality improvements)
 - Investment markets volatile and uncertain

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 first 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 to your supervisor, 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 the Pension Manager to explain your options and answer any questions*

Can I bring someone with me to the appointment?

- *Yes - please feel free to bring your spouse or someone else 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. All required forms are included in your package, and the Pensions Office can assist you in completing your forms.*
- *You will need to provide proof of age, spouse's proof of age and banking information*

What is the deadline for returning the forms?

- *If your forms are not returned within 90 days, you are deemed to have elected a deferred monthly pension*

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*
- *We recommend you shop around to find benefits that are right for you*

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*

What if I leave the University before retirement?

- *The Pensions Office will send options forms to your home address after your employment has ended*
- *You may set up an appointment with the Pension Manager to explain your options and answer any questions*

Retirement Sessions

The University, supported by the Pension & Treasury Office, was pleased to offer 5 full-day Retirement Sessions in April and May 2016

- *Covered the following topics:*
 - ❖ *Transition and lifestyle planning*
 - ❖ *Tax and financial strategies*
 - ❖ *Government benefits (CPP & OAS)*
 - ❖ *Legal and estate planning*
 - ❖ *University pension plan information*
- *Independent and un-biased, facilitated by Aon Hewitt*
- *Offered to all plan members age 55+*
- *The feedback for these sessions was extremely positive*
- *Watch for another round of sessions in the spring of 2017*

Appendix – Plan Membership

Active Members

	Dec 31, 2014	Dec 31, 2015
Number	1,287	1,299
Average age	47.8 years	47.7 years
Average years of service	11.4 years	11.4 years
Average annual salary	\$53,700	\$55,400
Accumulated employee contributions with interest	\$44,199,800	\$46,438,600

Pensioners and Survivors

	Dec 31, 2014	Dec 31, 2015
Number	813	847
Average age	72.2 years	72.0 years
Average annual pension	\$ 16,600	\$ 16,900

Appendix – Plan Membership

Deferred Members

	Dec 31, 2014	Dec 31, 2015
Number	94	92
Average age	49.9 years	49.1 years
Average annual pension	\$ 10,100	\$ 9,100
Accumulated employee contributions with interest	\$ 2,755,800	\$ 2,450,600

Pending Settlements

	Dec 31, 2014	Dec 31, 2015
Number	28	22
Accumulated employee contributions with interest	\$ 339,800	\$ 407,100

Questions

Legal Disclaimer

© 2016 Aon Hewitt Inc. All Rights Reserved.

This document contains confidential information and trade secrets protected by copyrights owned by Aon Hewitt. The document is intended to remain strictly confidential and to be used only for your internal needs and only for the purpose for which it was initially created by Aon Hewitt. No part of this document may be disclosed to any third party or reproduced by any means without the prior written consent of Aon Hewitt.