



University of Saskatchewan and Federated Colleges Non-Academic Pension Plan

AGM Presentation – November 15, 2017

Prepared by Aon Hewitt

Presentation to University of Saskatchewan



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:
 - 16.14% of pensionable earnings for 2017 (\$5.0M additional contributions per year above the matching 8.50%)
 - 16.82% of pensionable earnings for 2018 through 2022 (\$5.6M 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, 2017
- 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)
- Monthly unreduced pension = \$1,500

■ Calculation of early retirement reduction:

- a) Months until age 60 = $(60 - 56) \times 12 = 48$
- b) Months until rule of 80 = $(80 - 77) \times 12 = 36$

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

Reduction in monthly pension = $9\% \times \$1,500 = \135

Reduced monthly pension = $1,500 - 135 = \$1,365$

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 and/or additional guarantee period)

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

■ Member Information:

- Date of retirement = December 1, 2017
- Age at date of retirement = 55
- Age of member's spouse = 52
- Pensionable Service at date of retirement = 25 years
- Age plus service equal to 80 (i.e. 80 points towards rule of 80)
- 4-year Average Pensionable Earnings = \$50,400

■ Calculation of pension:

- Lifetime Pension (normal form)
 - = $2\% \times 25 \times \$50,400$
 - = **\$25,200 per year**
 - = **\$2,100.00 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	\$2,100.00	\$2,079.68
- Member's Amount				
Joint Life Options – J&S 60%				
- Member's Amount	\$2,007.90	\$2,006.05	\$2,000.87	\$1,992.88
- Spouse's Amount after Member's Death	\$1,204.74	\$1,203.63	\$1,200.52	\$1,195.73

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	\$2,798.74	\$2,778.42
- Member's amount after age 65	N/A	N/A	\$1,303.25	\$1,282.93
- For guaranteed period	N/A	N/A	\$2,100.00	\$2,079.68
Joint Life, integrated with CPP & OAS				
Joint & Survivor 60%				
- Member's amount before age 65	\$2,706.64	\$2,704.79	\$2,699.61	\$2,691.62
- Member's amount after age 65	\$1,211.15	\$1,209.30	\$1,204.12	\$1,196.13
- For guaranteed period	\$0.00	\$2,006.05	\$2,000.87	\$1,992.88
- To spouse after member's death and guaranteed period	\$1,204.74	\$1,203.63	\$1,200.52	\$1,195.73

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

■ Member Information:

- Date of retirement = December 1, 2017
- 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 = \$48,000

■ Calculation of pension:

- Lifetime Pension (normal form)
 - = $2\% \times 20 \times \$48,000$
 - = **\$19,200 per year**
 - = **\$1,600.00 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
- $\$19,200 \times 85\% =$ **\$16,320 per year (\$1,360.00 per month)**

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
- 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, 2017
- Total lump sum entitlement = \$100,000
- Solvency ratio = 0.67
- LS payment on Dec. 1, 2017 = $0.67 \times \$100,000 = \$67,000$
- Transfer Deficiency payment on Dec. 1, 2022
= $0.33 \times \$100,000 = \$33,000$ (plus interest for 5 years)

Valuation Results – Contribution requirements

	Dec 31, 2016	Dec 31, 2014
Employees	8.50%	8.50%
University	16.82%	15.65%

- The 2016 valuation revealed that the University will contribute an additional 8.32% of pensionable earnings to the plan over and above the employee contribution rate of 8.50%
- Approximately \$5,000,000 in 2017
- Transfer deficiency holdback = 33%
- The next required filed valuation will be no later than Dec. 31, 2019

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

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 a Pension Specialist to explain your options and answer any questions*

Appendix – Plan Membership

Active Members

	Dec 31, 2015	Dec 31, 2016
Number	1,299	1,313
Average age	47.7 years	47.6 years
Average years of service	11.4 years	11.2 years
Average annual salary	\$55,400	\$55,800
Accumulated employee contributions with interest	\$46,438,600	\$46,166,300

Pensioners and Survivors

	Dec 31, 2015	Dec 31, 2016
Number	847	890
Average age	72.0 years	71.9 years
Average annual pension	\$ 16,900	\$ 17,300

Appendix – Plan Membership

Deferred Members

	Dec 31, 2015	Dec 31, 2016
Number	92	88
Average age	49.1 years	48.5 years
Average annual pension	\$ 9,100	\$ 7,900
Accumulated employee contributions with interest	\$ 2,450,600	\$ 2,066,700

Pending Settlements

	Dec 31, 2015	Dec 31, 2016
Number	22	20
Accumulated employee contributions with interest	\$ 407,100	\$ 355,600

Appendix – Plan Membership

Pending Transfer Deficiency Payouts

	Dec 31, 2015	Dec 31, 2016
Number	125	119
Average transfer deficiency balance	\$27,800	\$32,700
Average period remaining until payout	2.4 years	2.3 years

Questions

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