



# University of Saskatchewan and Federated Colleges Non-Academic Pension Plan

AGM Presentation – November 2015

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Presentation to University of Saskatchewan



# Agenda

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- 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

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- ***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

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- *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

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- *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 (\$4.6M additional contributions per year above the matching 8.50%)

# The Non-Academic Plan Basics - continued

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## ■ *When can I retire?*

### Normal Retirement

- 1<sup>st</sup> of the month immediately following age 65

### Postponed Retirement

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

### Early Retirement

- 1<sup>st</sup> 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

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- *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

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## ■ Member Information:

- Date of retirement = December 1, 2015
- 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

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## ■ *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

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## ■ Member Information:

- Date of retirement = December 1, 2015
- 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
<b>Single Life Options</b>	N/A	N/A	<b>\$2,090.83</b>	\$2,070.19
- Member's Amount				
<b>Joint Life Options – J&amp;S 60%</b>				
- Member's Amount	\$2,003.45	\$2,001.49	\$1,996.09	\$1,987.94
- Spouse's Amount	\$1,202.07	\$1,200.89	\$1,197.65	\$1,192.76

# 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
<b>Single Life, integrated with CPP &amp; OAS</b>				
- Member's amount before age 65	N/A	N/A	\$2,785.76	\$2,765.12
- Member's amount after age 65	N/A	N/A	\$1,255.81	\$1,235.17
- For guaranteed period	N/A	N/A	\$2,090.83	\$2,070.19
<b>Joint Life, integrated with CPP &amp; OAS</b>				
<b>Joint &amp; Survivor 60%</b>				
- Member's amount before age 65	\$2,698.38	\$2,696.42	\$2,691.02	\$2,682.87
- Member's amount after age 65	\$1,168.43	\$1,166.47	\$1,161.07	\$1,152.92
- For guaranteed period	\$0.00	\$2,001.49	\$1,996.09	\$1,987.94
- To spouse after member's death and guaranteed period	\$1,202.07	\$1,200.89	\$1,197.65	\$1,192.76

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

## ■ Member Information:

- Date of retirement = December 1, 2015
- 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
- $\$19,300 \times 85\% = \mathbf{\$16,405 \text{ per year}}$

# Transfer Deficiency

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- 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

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- Example – Transfer Deficiency
  - Date of termination = Dec. 1, 2015
  - Total lump sum entitlement = \$100,000
  - Solvency ratio = 0.67
  - LS payment on Dec. 1, 2015 =  $0.67 \times \$100,000 = \$67,000$
  - Transfer Deficiency payment on Dec. 1, 2020  
=  $0.33 \times \$100,000 = \$33,000$  (with interest)

## Valuation Results – Contribution requirements

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	Dec 31, 2014	Dec 31, 2012
<b>Employees</b>	8.50%	8.50%
<b>University</b>	15.65%	15.45%

- The 2014 valuation reveals 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 \$4,600,000 in 2015
- Transfer deficiency holdback = 33%



# Current Pension Landscape

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- 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
  - Investment markets volatile and uncertain

# FAQs – Pensions Office

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## Where is the Pensions Office?

- *Research Annex Building, Rm 220*

## 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](mailto:pensions.inquiries@usask.ca) or 306-966-6633*

# FAQs – How to Retire

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## **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

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## **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](http://servicecanada.gc.ca)*

# FAQs – How to Retire

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## **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

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**The University, supported by the Pension & Treasury Office, was pleased to offer 5 full-day Retirement Sessions in April and May 2015**

- *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 2016*

## Appendix – Plan Membership

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### Active Members

	<b>Dec 31, 2013</b>	<b>Dec 31, 2014</b>
Number	1,291	1,287
Average age	47.4 years	47.8 years
Average years of service	11.4 years	11.4 years
Average annual salary	\$51,100	\$53,700
Accumulated employee contributions with interest	\$41,955,100	\$44,199,800

### Pensioners and Survivors

	<b>Dec 31, 2013</b>	<b>Dec 31, 2014</b>
Number	792	813
Average age	72.1 years	72.2 years
Average annual pension	\$ 16,300	\$ 16,600

## Appendix – Plan Membership

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### Deferred Members

	<b>Dec 31, 2013</b>	<b>Dec 31, 2014</b>
Number	83	94
Average age	49.4 years	49.9 years
Average annual pension	\$ 9,700	\$ 10,100
Accumulated employee contributions with interest	\$ 2,319,800	\$ 2,755,800

### Pending Settlements

	<b>Dec 31, 2013</b>	<b>Dec 31, 2014</b>
Number	33	28
Accumulated employee contributions with interest	\$ 641,400	\$ 339,800



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# *Questions*

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