

Pension Plan for Full-time Employees of Bishop's University


Proposed changes to the Plan

April 27, 2012





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Context

Financial Situation

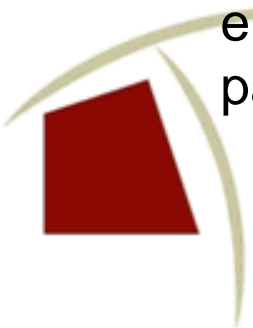
	(\$,000)	
	June 30, 2008	Preliminary June 30, 2011
Going Concern Liability	\$99,532	\$114,272
Market Value of Assets	\$95,090	\$94,636
Surplus / (Deficit)	(\$4,263)	(\$19,636)
Current Service Cost	\$2,998 (18%)	\$4,013 (21%)
Amortization	\$434 (3%)	\$2,028 (11%)
Total Contribution	\$3,432 (21%)	\$6,041 (32%)
Payroll	\$16,327	\$18,728



Context

Required contributions

- Under the Quebec Supplemental Pension Plan Act (QSPPA), the Employer is responsible for the payment of
 - Current service cost less Employees' contributions; and
 - Amortization payments to fund any deficit
- When there is an agreement to share the amortization payments with the employees
 - Employees' contributions are increased
 - Reduces the Employer Current Service Cost
 - To the exception of the 50% rule, it is the same as if the additional employees' contribution had been used for the Amortization payments



Context

Required contributions

- Example of a 40% sharing of amortization payments

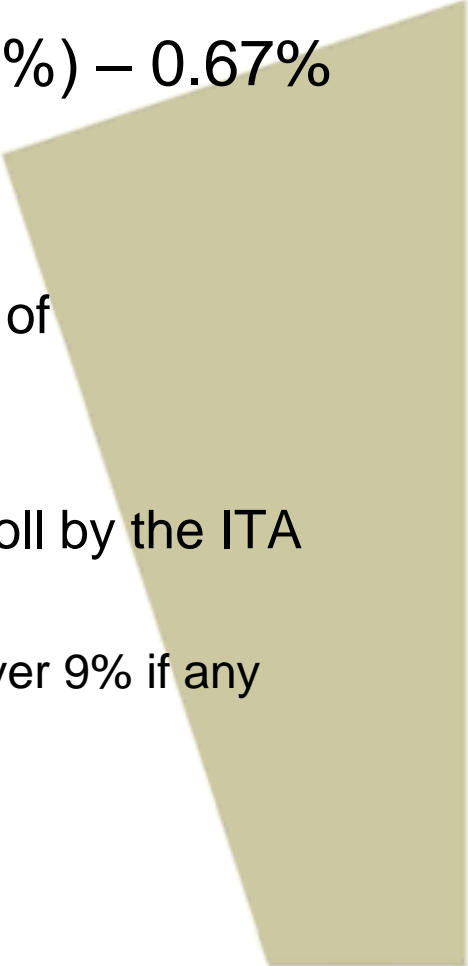
	No Sharing	40% sharing
Total CSC	\$4,000	\$4,000
Ees' contributions	\$1,500	\$2,300 ⁽¹⁾
Er's CSC	\$2,500	\$1,700
Amortization		
Employer	\$2,000	\$2,000
Total contributions		
Employees	\$1,500	\$2,300
Employer	\$4,500	\$3,700

(1) $\$1,500 + (40\% \times \$2,000)$



Context

Required contributions

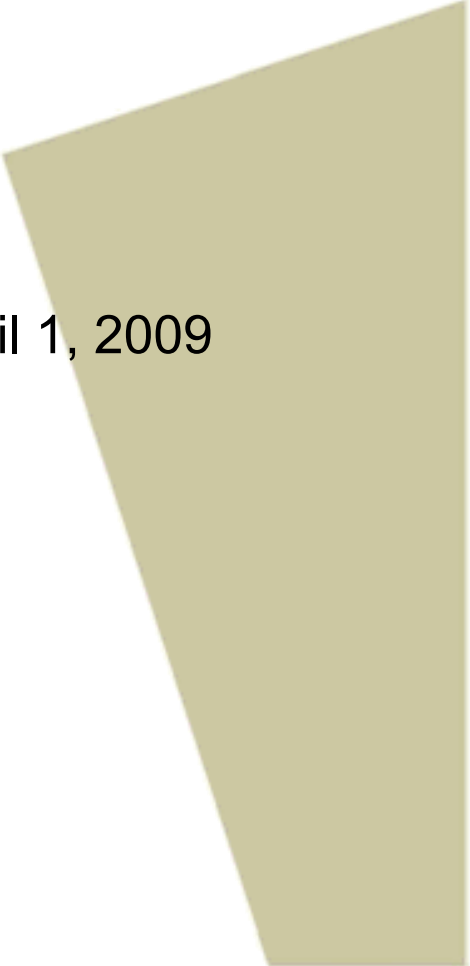
- Employees' basic contributions (7.5%/8.5%) – 0.67%
 - Overall: approximately 7.7% of payroll
 - Shared funding mechanism
 - Employees: 38% (increasing to 40 % in 2013) of
 - Past service cost (Deficit)
 - Change in CSC % vs CSC % as of 2006/12/31
 - Employees contributions limited to 9% of payroll by the ITA
 - Unless waived by the Minister
 - If no waiver: salary reductions for the excess over 9% if any
- 





Context

Required contributions

- Last valuation as of June 30, 2008
 - Total required contributions: 21%
 - 18% for Current Service Cost
 - 3 % for Past Service Cost
 - Increase in employees' contributions from April 1, 2009
 - $35 \% \times 3 \% = 1.1 \%$
 - Same formula for all members: $9.2\% - 0.67 \%$
 - Approximately $8.8\% = 7.7\% + 1.1\%$
- 



Context

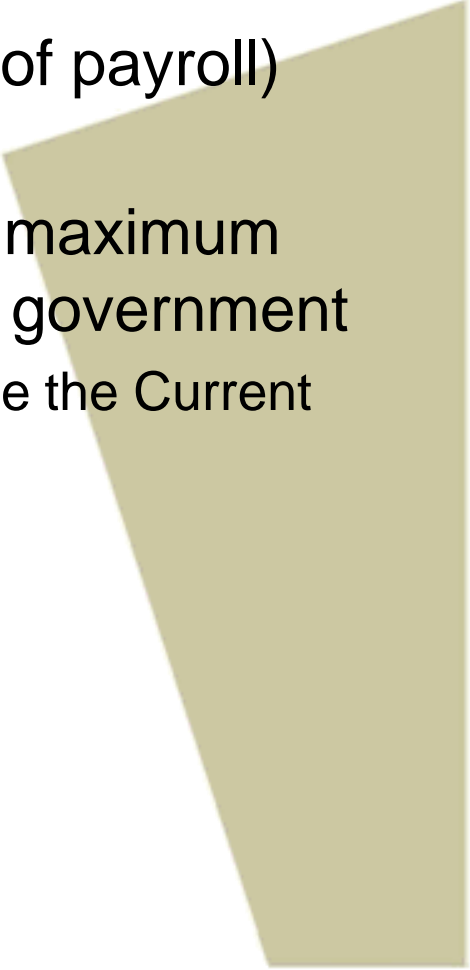
Required contributions

- Employees' contributions as of April 1, 2012⁽¹⁾ (2)
 - Past Service Cost: 11%
 - Employees' share: $38\% \times 11\% = 4.2\%$
 - Employees' share of change in Current Service Cost: 0.6%
 - Employees' contributions: $7.7\% + 4.2\% + 0.6\% = 12.5\%$ (max 9%)
 - Would require a waiver from the Minister; or
 - Earnings reductions of 3.5%
- 1) The University has decided to use the funding relief measures for the last 6 months of 2011. It reduces the employees' contributions by 1% for this 6 months period or by 0.5% for the period from July 1, 2011 to June 30, 2012
- 2) The University agreed not to apply the increase retroactively to July 1, 2011. The members will start to pay their share of the increased deficit on July 1, 2012



Context

In summary


- There is a deficit of \$19.6 millions (105% of payroll)
 - To be amortized over 15 years
 - Your contribution rate is already near the maximum allowed without a special waiver from the government
 - Any increase in contribution rates also increase the Current Service Cost
 - Your Plan is a mature plan
 - Greater susceptibility to market fluctuations
 - So what can be done?
- 





Context

What are the options?

- Do nothing
 - Employees' contributions: 12.5% of payroll
 - University's contributions: 19.75% of payroll
 - Reduce the cost
 - Employees?
 - University?
 - By how much?
 - Current Service Cost vs Past Service Cost
 - Address the long-term sustainability of the Plan
- 



Objectives of the parties

- Employees – From the February 16th meeting
 - Benefit reduction preferred to contribution increase
 - No change to the Pension Formula
- APBU
 - No reduction of accrued benefits
 - Equity between generations of members
 - Long-term sustainability of the Plan
 - Comparability with other Universities' Plans
 - Keep employees' contributions as close as possible to 8.8% (i.e. the current level)
- University
 - Reduce the cost

Objectives of the parties

		University	Employees
Initial total cost	32.25%	19.75%	12.5%
Objectives	24.8%	16.0%*	8.8%
Gap	≈ 7.5%	≈ 3.8%	≈ 3.7%

* Assumption used as a starting point



Negotiated Benefit reductions Applicable to future service only

Plan Provisions	For service before 2012/07/01	Service after 2012/07/01
Eligibility to an unreduced pension and a bridge pension	Age 55 and 15 years of credited service or sum of age and years of membership = 80	Age 60 and 25 years of credited service or sum of age and years of membership = 90
Calculation of Final Average Earnings	Best 3 years	Best 5 years
Normal form of pension payment	With a spouse: Joint & 66 2/3% guaranteed 5 years Single: Lifetime pension guaranteed 10 years	All members: Lifetime pension guaranteed 5 years
Bridge pension	21% of FAE up to FAYMPE plus 31% of FAE in excess of FAYMPE Limited to 1.44% of FAYMPE x years of continuous employment	21% of FAE up to FAYMPE plus 31% of FAE in excess of FAYMPE Limited to 0.2% of FAYMPE x years of continuous employment
Minimum Benefit in case of termination of employment	2 x employee's contributions accumulated with interest	Minimum required under the law

Negotiated Benefit reductions

Impact on Plan cost

		University	Employees
Initial total cost	32.25%	19.75%	12.5%
Cost with Benefit reductions	26.25%	17.45%	8.8%
<i>Impact</i>	<i>(6.0%)</i>	<i>(2.3%)</i>	<i>(3.7%)</i>

Currently, employees must pay 38.8% of total cost (i.e. 12.5% / 32.25%)

To keep that same proportion (38.8%), as per the cost sharing agreement, after benefit reductions, employees' contributions should be at 10.2% (i.e. 38.8 % x 26.25 %), that is an increase of 1.4%. Without the 50% rule, this would reduce the University's cost by 1.4%

Increasing employees' contributions

The 50% rule problem

- Quebec Supplemental Pension Plan Act (QSPPA)
 - At termination of employment, death or retirement, if employees' contributions accumulated with interest are greater than 50% of the commuted value of pension, the excess is used to provide for an additional pension
- This test is taken into account into the actuarial valuation
 - Impact of increasing the employees' contributions by 1%

Total current service cost	+ 0.4%
Employees' contributions	+ 1.0%
University's CSC	- 0.6%

Increasing employees' contributions

The 50% rule problem

- To reduce the University's cost by 1.4%
 - Should increase the employees' contribution by 2.3%
 - Increases the cost of the plan by 0.9%
 - Total cost = 27.15%, employees = 11.1%, University = 16.05%
 - Employees would then pay 40.9% of the cost
- A preferred solution: Salary Clawback
 - Clawback of 1.4% instead of a contribution increase of 2.3%
 - Increases take-home pay by 0.9%
 - Equity between younger members and older members
 - Amongst the active members, those who have most contributed to the current deficit are those closer to retirement
 - Clawback will slightly reduce the pension of those retiring up to 5 years after the end of the clawback period

The impacts on your benefits

- For your pension related to your credited service up to June 30, 2012
 - **NO IMPACT**
- The calculation of your pension and bridge pension as well as the application of eligibility criteria for unreduced pension and bridge pension will be done separately
 - For your credited service prior to July 1, 2012
 - For your credited service after June 30, 2012



The impacts on your benefits

- An example – case study

- Male
- Age on July 1, 2012: 52
- Joins the Plan at age: 35
- Credited service on July 1, 2012: 17 (3 pre July 1, 1998, 14 after)
- Retirement age: 55 (on July 1, 2015)
 - Credited service: 20 (17 pre and 3 post plan changes)
 - Final average earnings 3 (FAE3): \$56,667
 - Final average earnings 5 (FAE5): \$55,048
 - Final average YMPE 3 (FAYMPE3): \$53,428
 - Final average YMPE 5 (FAYMPE5): \$51,737
- Assume that years of continuous employment = credited service

The impacts on your benefits

- An example – calculation of pension amounts

- For Credited service prior to July 1, 2012

- Pension

- $3 \times (1.375\% \times \$53,428 + 2.0\% \times (\$56,667 - \$53,428))$

- Plus

- $14 \times (1.8\% \times \$53,428 + 2.0\% \times (\$56,667 - \$53,428))$

- = \$16,769

- Bridge

- $21\% \times \$53,428 + 31\% \times (\$56,667 - \$53,428) = \$12,224$

- limited to

- $1.44\% \times \$53,428 \times 17 = \$13,079$

- = \$12,224

The impacts on your benefits

- An example – application of early retirement provisions
 - For Credited service prior to July 1, 2012
 - Eligibility criteria
 - Pension : 55/15 = no reduction
 - » However: minimum reduction under the Income Tax Act when the sum of age plus service is below 80
 - » In the example sum = 75 (55+20), minimum reduction of 7.5%
 - Bridge : 55/15 = eligible to the bridge pension
 - Pension = \$15,511 (i.e. 92.5% x \$16,769)
 - Bridge Pension = \$12,224



The impacts on your benefits

- An example – calculation of pension amounts
 - For Credited service after July 1, 2012
 - Pension
 - $3 \times (1.8\% \times \$51,737 + 2.0\% \times (\$55,048 - \$51,737))$
 - = \$2,992
 - Bridge
 - Total service
 - » $21\% \times \$53,428 + 31\% \times (\$56,667 - \$53,428) = \$12,224$
 - limited to
 - » $1.44\% \times \$53,428 \times 17 + 0.2\% \times \$51,737 \times 3 = \$13,389$
 - » = \$12,224
 - Service before July 1, 2012 : \$12,224
 - Service after July 1, 2012 = \$0 (i.e. \$12,224 - \$12,224)



The impacts on your benefits

- An example – application of early retirement provisions
 - For Credited service after July 1, 2012
 - Eligibility criteria
 - Pension : 60/25 = reduction of 6%/year before age 65 = 60%
 - » However under the QSPPA, the reduction cannot be larger than an actuarial equivalent reduction
 - » In this example = reduction of 55%
 - Bridge : 60/25 = not eligible to the bridge pension (not a problem for this member)
 - Pension = \$1,346 (i.e. 45% x \$2,992)
 - Bridge Pension = \$0



The impacts on your benefits

- An example

- For Credited service after July 1, 2012

- Converting to the same form of pension

- For service after July 1, 2012 : Lifetime pension guaranteed 5 years

- For service prior to July 1, 2012

- » With a spouse: Joint & 66 2/3% survivor guaranteed 5 years

- » Single: Lifetime pension guaranteed 10 years

- If the member has a spouse 2 years younger

- » Reduction of 8%

- » Pension = \$1,238 (i.e. 92% x \$1,346)

- If the member is single

- » Reduction of 1%

- » Pension = \$1,333 (i.e. 99% x \$1,346)



The impacts on your benefits

Example - Summary

	Service pre - 2012	Service post 2012/7/1		Total service	
		Married	Single	Married	Single
Pension	\$15,511	\$1,238	\$1,333	\$16,749	\$16,847
Bridge	\$12,224	\$0	\$0	\$12,224	\$12,224

Without any changes

Pension	\$15,511	\$2,848	\$2,848	\$18,359	\$18,359
Bridge	\$12,224	\$0	\$0	\$12,224	\$12,224

Impact of changes

Pension	\$0	(\$1,610)	(\$1,515)	(\$1,610)	(\$1,515)
Bridge	\$0	\$0	\$0	\$0	\$0

The impacts on your benefits

- Case study 1
 - Female
 - Age on July 1, 2012: 57.75
 - Credited service on July 1, 2012: 24.833
 - Final average earnings (3 years) on July 1, 2012: \$36,000
 - Male spouse 4 years older
 - Retirement on
 - July 1, 2012
 - July 1, 2014
 - July 1, 2015
 - Assume that years of continuous employment = credited service
 - Assume salary increases of 3.0% per year

The impacts on your benefits

- Case study 1

	Service before 2012/7/1	Service after 2012/7/1	Total	Total if no change
Retirement on July 1, 2012, age = 57.75 (55/15)				
Pension	\$14,789	\$0	\$14,789	\$14,789
Bridge	\$7,560	\$0	\$7,560	\$7,560
Retirement on July 1, 2014, age = 59.75 (55/15)				
Pension	\$15,690	\$869	\$15,622	\$17,065
Bridge	\$8,020	\$0	\$8,020	\$8,020
Retirement on July 1, 2015, age = 60.75 (60/25)				
Pension	\$16,161	\$1,960	\$18,121	\$18,285
Bridge	\$8,261	\$0	\$8,261	\$8,261

The impacts on your benefits

- Case study 2
 - Female
 - Age on July 1, 2012: 46
 - Male spouse 2 years older
 - Credited service on July 1, 2012: 22
 - Salary rate on July 1, 2012: \$36,000
 - Retirement on
 - July 1, 2018: at age 52
 - July 1, 2021: at age 55
 - July 1, 2023: at age 57
 - Assume that years of continuous employment = credited service
 - Assume salary increases of 3.0% per year

The impacts on your benefits

- Case study 2

	Service before 2012/7/1	Service after 2012/7/1	Total	Total if no change
Retirement on July 1, 2018, age = 52 (80 points)				
Pension	\$14,951	\$1,468	\$16,419	\$19,328
Bridge	\$8,511	\$0	\$8,511	\$8,511
Retirement on July 1, 2021, age = 55				
Pension	\$16,337	\$2,983	\$19,320	\$23,512
Bridge	\$9,301	\$0	\$9,301	\$9,301
Retirement on July 1, 2023, age = 57 (90 points)				
Pension	\$17,332	\$8,586	\$25,918	\$26,635
Bridge	\$9,867	\$0	\$9,867	\$9,867

The impacts on your benefits

■ Case study 3

- Male
- Age on July 1, 2012: 65
- Female spouse 2 years younger
- Credited service on July 1, 2012: 25
- FAE3 on July 1, 2012: \$100,000
- FAYMPE3 on July 1, 2012: \$48,533
- FAE5 on July 1, 2012: \$97,087
- FAYMPE5 on July 1, 2012: \$47,360
- Retirement on July 1, 2012
 - Current plan
 - As if the new provisions had always been in place

The impacts on your benefits

- Case study 3

	Current plan	New Plan
Pension under the normal form of payment	\$45,820*	\$46,176
Reduction to convert to a J&S66 2/3% G5	N/A	12%
Pension payable under the J&S66 2/3% G5	\$45,820	\$40,635

* Out of the 25 years of credited service, 8.5 years (from January 1, 1990 to July 1, 1998) are with a lower pension formula that under the new plan

The impacts on your benefits

- Eligibility to an unreduced pension and a bridge pension
 - Change that has the most impact on the cost of the plan
 - Current provisions are very generous
 - There is pressure everywhere to delay the retirement age
 - Change to the eligibility age for the Old Age Security announced in the last Federal Budget (from 65 to 67)
 - Number of retirements since January 1, 2009: 37
 - 14 have retired at age 60 or above with 25 years of credited service
 - Would not have been affected by the new criteria
 - 10 have retired with less than 15 years of service
 - Would have been affected similarly with the new criteria
 - 5 have retired before age 60 with less than 25 years of service
 - 8 have retired after age 60 with less than 25 years of service

The impacts on your benefits

- Eligibility to an unreduced pension and a bridge pension
 - 234 members below age 60 on June 30, 2011
 - 49 will reach the 90 factor before age 60
 - 75% will reach 60/25 before age 65 (51% at age 60)



The impacts on your benefits

- Normal Form of Pension Payment
 - Currently, single members subsidize members with a spouse
 - For future service, members with a spouse who want to provide protection for his/her spouse in case of death will pay for that additional protection by reducing his/her pension
 - Same normal form of pension payment for all members
 - Lifetime pension guaranteed 5 years
 - Also means less protection for the estate of a single member
 - The cost of providing the same protection, i.e. a guarantee of 10 years will not be very high however
 - Tables next page indicate by which % the pension must be reduced to convert the new form of payment to the current one

The impacts on your benefits

- Male member with a spouse

Age differential with spouse	Retirement Age										
	55	56	57	58	59	60	61	62	63	64	65
-10	10%	11%	11%	12%	12%	13%	14%	14%	15%	16%	16%
-9	10%	10%	11%	11%	12%	13%	13%	14%	15%	15%	16%
-8	9%	10%	11%	11%	12%	12%	13%	14%	14%	15%	15%
-7	9%	10%	10%	11%	11%	12%	12%	13%	14%	14%	15%
-6	9%	9%	10%	10%	11%	11%	12%	13%	13%	14%	14%
-5	9%	9%	10%	10%	11%	11%	12%	12%	13%	13%	14%
-4	8%	9%	9%	10%	10%	11%	11%	12%	12%	13%	13%
-3	8%	8%	9%	9%	10%	10%	11%	11%	12%	12%	13%
-2	8%	8%	8%	9%	9%	10%	10%	11%	11%	12%	12%
-1	7%	8%	8%	9%	9%	9%	10%	10%	11%	11%	11%
0	7%	7%	8%	8%	9%	9%	9%	10%	10%	11%	11%
1	7%	7%	7%	8%	8%	8%	9%	9%	10%	10%	10%
2	6%	7%	7%	7%	8%	8%	8%	9%	9%	9%	10%
3	6%	6%	7%	7%	7%	8%	8%	8%	9%	9%	9%
4	6%	6%	6%	7%	7%	7%	7%	8%	8%	8%	9%
5	5%	6%	6%	6%	6%	7%	7%	7%	8%	8%	8%
6	5%	5%	6%	6%	6%	6%	7%	7%	7%	7%	8%
7	5%	5%	5%	6%	6%	6%	6%	6%	7%	7%	7%
8	5%	5%	5%	5%	5%	6%	6%	6%	6%	6%	6%
9	4%	4%	5%	5%	5%	5%	5%	6%	6%	6%	6%
10	4%	4%	4%	4%	5%	5%	5%	5%	5%	5%	5%

The impacts on your benefits

- Female member with a spouse

Age differential with spouse	Retirement Age										
	55	56	57	58	59	60	61	62	63	64	65
-10	8%	8%	8%	9%	9%	10%	10%	11%	11%	12%	12%
-9	7%	8%	8%	9%	9%	9%	10%	10%	11%	11%	11%
-8	7%	7%	8%	8%	9%	9%	9%	10%	10%	11%	11%
-7	7%	7%	7%	8%	8%	9%	9%	9%	10%	10%	10%
-6	6%	7%	7%	7%	8%	8%	9%	9%	9%	10%	10%
-5	6%	7%	7%	7%	7%	8%	8%	8%	9%	9%	9%
-4	6%	6%	7%	7%	7%	7%	8%	8%	8%	9%	9%
-3	6%	6%	6%	6%	7%	7%	7%	8%	8%	8%	8%
-2	5%	6%	6%	6%	6%	7%	7%	7%	7%	8%	8%
-1	5%	5%	6%	6%	6%	6%	7%	7%	7%	7%	7%
0	5%	5%	5%	5%	6%	6%	6%	6%	7%	7%	7%
1	5%	5%	5%	5%	5%	6%	6%	6%	6%	6%	6%
2	4%	4%	5%	5%	5%	5%	5%	6%	6%	6%	6%
3	4%	4%	4%	5%	5%	5%	5%	5%	5%	5%	6%
4	4%	4%	4%	4%	4%	5%	5%	5%	5%	5%	5%
5	4%	4%	4%	4%	4%	4%	4%	4%	5%	5%	5%
6	3%	3%	4%	4%	4%	4%	4%	4%	4%	4%	4%
7	3%	3%	3%	3%	4%	4%	4%	4%	4%	4%	4%
8	3%	3%	3%	3%	3%	3%	3%	3%	4%	4%	4%
9	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
10	2%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%

The impacts on your benefits

- Male member single

Retirement Age										
55	56	57	58	59	60	61	62	63	64	65
1%	1%	1%	1%	2%	2%	2%	2%	3%	3%	3%

- Female member single

Retirement Age										
55	56	57	58	59	60	61	62	63	64	65
1%	1%	1%	1%	1%	1%	1%	2%	2%	2%	2%



The impacts on your benefits

▪ Bridge pension formula

- Had to be looked at in order to reach cost savings objectives
- 0.2% determined such that the sum of Bridge Pension and Lifetime pension before age 65 provides a total pension equal to 2% of FAE5 on earnings below the FAYMPE5
 - Lifetime pension formula = $1.8\% \times \text{FAYMPE5} + 2\%(\text{FAE5} - \text{FAYMPE5})$
- As in the earlier example, some members will not be affected by this change, in particular those
 - For whom the bridge is based on the 21% / 31% formula; and
 - With more than 15 years of credited service on July 1, 2012



The impacts on your benefits

- Minimum benefit in case of termination of employment
 - Benefits are being reduced at retirement
 - It will automatically also reduce the value of pension in case of death and termination of employment
 - However, for some members (most likely the youngest ones) who would terminate their employment, there would have been no change in their benefits because they would have been entitled to the minimum benefit which is 2 times the employees' contributions accumulated with interest
 - Would not be equitable
 - This minimum benefit has been eliminated for future service

The impacts on your benefits

- How many additional months or years should you work in order to receive the same pension?
 - Depends on many factors
 - The age you want to retire
 - Often people tend to underestimate their retirement age. When they get closer to their targeted age the target moves back
 - The age you joined the plan
 - If you have a spouse or if you are single
 - Your salary level
 - Your salary increases



The impacts on your benefits

- How many additional months or years should you work in order to receive the same pension?
 - The tables on next pages provide an estimation of the additional years a member would need to work in order to receive the same pension
 - Scenario 1 is for a member age 52 on July 1, 2012
 - Scenario 2 is for a member age 52 on July 1, 2012 but as if the plan had always been with the new provisions
 - It assumes salary increases of 3.0%



The impacts on your benefits

			Married Male - Spouse 2 years younger	
Salary Rate	Retirement Age	Hire Age	Scenario 1 (in years)	Scenario 2 (in years)
\$35 000	55	25	1,83	4,58
		35	2,33	5,00
	60	25	0,75	4,17
		35	1,00	4,00
\$45 000	55	25	1,83	4,58
		35	2,33	5,00
	60	25	0,75	4,17
		35	1,00	4,00
\$55 000	55	25	1,83	4,75
		35	2,42	5,00
	60	25	0,75	4,25
		35	1,00	4,08
\$75 000	55	25	1,92	5,17
		35	2,75	5,00
	60	25	0,83	4,42
		35	1,67	4,25
\$100 000	55	25	2,08	4,83
		35	2,42	5,00
	60	25	1,25	4,42
		35	1,33	3,67
\$125 000	55	25	1,92	4,25
		35	2,25	5,00
	60	25	1,08	4,08
		35	1,17	3,33



The impacts on your benefits

Salary Rate	Retirement Age	Hire Age	Married Female - Spouse 2 years older	
			Scenario 1 (in years)	Scenario 2 (in years)
\$35 000	55	25	1,75	3,67
		35	2,25	5,00
	60	25	0,50	2,83
		35	0,58	2,83
\$45 000	55	25	1,75	3,67
		35	2,25	5,00
	60	25	0,50	2,83
		35	0,58	2,92
\$55 000	55	25	1,75	3,83
		35	2,33	5,00
	60	25	0,50	2,92
		35	0,58	3,00
\$75 000	55	25	1,83	4,25
		35	2,58	5,00
	60	25	0,50	3,08
		35	1,33	3,17
\$100 000	55	25	2,00	4,00
		35	2,33	5,00
	60	25	0,92	3,17
		35	1,00	2,67
\$125 000	55	25	1,83	3,42
		35	2,17	5,00
	60	25	0,75	2,83
		35	0,83	2,33



The impacts on your benefits

Salary Rate	Retirement Age	Hire Age	Single Male	
			Scenario 1 (in years)	Scenario 2 (in years)
\$35 000	55	25	1,67	3,17
		35	2,17	5,00
	60	25	0,33	2,25
		35	0,33	2,42
\$45 000	55	25	1,67	3,17
		35	2,17	5,00
	60	25	0,33	2,25
		35	0,33	2,42
\$55 000	55	25	1,67	3,33
		35	2,25	5,00
	60	25	0,33	2,33
		35	0,33	2,58
\$75 000	55	25	1,75	3,83
		35	2,58	5,00
	60	25	0,33	2,58
		35	1,17	2,75
\$100 000	55	25	2,00	3,50
		35	2,25	5,00
	60	25	0,83	2,67
		35	0,83	2,25
\$125 000	55	25	1,83	2,92
		35	2,08	5,00
	60	25	0,67	2,33
		35	0,75	1,92



The impacts on your benefits

Salary Rate	Retirement Age	Hire Age	Single Female	
			Scenario 1 (in years)	Scenario 2 (in years)
\$35 000	55	25	1,67	3,00
		35	2,17	5,00
	60	25	0,25	2,00
		35	0,33	2,25
\$45 000	55	25	1,67	3,00
		35	2,17	5,00
	60	25	0,25	2,00
		35	0,33	2,25
\$55 000	55	25	1,67	3,17
		35	2,25	5,00
	60	25	0,25	2,17
		35	0,33	2,33
\$75 000	55	25	1,75	3,67
		35	2,58	5,00
	60	25	0,25	2,33
		35	1,08	2,58
\$100 000	55	25	2,00	3,33
		35	2,25	5,00
	60	25	0,75	2,50
		35	0,83	2,08
\$125 000	55	25	1,83	2,75
		35	2,08	5,00
	60	25	0,58	2,08
		35	0,67	1,75



Salary clawback

- Already provided for in section 5.10 of the plan
 - If employees' contributions are above 9% of salary and the plan does not receive a waiver from the minister of revenue
- Impact on pensions
 - Assuming a clawback of 1.4%, it will gradually reduce the FAE5 over the next 5 years when it will reach the full impact
 - The full impact is a reduction of the FAE5 by 1.4% in 5 years
 - Compare to the pension with no salary clawback, the pension will be 1.4% lower
 - Once the clawback will be ended, the impact will gradually be eliminated over 5 years

Salary clawback

- Impact on the funding of the Plan
 - Will reduce the deficit faster than with a contribution increase
- Other advantages vs a contributions' increase
 - With a lower payroll, the University will make other savings not related to the pension plan (premiums on life and disability insurance, payroll taxes)
 - Can be used to negotiate other issues
- Duration of the clawback
 - Assuming no other experience losses, should gradually be eliminated until the contribution for the deficit has been reduced by 3.5% of payroll (i.e. $40\% \text{ of } 3.5\% = 1.4\%$)



Disclaimer

The results presented in this document are estimations only used for discussions purposes and may vary depending on final valuation assumptions used by the Plan's actuary and benefits that will finally be agreed between the parties

