University of Windsor Employees' Retirement Plan

Understanding your Pension Plan

The Basics

Background – 2 Common Plan Designs

- Defined Benefit (DB)
  - Pension benefit at retirement is based on a fixed formula
  - Earnings and service are used to calculate the pension benefit
  - Contributions fund the plan but are not used to calculate the pension
  - Pension at retirement can be estimated

- Defined Contribution (DC) (Money Purchase Plan)
  - Fixed contributions deposited to an investment account
  - Account subject to fund gains (and losses)
  - Account balance used to provide retirement benefits
  - Pension at retirement difficult to estimate

The Employees' Retirement Plan is a Defined Benefit (DB) Plan

Who are the members of this plan?

- Managerial Professional Staff, some contract non-union and employees of Unifor Local 2458, Unifor Local 444 and CUPE Local 1393
- Retired employees (and survivors) of the above groups
- Deferred members of the above groups
- Faculty, Librarians, Senior Administration and CUPE Local 1001 employees are not members of this plan

Basic Features – Employees' Plan Design

- Defined Benefit Plan Design (DB)
  - Pensionable earnings include base earnings, overtime, vacation pay, shift premium, and weekend premium; excludes sessional stipends
  - Pensionable service includes illness or injury absence, paid leaves, maternity/parental/adoption leaves, statutory leaves, union leaves; excludes unpaid leaves

Basic Features – Employees' Plan Design

Pension Contribution formula

- Is integrated with the Canada Pension Plan program (CPP)
- 2023 YMPE → $66,600 (you pay CPP on earnings up to this amount)

- 9.0% of first $3,500 of pensionable earnings (YBE)
- 6.3% of next pensionable earnings up to $66,600
- 9.0% on any pensionable earnings above $66,600

2023 Example:

Annual Pensionable Earnings of $70,000

9.0% x $3,500	= $	315.00
6.3% x ($66,600 - $3,500 = $63,100)	= $	3,975.30
9.0% x ($70,000 - $66,600 = $3,400)	= $	306.00
	= $	4,596.30

Basic Features – Employees' Plan Design

Other provisions:

- Immediate vesting (ownership) of the pension benefit as it is earned
- Disability retirement (age 50 with 15 yrs. continuous service, no reductions)
- Payable for your lifetime, regardless of survivor option chosen
- Pension quoted based on Life Guaranteed 5 year
- 6 other Survivor options. 5 of the options reduce the starting pension. Reductions are permanent
- Your contributions & interest do not pay for more than 50% of the pension earned. At termination or retirement any excess will be returned to you
- A Pension Adjustment (PA) equal to the value of one year's plan participation is reported each year on your T4. The PA is subtracted from your RRSP room

Basic Features – Employees' Plan Design

When can you retire?

- Normal retirement is 1st of month following age 65 (full pension)
- Early retirement is permitted after age 55
- Early retirement adjustment
  - 55 – 59 = 1/2 of 1% for each month away from age 60 (6% per year)
  - 60 – 65 = 1/3 of 1% for each month away from age 65 (4% per year)
  - Effective January 1st, 2023 the plan has been amended to allow for an unreduced pension for employees who have reached the age of 63 and have 25 years of credited service.
- Postponed retirement membership to age 71 (mandatory participation)
- You must begin drawing your pension even if still working, by December 1st of the year in which you turn age 71.

Basic Features – Employees' Plan Design

What is the retirement pension formula?

1.5% of your Best Average Earnings up to the YMPE for same period

Plus

2.0% of your Best Average Earnings above the YMPE for same period

Multiplied by your years and part years of pensionable service

Best Average Earnings:

Your highest sixty (60) consecutive months of Pensionable earnings prior to retirement or termination (annualized)

YMPE:

Canada Pension Plan Year's Maximum Pensionable Earnings (2023 = $66,600)

Basic Features – Employees' Plan Design

Normal Retirement formula example:

Date of birth: December 1, 1960 (age 65 in 2025)

Date of hire: May 10, 1982

Date of plan membership: October 1, 1985

Date of normal retirement: January 1, 2026

Credited Service: 40.1619 years

Highest 60 consecutive months earnings annualized: $99,836.11

Average YMPE for same period = $64,996.67

$64,996.67 x 1.5% = 974.95

(99,836.11 – 64,996.67 = 34,839.44) x 2.0% = 696.79

(974.95 + 696.79 = 1,671.74) x 40.1619 years= $67,140.25 per annum

$67,140.25 / 12 months = $5,595.02 per month

Note: Postponed retirement follows the same formula with increased service years

Basic Features – Employees’ Plan Design

Early Retirement formula example (member with more than 25 years of service):

Date of birth: December 1, 1960 (age 63 in 2023)

Date of hire: May 10, 1982

Date of plan membership: October 1, 1985

Date of normal retirement: January 1, 2026

Date of early retirement: January 1, 2024

Credited Service: 38.1619 years

Highest 60 consecutive months earnings annualized: $97,349.22

Average YMPE for same period = $61,661.67

61,661.67 x 1.5% = 924.93

(97,349.22 – 61,661.67 = 35,687.55) x 2.0% = 713.75

(924.92 + 713.75 = 1638.67) x 38.1619 years= /12 months = $5,211.23 payable as of age 63.

- This member has more than 25 years of service at age 63, therefore there is no actuarial reduction from age 63-65 years of age.

Basic Features – Employees' Plan Design

Early Retirement formula example (member with more than 25 years of service):

Date of birth: December 1, 1960 (age 62 in 2022)

Date of hire: May 10, 1982

Date of plan membership: October 1, 1985

Date of normal retirement: January 1, 2026

Date of early retirement: January 1, 2023

Credited Service: 37.1619 years

Highest 60 consecutive months earnings annualized: $95,938.02

Average YMPE for same period = $59,540.00

59,540.00 x 1.5% = 893.10

(95,938.02 – 59,540.00 = 36,398.02) x 2.0% = 727.96

(893.10 + 727.96= 1621.06) x 37.1619 years= /12 months = $5,020.14 earned at age 62 and payable at age 65.

LESS

4% (4% x 11 mths) = 60,241.68 x **96.3333%** = $58,032.80/12 months= $4,836.07 @ age 62

- However, consider $4,836.07 x 12 mos = $58,032.84 from age 62 - 63
- $5,020.14 - $4,836.07 = $184.07 x 12 = $2,208.84
- $58,032.84/$2,208.84 = 26.27 years. It will take to age 89.27 receive same $58,032.84

New 2023 Early Retirement Provisions

Any member that has more than 25 years of service AND is 63 years of age is entitled to start their pension without any actuarial reduction.

Let's go through an example of the new provision vs the old provision

Member Name:		Jane Doe
Member ID #:		0000
DOM:		01-Oct-85
YOS at June 30, 2022:		36.6619
DOE/R:		01-Jan-23
Age at E/R date:		62
Old Reduction	4% x 36 mos	12.0000%
New Reduction	4% x 12 mos	4.0000%
Projected YOS at E/R:		37.1619
Pension payable at NRD from Seclon quote		5,020.14
Old Normal Form Life G5 at E/R:	88.0000%	4,417.72
NEW Normal Form Life G5 at E/R:	96.0000%	4,819.33

Monthly Pension Summary Options		Normal Form Life G5
Old Reduction = 12%	88%	**4,417.72**
New Reduction = 4%	96%	**4,819.33**
Differnce between old reduction and new reduction		**401.61**

University of Windsor

Basic Features – Employees' Plan Design

What happens if you leave before retiring?

If Annual Pension earned is < 4% YMPE (66,600 x 4% = $2,664 yr)

You may transfer the *commuted value* of the deferred pension to

- Through transfer to a personal RRSP (non locked)
- A new employer pension plan (if permitted by the new employer)
- An insurance company to purchase a deferred life annuity
- Payable immediately in cash (less withholding taxes)

PLUS

Receive any excess employee contributions in a lump sum

- Through transfer to a personal RRSP (non locked). Must have RRSP room
- Payable immediately in cash (less withholding taxes)

- *Commuted value*: The current lump sum of money that would have to be invested at average interest rates to provide the pension at age 65 that has been earned to date.

Basic Features – Employees’ Plan Design

What happens if you leave before retiring?

If Pension is > 4% of the YMPE

Transfer commuted value (CV) (to ITA limit) of the deferred pension to

- a locked in retirement arrangement (LIRA)
- a new employer pension plan (if permitted by the new employer)
- an insurance company to purchase a deferred life annuity

PLUS

Receive any excess CV and excess employee contributions in a lump sum

- Through transfer to a personal RRSP (non locked) must have allowable room
- Payable immediately in cash (less withholding taxes)

OR

Receive a deferred pension payable at Normal Retirement Date

- may also commence anytime after age 55 subject to early retirement adjustments
- Any excess employee contributions will be paid in cash

Basic Features – Employees' Plan Design

Death Benefits

Death Benefit Amount

Pre 1987 membership

- 100% to 200% of employee contributions with credited interest based on completed years of continuous service prior to death

Post 1986 – 1992 membership

The greater of:

- 100% to 200% of employee contributions with credited interest based on completed years of continuous service prior to death

OR

- The Commuted Value of the members pension earned to 1992

Post 1992 membership

The Commuted Value of the members pension earned on and after January 1, 1992 to date of death

Basic Features – Employees' Plan Design

Death Benefits

Payment of Death Benefit

- Payable in a lump sum
- Payable to all non spousal beneficiaries in cash (less taxes)
- Payable always to member's legal spouse unless member and spouse have completed and filed a Waiver of Pre-Retirement Death Benefit Form 4
- Spousal beneficiary may elect an immediate or deferred monthly pension OR lump sum transfer to personal RRSP (does not affect your RRSP room)

PLUS

- Receive any excess employee contributions in a lump sum
- Spouse may elect a immediate cash payment (less taxes) OR lump sum transfer to personal RRSP (does not affect your RRSP room)

Basic Features – Employees' Plan Design

Other Plan Contribution Details

LTD – contributions are deemed based on the salary employee would receive if working

WSIB – contributions deducted from WSIB benefits and deemed for balance up to the salary employee would receive if working

LTD & WSIB – member receives 100% credit for full year service and the salary employee would receive if working

Maternity/Parental/Adoption leaves – voluntary participation

New Statutory leaves also pensionable – voluntary participation

No participation allowed during unpaid leaves

Basic Features – Employees' Plan Design

Other Plan Details

- Participation is mandatory during employment if full time and voluntary if part time
- No option to "opt out" once enrolled
- At retirement, pensions commence on the first day of the month following your last employment day
- After retirement, your pension will not reduce but it may increase each year under the indexing provision of the plan

Background – Types of Plan Funding

- Fixed Employee Contributions, Fixed Employer Contributions
  - Typically defined contribution (DC)

- Fixed Employee Contributions, Variable Employer Contributions
  - Typically defined benefit (DB)

- Variable Employee AND Employer Contributions
  - Referred to as a “Cost-sharing” arrangement
  - Typically defined benefit (DB)

The Employees’ Retirement Plan is funded on a “Cost-shared” arrangement

Basic Features – Plan Funding

Plan Funding is based on “Cost Sharing” with variable employee AND variable University contributions

Current contribution formula for 2023

- 9.0% on first $3,500 of pensionable earnings plus
- 6.3% of the next $61,600 of pensionable earnings plus
- 9.0% of any remaining pensionable earnings
- Averages out at approximately 7.2%
- University matches all regular employee contributions

If contributions and investment earnings do not fully fund the plan liabilities, contributions for both the University and the Employees would have to increase. This is determined by an actuarial valuation

Basic Features – Plan Funding

Plan Funding – Actuarial Valuations

- All defined benefit plans legally required to file an actuarial valuation with the Financial Services Commission of Ontario at least once every three years.

- The purpose is to evaluate a Plan's financial position at that point in time

- To determine the contributions required to support the Plan's financial obligations

Basic Features – Plan Funding

Plan Funding – Actuarial Valuations (AV)

3 principle objectives

1. Evaluate the financial position on a ***going concern*** *basis*
   - Using the assumption the Plan will continue to exist indefinitely

2. Evaluate the financial position on both a ***solvency and wind-up basis***
   - Using the assumption the Plan will end as of the valuation date

3. Determine as a result of these valuations, the contributions required to meet the Plan's statutory financial obligations

Current service cost (the Normal Cost) is the cost to provide the pension benefits that will be earned by active members in each one year period after the valuation date

Actuarial liability for active members is the liability for benefits earned up to the valuation date, and payable in the future

Basic Features – Plan Funding

Plan Funded Status at July 1, 2021 (most recent valuation)

- Per the most recent July 1, 2021 Valuation there was a Going Concern excess of $45,116,200 and a Solvency excess of $10,377,000

- There are no special payments required at this time

- Contributions May 3, 2021 were an aggregate rate of 7.20% the reduced on April 4, 2022 to an aggregate rate of 2.80% then increased May 2, 2022 to an aggregate rate of 6.80% (current)

- The ratio of the Plan assets to the Plan wind-up liabilities (the PBA calls this the "Transfer Ratio") was 102% at July 1, 2021

- The last contribution holiday agreement ended June 30, 2005

- The University matches the employee regular contributions

The next required Actuarial Valuation date is July 1, 2024.

We are here to assist you….

Department of Human Resources – 5th floor Chrysler Hall Tower

- Jody Fraser – Associate Vice President, Human Resources - ext. 2059
- Cheryl Paglione – Executive Director of Pensions, Benefits & HRIS - ext. 2014 cherylp@uwindsor.ca
- Victoria Meluso – Pension Administrator – ext. 2053 vmeluso@uwindsor.ca
- Bridget Aguilar– Pension Administrator – ext. 2083 bridgetb@uwindsor.ca

Visit our website at www.uwindsor.ca/humanresources

Questions can be emailed to pensions@uwindsor.ca

Employees’ Pension Plan

Stay tuned….coming in the near future

- Upcoming pension sessions:
    1. Understanding Your Annual Pension Statement – Friday, November 10, 2023 (1:00-3:00 pm)
    2. Using the Pension Estimator – Friday, February 16, 2024 (1:00-2:30pm)
    3. Choosing Normal and Optional Forms of Pension at Retirement – Friday, April 5 2024 (1:00-2:30pm)
    4. Pre-Retirement Planning Seminar– Friday, May 10, 2024 (1:00-4:00pm)

- Other pension information available on the HR website
    1. Pension Plan Text
    2. Pension Plan Valuations
    3. Pension Plan Financial Statements
    4. Statement of Investment Policies and Procedures
    5. 2005 – 2022 Annual Open Pension Meeting presentations
    6. FAQ’s and more!

Visit **www.uwindsor.ca/humanresources/faculty-staff/pensions**

Employees' Pension Plan

Thank you for attending this session….

Questions?