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July 2020 Cost-Of-Living Adjustments

The Board approved a 1.50% Cost-of-Living Adjustment (COLA) for eligible pension recipients and members with a deferred account, effective July 2020.

This increase is equal to 2/3 of the increase in the Canadian Consumer Price Index for 2019, which was 2.25%.

The actuary has continued to express concern that, unless changes are made, the Account will not be able to meet the target of granting additional COLA's each year at the rate of 2/3 of the increase in the Consumer Price Index. The Board shares this concern.

The Superannuation and Insurance Liaison Committee, which represents plan members in negotiating plan benefits, is studying the sustainability of the COLA Account.

CSSB Board Election Results

The election of employee representatives to the Civil Service Superannuation Board took place in the autumn of 2019.

We are pleased to announce that Mr. Ray Erb, Mr. Jody Gillis, and Mr. Doug Troke have been re-elected to three-year terms effective January 1, 2020.

In addition, we welcome Mr. C. Reed Winstone, who has been elected as the Manitoba Hydro Group employee representative.

In Memoriam

We were saddened to hear that Mr. Dan Marchant had passed away in June 2020. Mr. Marchant served as the Manitoba Hydro Group employee representative on the Civil Service Superannuation Board from June 2017 until the end of 2019.

The Board appreciates the contributions of Mr. Marchant during his time on the Board.

Pension Plan Changes

Bill 43, *the Civil Service Superannuation Amendment Act*, received Royal Assent in the Manitoba legislature on October 14, 2020. This Bill changes the provisions of the Civil Service Superannuation Fund pension plan and became effective immediately upon receiving Royal Assent.

Most of the amendments are minor housekeeping changes that update or clarify existing provisions of the Civil Service Superannuation Act (CSSA), however one of the changes is more significant and may impact former employees with a deferred pension.

Revised Basis for Calculating Pension Commuted Values

The method used to calculate the lump sum value of a pension will now use a different interest rate assumption than was previously used. This change will reduce the lump sum amounts payable on termination, death, or division of pension.

This change does not affect the pension payable to members who are in receipt of a monthly pension or to retiring members who choose to receive a monthly pension from the plan.

The commuted value of a pension is the present value of the member's anticipated future monthly pension payments. In other words, it is the amount the member would need to invest today in order to generate that same amount of monthly pension for their lifetime.

To determine the commuted value of a member's future pension payments, an assumption must be made about the rate of interest the member will be able to earn on their lump sum amount. If the member is expected to only be able to earn a low rate of interest, the initial lump sum will need to be higher in order to provide that monthly pension. If the member is expected to be able to earn a higher amount of interest, a smaller lump sum will be sufficient to provide that same monthly pension.

Prior to this amendment, commuted values were determined assuming that members would invest the lump sum in a combination of bonds. Low bond rates were resulting in very high lump sum amounts. The CSSA now requires that commuted values be determined assuming that members will earn the same interest rate as is used to determine the funding requirements of the pension plan. This new methodology is one of the methods permitted by the Canadian Institute of Actuaries and will result in lump sum payments that are cost neutral to the plan.

Why was this change recommended?

This change was made at the joint recommendation of the Superannuation and Insurance Liaison Committee (representing employees) and the Employer Pension and Insurance Advisory Committee (representing employers).

The reduction in the lump sum amounts paid out of the plan will have a direct positive impact on the funded status and long-term sustainability of the pension fund. The amounts recently being paid out to terminating members, particularly to those of retirement age, have tended to be much higher than the amounts they and their employers paid into the fund, which was causing significant losses to the pension plan. The plan's actuary had warned that, if this was allowed to continue, these losses would need to be offset by reduced benefits or increased contributions for the members who remain in the plan.

Pension Plan Changes cont'd

Q & A on Bill 43

How will Bill 43 affect me?

If you are planning to receive a monthly pension from the plan when you retire, none of the changes in the Bill would affect your pension – not the amount of your pension or when you would be eligible to collect it.

If you decide to remove your pension from the fund as a lump sum amount, the amount available to you will be significantly lower under the revised calculation method.

If you had previously terminated but a recalculation of your value is required or requested on or after October 14, 2020, the new method will apply. Your recalculation date is the date our office receives your request for a determination of your lump sum value.

The impact of the change in lump sum values varies with age. For those who are age 55 or older with at least 10 years of qualifying service, the values under new method could be in the range of 1/3 to 1/2 less than under the prior method. The reduction will be greater for younger members or those who are age 55 or older but have less than 10 years of qualifying service.

Why didn't CSSB tell me about this earlier?

When Bill 43 received First Reading, CSSB did not do a wide-scale communication about it, such as posting information on our website, sending a special newsletter, or any other form of general announcement. We were, however, fully transparent about it when communicating with individual members to whom it might be relevant. If staff recognized that this Bill could be an important factor in their discussions with a member, they advised the member of this potential. We answered all member questions to the best of our ability.

Information regarding the potential impact of the pending legislation has been posted on our website and included in our termination estimates since the Bill was introduced for Second Reading in May.

The main reason CSSB did not proactively communicate on Bill 43 is that, while a Bill is proceeding through the legislative process, its status is still speculative. It is unknown when it will be passed, if it will be altered at all from its original version, or even if it will be passed at all. The last time an amendment to the Civil Service Superannuation Act received First Reading (Bill 29 in 2016), it never went past that stage.

Legally, a plan administrator is not required to communicate on potential plan changes. Under the Pension Benefits Act, the administrator is required to give notice of a plan amendment to affected plan members within 60 days after an amendment is made.

Reminders About Your Deferred Pension

Retirement – You can apply to start receiving your deferred pension as early as age 55, or you can continue to defer the pension until the end of November in the year you turn age 71.

Deferred pensions do not commence automatically when a member becomes eligible. To receive the pension, you must submit a completed Notice of Retirement (prescribed form available from the Board or through your Online Services account) to the Board office prior to the pension commencement date.

Reminders About Your Deferred Pension cont'd

Deferred pensions are paid from the date of retirement, but no sooner than the date the Board receives a completed Notice of Retirement, and are not paid retroactively.

Retirement forms can be completed on paper by contacting the Board office, or through your CSSB Online Services account.

Death - If you were to die before your pension has commenced, your eligible spouse or common-law partner would be entitled to an immediate lifetime pension that is at least equal in value to the transfer value of your pension. If you do not have an eligible spouse or common-law partner, or if you are living separate and apart from your spouse or common-law partner due to a breakdown in the relationship, or your spouse or common-law partner has waived entitlement to the pension, pension benefits would be paid to your estate or named beneficiary(s).

Disability - A member with a deferred pension who has ten or more years of qualifying service can apply for a disability pension if he or she becomes permanently disabled before being eligible to retire with an unreduced pension.

Transfer to a Personal Retirement Savings Account - You can transfer the value of your deferred pension out of the plan at any time before the pension has commenced, subject to lock in rules. Transfer amounts can fluctuate significantly over time due to various factors, including changes in interest rates or legislated calculation methods. Further information regarding transfer values and lump sum payments is available on our website.

Transfer to Another Pension Plan – If you are now participating in another employer pension plan, you can transfer your deferred pension benefits to your new pension plan at any time before the pension has commenced if that plan will accept the transfer.

Coping With COVID

The CSSB is continuing to maintain physical distancing measures to help reduce the spread of COVID-19. Our office has been closed to the public since March 2020 and will remain closed until further notice. All in-person meetings and seminars will be cancelled until at least the end of 2020. The situation will be reassessed toward the end of the year.

You can obtain pension and termination estimates or view an online pre-retirement seminar by logging in to your CSSB Online Services account.

We'll be happy to continue to assist you by telephone or email.

Questions or Comments?

If you have any question or concerns, please contact:

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