

# *Connection*

*The Civil Service Superannuation Fund*

*Employee Newsletter • Volume 20 - 2020*

## ***In This Issue...***

### ***Front Page***

- ▶ CSSB Board Election Results
- ▶ In Memoriam
- ▶ Pension Plan Changes

### ***Page 2***

- ▶ Pension Plan Changes cont'd

### ***Page 3***

- ▶ Pension Plan Changes cont'd

### ***Page 4***

- ▶ Pension Plan Changes cont'd
- ▶ Coping with COVID

## ***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 three of the changes are more significant.

The following changes were made at the joint recommendation of the Superannuation and Insurance Liaison Committee (representing employees) and the Employer Pension and Insurance Advisory Committee (representing employers).

## ***Pension Plan Changes cont'd***

### **1. 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 or to members who leave their pension in the plan on termination to commence at a later date.

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?**

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.

### **2. Extended Timeline for Maternity or Parental Leave Purchase**

The timeline for electing to contribute in respect of a period of maternity leave or parental leave has been extended to 30 days after the end of the leave. Previously, the CSSA required that the election to contribute while on maternity or parental leave must be declared prior to the start of the leave.

#### **Why was this change recommended?**

This change allows employees greater flexibility in making arrangements to contribute in respect of periods of maternity and parental leave.

## **Pension Plan Changes cont'd**

### **3. Appointment of Employee Representatives on the Board**

Employee representatives will now be appointed by the Superannuation and Insurance Liaison Committee rather than through an election process. Members of the Superannuation and Insurance Liaison Committee are appointed by organizations that represent employees and retiree members of the pension plan.

The four employee representatives are to include one pensioner and one person representing the interests of the employees and former employees of Manitoba Hydro.

#### **Why was this change recommended?**

Participation in the employee representative election has been declining steadily. For the 2019 election, ballots were returned by about 20% of eligible employees. No other large public sector plan in Canada elects employee representatives.

### **Q & A on Bill 43**

#### **Q. How will Bill 43 affect me?**

##### **A. Bill 43 will not affect you if:**

- you are already receiving a pension from the plan. Your monthly pension amount won't change, your payment schedule won't change, and your deductions won't change as a result of Bill 43.
- 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.
- you terminated prior to October 14, 2020 and you return your completed termination option forms and supporting documents within 120 days of the day they were provided to you. Your lump sum value will be determined using the method in place prior to the amendment. Your termination date is your last day of employment as reported to us by your employer.

Bill 43 will affect the lump sum amount you will receive from the pension plan if:

- you terminate on or after the October 14, 2020, or
- you had previously terminated but a recalculation of your value is required on or after October 14, 2020.

A recalculation would be required if you did not return your completed termination option forms within 120 days of the date they were provided to you, or if you request termination options for a deferred pension account. Your termination date is your last day of employment as reported to us by your employer. The recalculation date is the date a recalculation request is received by the Board office.

The lump sum amounts available will be significantly lower under the revised calculation method.

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

## **Pension Plan Changes cont'd**

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.

The extended timeline for maternity and parental leave purchase could affect you if you are away from work for an approved maternity or parental leave. Under the amended provisions you will have more time to decide if you want to make pension contributions in respect of that leave, and you'll be able to make those contributions when you return to work rather than during the leave.

### **Q. Why didn't CSSB tell me about this earlier?**

**A.** 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.

## **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:

The Civil Service Superannuation Board  
1200-444 St. Mary Avenue  
Winnipeg Manitoba R3C 3T1

Telephone:	1-204-946-3200
Canada Toll-Free:	1-800-432-5134
E-mail:	<a href="mailto:askus@cssb.mb.ca">askus@cssb.mb.ca</a>
Website:	<a href="http://www.cssb.mb.ca">www.cssb.mb.ca</a>