



Connection

The Civil Service Superannuation Fund

Member Newsletter • Volume 12 - 2011

Greetings

Welcome to our member newsletter, **Connection**. This special edition is largely devoted to pension plan changes that have happened in the past year, which may affect your decision making as an employee. Additional information and details are available on-line or by request. This information should be considered as a supplement to the plan brochure, which will soon be updated to include these changes.

Acknowledgements

The CSSB would like to thank Ms Carmele Peter and Mr. Merv Worden for their time spent on the Board and various Committees. Plan members, the Board, and Board staff benefited from their dedication and knowledge. Their commitment and hard work in serving the members of the Plan is greatly appreciated.

Annual Report

The condensed annual report that is usually included with your pay advice is available on our website or by request.

Summary of Changes to The Pension Benefits Act and Regulations

1. General Information

- a. **Applicability** - The following changes apply if the date of termination, death, retirement, or separation in a marriage or common-law relationship, occurred on or after May 31, 2010.
- b. **Collection of spouse or common-law partner information** - We must now attempt to collect the name of an employee's spouse or common law partner, and report this information on our annual benefits statement. We use documents provided when an entitlement becomes payable to determine benefit eligibility, and any information collected before that would basically be used to comply with benefit statement disclosure requirements.

We are developing our on-line services to allow members to update this information, and we hope that this will be in place within the next year or so. Any employee wanting to report this information to us at this time can mail or fax it to us. Before we distribute annual benefits statements next summer, we will attempt to update member accounts to reflect any information we receive. We would require your name, your spouse or partner's name, and your personal identification number or PIN found on your annual benefits statement. You should also date and sign your submission. We will not accept this information by phone, and recommend against using email for security reasons.

- c. **Entitlement to a pension and employer funding** - Employees who terminate with less than 2 years of qualifying service will no longer receive an automatic refund of their contributions with interest, but are now entitled to some employer funding, and would also be entitled to an immediate or deferred pension unless it is a small transfer amount (see 4.c.).

2. Division of Pension Due To Relationship Separation

- a. **Common-law partner court order to divide pension** - Subject to prescribed time limitations, a common-law partner may apply to the Court for an order requiring a member's pension benefit to be divided if their last common habitual residence was in Manitoba.
- b. **Court order from any province or territory** - A member's pension benefit can now be divided if a division is required by an order of a court in any province or territory of Canada.
- c. **Interest credited on transfers** - Interest credited from the separation date to a date the pension benefit is transferred is the net rate of return that can reasonably be attributed to the operation of the pension fund.
- d. **Pension Benefits Spousal Agreement revoked** - Parties can now agree to not divide a pension in a separation agreement that meets the prescribed requirements.
- e. **Waiver of entitlement after member death** - A person who is entitled to a portion of the pension benefit of a member or former member who has died may waive the entitlement.

3. Pre-Retirement Death Benefits

Waiving death benefits - An eligible spouse or partner may waive entitlement to any pre-retirement death benefits.

4. Transfers After A Termination, Pension Division, or Death

- a. **Excess contributions** - The calculation of excess contributions must exclude any contributions and periods of service that were purchased on a voluntary basis or transferred from another pension plan.
- b. **Locking-in** - Minimum service requirements for locking-in of a member's pension earned after July 1, 1976 are prohibited, meaning that more of the member's pension may be subject to lock-in provisions.
- c. **Small transfer** - Where a person is entitled to withdraw a small amount, generally defined as less than 20% of the Year's Maximum Pensionable Earnings as defined under the Canada Pension Plan, it must be paid as cash. A small amount for 2011 would be less than \$9,660.
- d. **Transfer value may exclude ancillary benefits** - An ancillary benefit is to be included in the transfer value of the pension when and only when the member has met all the eligibility requirements necessary to exercise the right to receive the benefit. Ancillary benefits include disability, bridging, pre-retirement death, early retirement, postponed retirement, and cost-of-living, where applicable.

(Although this change was made to the Pension Benefits Act effective May 31, 2010, the Civil Service Superannuation Act was changed in 2011 to not exclude applicable ancillary benefits from transfers for terminations, marriage or common-law separations, and deaths that occurred prior to 2012, even if the member would not have been eligible for an immediate pension.)

5. Retirement

- a. **Early retirement on estimated equivalent basis** - A member is eligible to retire at age 55 regardless of his or her length of service. If the member has less than 10 years of qualifying service, the pension will be the estimated equivalent of the pension that would be payable at age 65. The reduction is about 6% for each year of retirement prior to age 65. That would be a reduction of roughly 30% at age 60, or 60% at age 55.
- b. **Postponed retirement** - If a member retires after reaching age 65, the pension is the greater of the pension taking into account the additional benefits earned after age 65 or the estimated equivalent at the retirement date of the pension that would have been payable if the member had retired at age 65.

Summary of Changes to The Civil Service Superannuation Act

I. General Information

- a. **Why were these changes made?** Some changes to the pension plan were required because of changes made to the Pension Benefits Act in 2010, some were recommended by the Advisory and Liaison Committees, and some were administrative housekeeping changes.
- b. **Applicability** - These changes are generally effective May 31, 2010, unless a different date is specified.

II. Changes

- a. **Calculation of transfer amount for some events on or after January 1, 2012** - The transfer amount for a member who ceases to be an employee on or after January 1, 2012, is the actuarial present value of the pension that would be payable at age 65, unless the member has accumulated at least 10 years of qualifying service and is at least age 55, or is at least age 65, in which case he or she could receive the actuarial present value of the immediate pension.

The transfer amount for a member who ceases to be an employee on or after January 1, 2012 will not include any enhanced early retirement benefits unless he or she has at least 10 years of qualifying service and is at least age 55.

The transfer value of a pension no longer increases significantly simply because a member reaches 10 years of qualifying service. He or she must now also be at least age 55. The increase previously reflected ancillary benefits to which the person was entitled, even though that entitlement was deferred rather than immediate. Ancillary benefits are no longer included in transfer values unless the person eligible to receive the transfer would also be eligible for an immediate monthly pension from the plan. It therefore could affect transfer values following a termination or relationship separation.

This change does not affect monthly pensions paid from the plan, or transfer values following the death of a member. Nor does it affect transfer amounts for members with less than 10 years of qualifying service, members with 10 or more years of qualifying service who are also at least age 55, or members who are at least age 65. It only affects transfers out of the plan if the member has at least 10 years of qualifying service but is not yet age 55. The effect could be significant. For example, a transfer value for a member with 10 or more years of qualifying service may increase by 40% or more the day he or she reaches age 55.

- b. Default pension where no valid election made** - Where a member has ceased to be an employee and has given a notice of retirement to the board, but is prevented by ill health or death from electing an optional pension, a minimum 10-year pension is now payable if there is no eligible spouse or partner.
- c. Maximum annual pension** - A member's annual pension can not exceed 70% of his or her average annual salary.
- d. Purchase of service by reservist** - An employee who receives a period of unpaid reservist leave to which he or she is entitled under The Employment Standards Code may purchase a period of service in relation to that period of leave in accordance with the regulations.
- e. Pre-retirement death benefits** - Pre-retirement death benefits for an eligible surviving child or children are no longer specified under the plan.

When a member dies prior to retirement, death benefits would be paid to his or her spouse or recognized common-law partner unless that spouse or partner has waived those rights. If there is no spouse or partner, or the spouse or partner has waived his or her entitlement, death benefits would be paid to the member's estate unless the member has made a beneficiary designation in compliance with The Beneficiary Designation Act.

A member may have rights under The Beneficiary Designation Act to designate a beneficiary for the pension plan, and may want to seek financial and legal advice regarding those rights. If naming a minor, a member may also want to consult a lawyer about naming a guardian for the property of the child.

We will keep any designation submitted to the Board on file. We will only consider whether a designation is valid if and when it becomes relevant for determining actual benefit entitlements. Specifically, we'll make a determination only when a member dies and is not survived by an eligible spouse or partner, or where the spouse or partner has waived rights to death benefits. Members concerned with the validity of a designation may want to consult an estate lawyer.

III. Potential Contribution Increase

Employee contributions may be altered if jointly recommended - The Lieutenant Governor in Council may make regulations prescribing employee contributions and the percentage of employee contributions to be allocated to the superannuation adjustment account, if based on a joint recommendation of the Advisory Committee and the Liaison Committee and supported by an actuarial report confirming the viability of the recommendation.

The plan's actuary has recommended a contribution increase be phased in over four years, and we understand that there have been preliminary discussions for employee contributions to be increased by .5% of pensionable salary effective at each of July 1, 2012, January 1, 2013, January 1, 2014, and January 1, 2015. At that time, contribution rates would be 8% on salary up to the YMPE and 9% on salary over the YMPE. These contribution rate increases would only take effect if the Lieutenant Governor prescribes them by a regulation.