MEMBER NOTICE

WCEBP
WINNIPEG CIVIC EMPLOYEES' BENEFITS PROGRAM

October 27, 2020

The Canadian Actuarial Standards Board has developed and adopted revised actuarial standards, which will affect the way Commuted Values are required to be calculated. This will result in lower lump sum amounts payable on **termination of employment**, **division of pension on relationship breakdown**, and **pre-retirement death**.

The new calculation standards will be implemented under *The Winnipeg Civic Employees' Pension Plan* effective **December 1, 2020**. As a result of this change, Commuted Values under the *Plan* are anticipated to decrease in the range of 25% to 40%, depending primarily on the Member's age – in particular, the younger the Member, the greater the decrease.

This change will only affect lump sum benefits payable under the *Plan*. It does not affect Members who choose to receive – or who currently are receiving – a bi-weekly pension from *The Winnipeg Civic Employees' Pension Plan*.

This revision to the actuarial standards is intended to result in a fairer calculation of the lump sum value of pensions and protect the interests of those members of pension plans who are receiving, or will in the future receive, their pension from the pension plan.

WHO IS AFFECTED?

Members who Terminate Employment – If you terminate employment before being eligible for a pension under the *Plan*, you may choose to receive the lump sum Commuted Value of your pension in lieu of a deferred pension.

Members Entitled to a Deferred Pension – If you are entitled to a deferred pension as a result of a previous termination of employment, you may choose to receive the Commuted Value of that pension from the *Plan* before the earliest date that you can elect to have your pension commence (usually age 55).

Members Who Have Had a Marriage or Relationship Breakdown – If your pension benefit credits are required to be divided as a result of the breakdown of your marriage or common-law relationship, your former Spouse's or Common-law Partner's entitlement will be paid as a lump sum Commuted Value.

Spouses or Beneficiaries of Members Who Die Before Pension Commencement – A Commuted Value may be paid in the event of your death while an active Member of the *Plan*. The *Plan's* portability rules allow a Spouse or Common-law Partner to transfer the Commuted Value of their survivor pension from the *Plan* to a LIRA (locked-in Retirement Account) or LIF (Life Income Fund) with a financial institution. If survivor benefits are payable to a beneficiary or an estate, those benefits are required to be paid as a lump sum Commuted Value.

Members Entitled to a Small Pension – If your pension is determined to be a *small pension* under the provincial regulations governing such calculations, the lump sum Commuted Value of the small pension is required to be paid instead of the pension.

See over for important deadlines.

TRANSITION PLAN

If you are entitled to a Commuted Value under *The Winnipeg Civic Employees' Pension Plan* **before December 1, 2020**, it will be determined using the actuarial standards in place prior to December 1, 2020.

If you become entitled to a Commuted Value **on/after December 1, 2020**, or if a **recalculation** of your Commuted Value is required on/after December 1, 2020, the new actuarial standards will apply. (A recalculation of a Commuted Value normally is required if the Commuted Value is elected more than **120 days after the date of termination**.)

If you are a Member who is **currently entitled to a deferred pension** (i.e., your employment ended and you either elected to receive a deferred pension or were granted a deferred pension by default after 120 days), and your deferred pension is not yet eligible to commence (that is, you are younger than age 55), you may elect to receive the Commuted Value of your deferred pension by submitting an application, in writing, to *The Winnipeg Civic Employees' Benefits Program*. To receive the Commuted Value based on the actuarial standards in place prior to December 1, 2020, the *Program* must receive your application no later than **November 30, 2020**. An application form is available upon request.

Please note these important deadlines and contact us if you need further information.

BACKGROUND

A **Commuted Value** is the lump sum amount of money expected to be needed, together with future investment earnings, to pay a pension after retirement, taking into account such factors as a Member's age and assumptions of future rates of investment return and future rates of mortality. In accordance with provincial pension law, Commuted Values must be calculated using the calculation method prescribed by the Canadian Institute of Actuaries.

Earlier this year, the Canadian Actuarial Standards Board announced changes to the way Commuted Values are to be calculated. The changes are to be effective by December 1, 2020.

The revised standards contemplate separate categories of pension plans, so the new standards will affect different pension plans in different ways. *The Winnipeg Civic Employees' Pension Plan* falls under the standards' new definition of "Target Pension Arrangement" (TPA). As a TPA, the *Plan's* Commuted Values will now be based on the *Plan's* going-concern actuarial valuation interest rate assumptions rather than current bond yields.

The bond yields on which Commuted Values are currently based, which change on a monthly basis, have lately been in the range of 1.3% – 2.5%.

The going-concern valuation assumption that will be used on and after December 1, 2020 will be the "Best Estimate" valuation interest rate assumption, which is currently 5.2% (based on the most recent actuarial valuation report filed with the Regulators as at December 31, 2019). This interest rate will remain in effect until the next actuarial valuation is filed (valuations are required to be filed at least every three years or more frequently in certain circumstances).

In addition to the change to the interest rate basis, the mortality rate assumptions used to calculate Commuted Values will be based on the *Plan's* going-concern valuation mortality rate assumptions instead of the currently prescribed table of mortality rates, and the assumed future rates of cost-of-living adjustment will be consistent with the rate assumed in the *Plan's* going-concern actuarial valuation.

Please note that all reasonable steps have been taken to ensure that the information provided in this Notice is accurate. If, however, there is any discrepancy between the information provided in this Notice and the official Pension Plan documents and/or legislative/ regulatory requirements, the official Pension Plan documents and/or governing legislation will apply.

Please contact us if you have any questions.
Our office hours are Monday to Friday, 8:30 a.m. to 4:30 p.m.

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