University of Saskatchewan

Target Benefit Pension Plan
OPTION B

HOW A TARGET BENEFIT PENSION PLAN WORKS

A target benefit pension plan is a unique type of pension with similarities to a defined benefit plan, but with a different treatment of surplus and deficits.

- provides a lifetime payment based on a formula, depending on the financial position of the plan*
- funded through fixed contribution rates
- risk is primarily borne by the members but this risk is pooled amongst all members, active and retired

The plan is designed to be self-sustaining, but in case of significant surplus or shortfall, adjustments to pension benefits would be based on a set of prioritized, predetermined steps.

Contribution
You + University

Investment
Contributions are invested collectively with the risk shared by all of the members

Lifetime Payment
Is based on a formula*

Retirement Income

HOW CONTRIBUTIONS WORK

Both members of the Non Academic Pension Plan and the University will contribute **7.5%** of their pensionable earnings to the plan. Contributions are made automatically through payroll deductions.

7.5%
\+ 7.5%
15.0%

HOW PENSION IS CALCULATED

There is a simple formula used to calculate pension.

1.75%* Accrual Rate × **Best average earnings*** (20 years) × **Pensionable service** (months and years in plan)

BENEFITS FOR RETIREES

Post-retirement cost-of-living adjustments (COLA) equal to 40% of inflation are built into the base plan.

PLAN GOVERNANCE

A joint committee of trustees would be created who would become the legal Plan Administrator. This would give greater control of the plan to CUPE members through its representatives on the committee. The committee would include:

3 USask Appointed Trustees

3 CUPE Appointed Trustees
- for the first five years of the plan's existence, all three would be active members of the plan
- after five years, two would be active members and one would be a retiree of the plan

1 Jointly Appointed Trustee
- trustee would serve as chair of the joint committee
- would not have a vote, except to break a tie among the remaining six trustees

*Subject to potential adjustments, based on surpluses or shortfall in plan (See back)

WHAT HAPPENS IF PLAN HAS A SURPLUS OR SHORTFALL

Because contributions from the employer are fixed, there must be the option to adjust benefits in order to make sure the plan is funded sufficiently. The plan is designed to operate in a greater than fully funded state (**110% - 135%** funded ratio) on a long-term basis to reduce the likelihood of benefit adjustments, either upward or downward.

The following adjustments are built into the governance structure of the plan, so there is a prioritized, pre-determined list of benefit changes the joint governance committee would follow.

BENEFIT ENHANCEMENT ZONE
greater than 135%

When the plan's funded ratio at any particular date exceeds the upper threshold of **135%**, the following list outlines the order of benefit improvements that would be contemplated:

1. Increase post-retirement COLA to 75% of inflation
2. Increase earnings base (i.e. shorten earnings averaging period) for service after such date
3. Increase early retirement benefits for service after such date
4. Increase post-retirement COLA to 100% of inflation
5. Increase past service benefits for actives and/or retirees, as determined by the University and CUPE, and as recommended by the joint committee

BENEFIT SUSTAINABILITY ZONE
between
110% and 135%

When the plan's funded ratio remains between **110-135%** no changes are made to the plan. The plan is designed to remain in this zone or return to it as soon as possible once the benefit changes (**enhancement** or **reduction**) are triggered.

BENEFIT REDUCTION ZONE
below 110%

When the plan's funded ratio at any particular date falls short of the lower threshold of **110%**, the following list outlines the order of benefit reductions that would be contemplated:

1. Reduce post-retirement COLA to 25% of inflation
2. Reduce earnings base (i.e. lengthen earnings averaging period) for service after such date
3. Reduce early retirement benefits (i.e. increase early retirement reduction) for service after such date
4. Reduce post-retirement COLA to 0%
5. Reduce earnings base for service before such date (i.e. past service)
6. Reduce early retirement benefits for service before such date (i.e. past service)
7. Reduce accrual rate for service after such date
8. Reduce accrual rate for service before such date (i.e. past service)
9. Reduce accrued benefits, including pensions in pay, as determined by the University and CUPE, and as recommended by the joint committee