University of Saskatchewan

Target Date Defined Contribution Provision

OPTION A

HOW THE TARGET DATE DEFINED CONTRIBUTION PROVISION WORKS

Members of the Non Academic Pension Plan and the university contribute equal amounts to individual investment accounts set up in each member's name. The money is invested automatically and grows tax-free until the member retires, at which time the member uses the account value to provide retirement income. This aligns with the university's other pension plans.

Contribution
You + University

Investment
Contributions are invested in a fund that adjusts investments as your retirement approaches.

Final Balance
Depends on total contributions and investment performance.

Retirement Income

HOW CONTRIBUTIONS WORK

Both members of the Non Academic Pension Plan and the university will contribute **6.82%** of the member's pensionable earnings to a defined contribution account in the member's name. Contributions are made automatically through payroll deductions.

6.82%
+ 6.82%
13.64%

HOW CONTRIBUTIONS ARE INVESTED

Members will not need to make investment decisions for their defined contribution account. All contributions will be invested automatically in a target date fund based on the member's planned retirement age. Under target date funds, contributions are invested and re-balanced automatically to reduce risk as a plan member gets closer to retirement.

Members will see an increase in take-home pay

8.5% Current contribution rate of pensionable earnings to pension

6.82% New contribution rate of pensionable earnings to pension

1.68% Increase in your take-home pay
Giving members the flexibility to increase their personal savings, RRSP, TFSA or put extra money in their pocket each month

PENSION CALCULATION EXAMPLES

Here are two examples to help you get a better idea of what the proposed changes would look like.

EXAMPLE 1

Employee one is 30 years old and has worked at USask for five years and plans to work for another 30 years before retiring.

CURRENT SALARY	DB BENEFIT (5 years of service)		DC BENEFIT (30 years of service)
$45,000	$7,759/year	+	$622,485

Calculations are based on a 2% pay raise annually and an average return of 6.0% on the defined contribution account.

EXAMPLE 2

Employee two has worked at USask for 30 years and plans on working another five years before retiring.

CURRENT SALARY	DB BENEFIT (30 years of service)		DC BENEFIT (5 years of service)
$60,000	$37,836/year	+	$48,339

Calculations are based on a 2% pay raise annually and an average return of 5.0% on the defined contribution account.