

PENSION ADJUSTMENT IN THE YEAR OF RETIREMENT

HOW WILL MY PENSION BE ADJUSTED IN THE YEAR OF RETIREMENT?

The following is a description of how your pension will be adjusted in the first year of your retirement. While this information is believed to be accurate, all figures and interpretations are subject to the Retirement Plan Text.

During the first year of retirement your pension will be estimated assuming the fund earns 0% from the last plan year end (July 1 prior to your retirement date). Although your pension will initially be payable based on this estimate it will be recalculated as of July 1 on or after your retirement date, once the final plan fund interest rate is allocated to your account balances. Both the Money Purchase Pension and Minimum Guarantee Pension are recalculated and your final pension will be the higher of the two. The following are examples of how the Money Purchase Pension and the Minimum Guarantee Pension are recalculated for members retiring on July 1, 2020 or on a date other than July 1 (August 1, 2019 to June 1, 2020).

RETIREMENT ON JULY 1, 2020

1. Money Purchase Pension (MPP) Recalculation

Your initial Money Purchase pension will be based on assets as of the July 1, 2019 plus any contributions up to your retirement date (with an assumed fund interest rate of 0%). When the final fund interest rate is determined, your Money Purchase pension will be recalculated as of July 1, 2020 including the fund interest.

If the fund interest rate for 2019-2020 is positive, your Money Purchase Pension will increase effective July 1, 2020 to reflect your higher Money Purchase Component (MPC) account balances after the interest allocation.

If the fund interest for 2019-2020 is negative, your Money Purchase Pension will be recalculated to be lower than the initial amount. Due to the non-reduction provision of the Retirement Plan, a portion of the initial pension will not decrease; this is the "protected" pension. The protected portion of your pension is the portion that relates to pre-July 1, 2003 pension credits and contributions. The not-protected portion of the pension will be reduced. It is important to note, however, that future annual pension adjustments applied to the protected portion of your pension will be based on the recalculated lower amount of pension (we will refer to this as the shadow pension). You will receive a pension increase on the protected portion of your pension when the shadow pension exceeds the unreduced, protected amount.

Money Purchase Pension (MPP) Example:

Retirement Date: July 1, 2020

Age at retirement: 65

	Protected	Not Protected	Total
Account balance as of July 1, 2019: (assuming 0% fund interest):	\$265,000	\$85,000	\$350,000
Money Purchase Pension (annual):	\$22,946	\$7,471	\$30,417

If the fund interest rate is +10%:

Recalculated account balance:	\$291,500	\$93,250	\$384,750
Recalculated MPP:	\$25,241	\$8,196	\$33,437
Pension payable	\$25,241	\$8,196	\$33,437

The pension would therefore be recalculated in November 2019 to be \$33,437 and the monthly difference would be payable retroactively to July 1, 2020. The Not Protected balance increase is slightly less than 10% due to the contributions in the last year receiving, on average, approximately half a year of interest.

If the fund interest rate is -10%:

Recalculated account balance:	\$238,500	\$76,750	\$315,250
Recalculated MPP (shadow pension):	\$20,652	\$6,746	\$27,398
Pension payable:	\$22,946	\$6,746	\$29,693

In this case the recalculated money purchase pension (shadow pension) is less than the pension originally calculated at 0%. The non-protected portion would decrease to \$6,746 but the protected portion of the pension that is payable would remain at \$22,946. Subsequent annual pension adjustments would be applied to the shadow pension of \$20,652 for the protected portion and \$6,746 for the non-protected portion.

2. Minimum Guarantee Pension (MGP) Recalculation

The Minimum Guarantee Pension for a retirement date of July 1 does not require an adjustment.

RETIREMENT DATE OTHER THAN JULY 1 (AUGUST 1, 2019 TO JUNE 1, 2020)

1. Money Purchase Pension (MPP) Recalculation

For retirement dates other than July 1st, the same process is followed with the exception that the pension payments up to June 30th are treated as pension advances. Upon recalculation, the opening Money Purchase Account balance is accumulated with the final fund interest rate plus contributions minus the pension advances to June 30th.

2. Minimum Guarantee Pension (MGP) Recalculation

For someone who retires on a date other than July 1, the Minimum Guarantee Pension (MGP) adjustment is:

$25\% \times (\text{fund interest rate} - 6\%) \text{ multiplied by } (\text{months from retirement date to the following July 1}) \div 12$

The MGP will not be adjusted downward upon initial recalculation.

MGP Recalculation Example:

Retirement Date: January 1, 2020

Age at retirement: 65

Final Average Earnings (FAE): \$55,000

Final Average Yearly Maximum Pension Earnings (FAYMPE): \$49,840

	Protected	Not Protected	Total
Credited Service (years):	23.5	11.5	35
Minimum Guarantee Pension (annual)	\$17,534	\$8,581	\$26,115

If the fund interest rate is +10%:

Months from retirement date (January 1) to the following July 1 = 6

The MGP adjustment = $[0.25 \times (0.10 - 0.06) \times 6 \div 12] = 0.005$

The recalculated MGP is therefore = $26,115 + (26,115 \times 0.005) = \$26,246$

For retirements from August 1, 2019 to June 1, 2020, the Money Purchase and Minimum Guarantee Pensions will be recalculated as of July 1, 2020 with the first adjusted payment payable in November 2020 and the difference in payment retroactive to July 1, 2020.

ADJUSTMENT OF PENSION AFTER THE FIRST YEAR OF RETIREMENT

The annual pension adjustment after the first year of retirement (i.e. at least 12 months after your retirement date) is equal to the average investment experience of the Fund for that year and the three preceding years less 6%. However, the investment experience for any pre-retirement year that is included in the formula is deemed to be 6%. Adjustments can produce a reduction as well as an increase in your pension. Note that the portion of your pension that relates to pre July 1, 2003 pension credits and contributions (i.e. the protected portion) will not reduce; however, future increases will be based on the "shadow" pension as previously discussed.