



Public Service Shared Risk Plan (PSSRP)

February 2014

Pensions & Employee Benefits Division (PEBD)
Department of Human Resources

<http://www.gnb.ca/pssrp>

Disclaimer

This presentation is for information purposes only. No rights are conferred by this presentation. The Public Service Shared Risk Plan Document and Funding Policy, the *New Brunswick Pension Benefits Act*, and the *Income Tax Act* supersede this presentation where discrepancies may occur. For authoritative wording regarding this pension plan, please refer to the Plan Document for the Public Service Shared Risk Plan.

Agenda

- Overview of PSSRP
- Benefits Payable upon Termination/Death
- Other PSSRP Provisions
- Key Points to Remember
- Questions

Public Service Shared Risk Plan (PSSRP)

- The PSSRP is designed to provide secure pension benefits:
 - higher than 97.5% probability that accrued base benefits will not be reduced at any point in the 20 years following January 1, 2014.
- Legislation has been passed by the province providing a guarantee that benefits accumulated by plan members up to December 31, 2013 will never be reduced.

PSSRP Governance

- A Board of Trustees is responsible for the administration of the PSSRP:
 - 6 individuals have been appointed as Trustees (3 union members appointees and 3 government appointees which includes 1 retiree).
- The Board administers the PSSRP in accordance with:

The Plan Document

The Funding Policy

The Investment Policy

*The NB Pension Benefits Act
(PBA)*

The Income Tax Act (ITA)

Eligibility for Membership

- Effective **January 1, 2014**, participation is **mandatory** for the following:
 - Full-time regular employees;
 - Term employees;
 - Part-time, seasonal and casual employees (if meet certain eligibility requirements).
- Effective **February 1, 2014**, participation is **mandatory** for all new Personal Service Contracts signed on or after February 1, 2014.

Contribution Rates

Current Employee Contribution Rates:

- **5.8%** of annual earnings up to the YMPE; and
- **7.5%** of annual earnings in excess of the YMPE.

Employee Contribution Rates **effective April 1, 2014:**

- **7.5%** of annual earnings up to the YMPE; and
- **10.7%** of annual earnings in excess of the YMPE.

YMPE = Year's Maximum Pensionable Earnings under the Canada Pension Plan

2014 YMPE = \$52,500

Effective April 1, 2014: Initial contribution rate for Employer will be 12.5% of earnings

Vesting (Eligibility for Pension)

Vesting is the granting of pension rights to an employee

Vesting under the PSSRP occurs upon the completion of the earlier of:

- Five years of continuous employment; or
- Two years of membership in the Public Service Shared Risk Plan (PSSRP), including membership in any of the following predecessor pension plans:
 - The *Public Service Superannuation Act (PSSA)*; or
 - The Pension Plan for Part-Time and Seasonal Employees of the Province of NB.

Benefits Accumulated

In determining the benefits accumulated, service needs to be separated as follows:

- Pensionable service **prior to January 1, 2014;**
and
- Pensionable service **on or after January 1, 2014.**

Benefits Accumulated

Pension Benefits accumulated <u>prior</u> <u>to</u> January 1, 2014	Pension Benefits accumulated <u>on or</u> <u>after</u> January 1, 2014
Pensionable service accumulated prior to January 1, 2014 (using best 5 year average salary formula at December 31, 2013)	Pensionable service accumulated on or after January 1, 2014 (using enhanced career average formula)
PLUS	PLUS
Cost of Living Adjustments (COLA)	Cost of Living Adjustments (COLA)
LESS	LESS
Early Retirement Reduction Factor (if applicable)	Early Retirement Reduction Factor (if applicable)

Benefits Accumulated

Service Period	Annual Pension Formula <u>Before</u> Age 65	Annual Pension Formula <u>After</u> Age 65
Pensionable Service prior to January 1, 2014:	2% X Pensionable service X Best 5 year average salary up to December 31, 2013	1.3% X Pensionable service X Best 5 year average salary up to December 31, 2013 up to the average YMPE (3 year avg YMPE) PLUS 2% X Pensionable service X Best 5 year average salary up to December 31, 2013 in excess of the average YMPE (3 year avg YMPE)
For each year (or part year) of service on or after January 1, 2014:	2% X Annualized Pensionable Earnings for the year X % of full-time annual employment	1.4% X Annualized Pensionable Earnings up to the YMPE for the year X % of full-time annual employment PLUS 2% X Annualized Pensionable Earnings in excess of the YMPE for the year X % of full-time annual employment

Calculations before any applicable Early Retirement Reduction Factors

YMPE – Year's Maximum Pensionable Earnings under the Canada Pension Plan

Example – Benefit Calculation

- Factors and Assumptions:

Years of Pensionable Service to December 31, 2013	25 years
Best 5-year average salary at December 31, 2013	\$60,000
3-year average YMPE at December 31, 2013	\$49,833
2014 Salary	\$65,000
2014 YMPE	\$52,500

Example – Benefit Calculation

Benefit Calculation (Annual Amounts)	Benefit <u>Before</u> Age 65	Benefit <u>After</u> Age 65
Service Accumulated up to December 31, 2013:		
2% X \$60,000 X 25 years	\$30,000	
1.3% X \$49,833 X 25 years PLUS 2% X (\$60,000 - \$49,833) X 25 years		\$21,279
Pension Credit Accumulated in 2014:		
2% X \$65,000	\$1,300	
1.4% X \$52,500 PLUS 2% X (\$65,000 - \$52,500)		\$985
Total Benefit at December 31, 2014	\$31,300	\$22,264

Calculations before any applicable Early Retirement Reduction Factors

Cost of Living Adjustment (COLA)

- Each year, based on the funding level of the PSSRP, it will be determined whether the plan is able to provide COLA (also known as “indexation”):
 - The financial report (Actuarial Valuation) will outline the funding level of the PSSRP; and
 - The PSSRP’s Funding Policy will outline how much COLA could be provided (up to average change in Consumer Price Index (CPI)) .
- The PSSRP is designed to provide average cost of living adjustments in excess of 75% of the CPI over a 20 year period.
- When COLA is provided, it will apply to active employees, retirees and deferred members.

Example – Active Member Calculation Pension Payable before Age 65

Year	Annualized Salary	Pension Credit	Indexing (COLA)	Pension Benefit (Annual)
Pre January 1, 2014		\$30,000	N/A	\$30,000
2014	\$65,000	\$1,300 (\$65,000 X 2%)	\$510 (\$30,000 X 1.7%)	\$31,810 (\$30,000+\$1,300+\$510)
2015	\$66,300	\$1,326	\$541	\$33,677
2016	\$67,626	\$1,353	\$572	\$35,602
2017	\$68,979	\$1,380	\$605	\$37,587
2018	\$70,358	\$1,407	\$639	\$39,633

Note:

- COLA assumed to be 1.7% each year
- Calculations before any applicable Early Retirement Reduction Factors

Example – Active Member Calculation Pension Payable after Age 65

Year	Annualized Salary	Pension Credit	Indexing (COLA)	Pension Benefit (Annual)
Pre January 1, 2014		\$21,279	N/A	\$21,279
2014	\$65,000	\$985	\$362	\$22,626
2015	\$66,300	\$1,005	\$384	\$24,015
2016	\$67,626	\$1,025	\$408	\$25,448
2017	\$68,979	\$1,045	\$433	\$26,926
2018	\$70,358	\$1,066	\$458	\$28,450

Note:

- COLA assumed to be 1.7% each year
- YMPE: 2014->(\$52,500); 2015-2018->(assume increased by 2% per year)
- Calculations before any applicable Early Retirement Reduction Factors

Early Retirement Reduction Factors

- Service before January 1, 2014:
 - **3%** per year (3/12% per month) pension commences prior to age **60** (as early as age 55); and
 - No reduction if retirement is at age **60** or later.
- Service on or after January 1, 2014:
 - **5%** per year (5/12% per month) pension commences prior to age **65** (as early as age 55); and
 - No reduction if retirement is at age **65** or later.

Early Retirement Reduction Factors

Example – Employee retires at age 59

- All service before January 1, 2014:
 - **3% reduction** ($3\% \times 1$ year pension commences prior to age 60).
- All service on or after January 1, 2014:
 - **30% reduction** ($5\% \times 6$ years pension commences prior to age 65).

Example – Benefit Calculation before Age 65 with Early Retirement Reduction Factors

Retire at age 59	Benefit Accrued	COLA	Unreduced Benefit	Reduction	Reduced Benefit
Benefit Accumulated up to December 31, 2013	\$30,000	\$2,638	\$32,638	3%	\$31,659
Benefit Accumulated on or after January 1, 2014	\$6,765	\$230	\$6,995	30%	\$4,897
Total Pension Benefit			\$39,633		\$36,556

Calculation Details:

$\$32,638 \times (100\% - 3\%) = \$31,659$

$\$6,995 \times (100\% - 30\%) = \$4,897$



Example – Benefit Calculation after Age 65 with Early Retirement Reduction Factors

Retire at age 59	Benefit Accrued	COLA	Unreduced Benefit	Reduction	Reduced Benefit
Benefit Accumulated up to December 31, 2013	\$21,279	\$1,871	\$23,150	3%	\$22,456
Benefit Accumulated on or after January 1, 2014	\$5,126	\$174	\$5,300	30%	\$3,710
Total Pension Benefit			\$28,450		\$26,166

Calculation Details:

$\$23,150 \times (100\% - 3\%) = \$22,456$

$\$5,300 \times (100\% - 30\%) = \$3,710$

Forms of Pension

There are various forms of pension at retirement:

- Joint and Survivor at 50% (Normal Form of Pension)
- Joint and Survivor at 60%
- Joint and Survivor at 100%
- Life Pension 5-Year Guarantee
- Life Pension 10-Year Guarantee
- Life Pension 15-Year Guarantee

Note: The *Income Tax Act* prevents any optional form of pension being a greater amount payable to the pensioner than the Normal Form of Pension (Joint and Survivor Option payable at 50%).

Forms of Pension

Joint and Survivor at 50%:

- Payments made during lifetime of retiree;
- If retiree dies before spouse, payments continue to spouse (spouse at date of death) for remainder of spouse's life;
- 50% of unreduced integrated pension payable to spouse, or eligible dependant if spouse dies or no spouse;
- If member has a spouse, a "Spousal Waiver" form must be completed by the member's spouse at time of retirement.

Forms of Pension

Joint and Survivor at 60% or 100%:

- Payments made during lifetime of retiree;
- If retiree dies before spouse, payments continue to spouse (spouse at date of retirement) for remainder of spouse's life;
- 60% or 100% of reduced integrated pension payable to spouse;
- If no spouse or if spouse dies, 50% of unreduced integrated pension payable to eligible dependant.

Forms of Pension

Life Pension Guarantee (5, 10 or 15 Years):

- Payments made during lifetime of retiree;
- If retiree dies before end of guarantee period, the “Designated Beneficiary” receives the remaining reduced integrated pension payments through monthly installments;
- If member has a spouse, a “Spousal Waiver” form must be completed by the member’s spouse at time of retirement.

Designated Beneficiary

- A member may designate a beneficiary or beneficiaries to receive any benefit which may be payable under the terms of the PSSRP upon the death of the member.
- Upon the death of the member, if there is no spouse, eligible dependant or designated beneficiary, any death benefits will be payable to the member's estate.
- If an active or deferred member designates a person other than his/her *Spouse* as a beneficiary, **the entitlement of the *Spouse* shall supersede the entitlement of the beneficiary to a death benefit.**

Termination Benefits

If a member is not vested:

- Member receives a refund of their contributions with interest;
- The amount is payable as cash or can be directly transferred into an RRSP.

Termination Benefits

If a member is vested (prior to age 55):

- Member can defer their pension benefit;
 - If the member defers their pension, they are able to start receiving their pension as early as age 55 (reduced) or as late as age 65 (unreduced)

OR

- Member can elect to transfer their Termination Value to a retirement savings arrangement on a locked-in basis (LIRA, LIF, etc.).
 - The Termination Value will not be less than the member's contributions plus interest

Termination Benefits

If a member is vested (after age 55):

The member has the following options:

- Choose to begin receiving their pension immediately; or
- Defer their pension benefit until a date between their 55th and 65th birthday and receive a reduced pension benefit; or
- Defer their pension benefit until age 65 and receive an unreduced pension.

Death Benefits – Prior to Retirement

If a member dies prior to retirement:

- **Non-Vested Member:**

- Refund of member's contributions with interest to member's surviving spouse or designated beneficiary/estate if there is no spouse.

- **Vested Member:**

- If member has a spouse, the spouse has the option to:
 - receive a monthly pension benefit of 50% of the unreduced integrated pension; or
 - receive a lump sum payment equal to the Termination Value.
- If member does not have a spouse, the designated beneficiary/estate will receive a lump sum payment equal to the Termination Value
 - If an eligible dependant is the designated beneficiary, a monthly pension as described above is available instead of Termination Value.

- **The entitlement of the spouse shall supersede the entitlement of any beneficiary designation.**

Death Benefits – Pensioner

If a member dies after they begin receiving their pension:

- The death benefit will be paid in accordance with the form of pension benefit the member elected at retirement.

Purchase of Pensionable Service

A member* may be able to purchase the following periods of service (certain restrictions apply):

- Refunded Service
- Authorized leave without pay (e.g., maternity)
- Prior non-contributory service (e.g., casual employment)
- Part-time service or seasonal employment in the Public Service (prior to December 16, 1994)
- Long Term Disability Waiting Period

*** Only applies to members of the former PSSA as of December 31, 2013, in regards to periods of service that occurred prior to January 1, 2014.**

Cost to Purchase Service

- The cost of purchase of service is equal to the required employee contributions for the period of service being purchased (except refunded service from a government in Canada which is two times the required employee contributions).
- It is anticipated that **the costing methodology** to purchase service will be revised on January 1, 2015.
- **Once purchase of service provisions for new members of the PSSRP, as well as for all service on or after January 1, 2014 are determined, they will be communicated to members.**

Reciprocal Transfer Agreements

- A reciprocal transfer agreement permits the portability of pension benefits between pension plans.
- It is anticipated that a Reciprocal Transfer Agreement with the Pension Plan for Part-Time and Seasonal Employees of the Province of New Brunswick will be in place in the coming months.
- Other reciprocal transfer agreements may be negotiated in the future.

Marriage Breakdown Provisions

- The pension plan permits the division of pension assets upon marriage breakdown;
- This applies for agreements, judgments or court orders dated after December 31, 1996;
- Our office will determine the eligible amount available for division based on the agreement, judgment or court order;
- Funds are transferred on a “locked-in” basis;
- There are no provisions in the pension plan for purchasing the lost benefits as a result of a marriage breakdown.

Key Points to Remember

- You should inform your employer **at least six months in advance of your retirement date** to ensure you receive your pension in the month following your termination date.
- An “At-A-Glance” document is available on our website which provides detailed information on the provisions of the PSSRP. The Employee Booklet will be completed and become available in the coming months.
- Pension estimates can be calculated using the Pension Calculator Tool available on the following website: <http://www.gnb.ca/pssrp>.
- Formal pension estimates can be requested if you are within 12 months of your retirement date.
- If you have questions regarding the pension options available at retirement, please contact one of our Benefits Counselors.

CONTACT INFORMATION

Subject	Pensions and Employee Benefits Contact Information	
Question on pension plan provisions and their application to your situation	Your primary contact is your Human Resources or Payroll Office.	
For additional information regarding pension options	<p>Pensions & Employee Benefits Division Department of Human Resources</p> <p>Our Team of Benefits Counselors is available 8:15am to 4:30pm, Monday to Friday</p>	<p><u>Physical address:</u> Room 680, York Tower, Kings Place, 440 King Street Fredericton, N.B. E3B 5H8</p> <p><u>Mailing Address :</u> P.O. Box 6000 Fredericton, NB E3B 5H1 Tel: (506) 453-2296 Toll Free: 1-800-561-4012 Fax (506) 457-7388</p> <p>Website: http://www.gnb.ca/pssrp</p>

ADDITIONAL INFORMATION

Subject	Other Important Contact information	
For information regarding the Canada Pension Plan and Old Age Security	Service Canada	1-800-277-9914 (English) 1-800-277-9915 (French) Web site: http://www.servicecanada.gc.ca
For specific personal information relative to the <i>Income Tax Act</i> (Canada)	Canada Revenue Agency	1-800-959-8281 (English) 1-800-959-7383 (French) Web site: http://www.cra.arc.gc.ca



QUESTIONS?