MEMBER NOTICE

WINNIPEG POLICE PENSION PLAN

November 6, 2020

The Canadian Actuarial Standards Board has developed and adopted revised actuarial standards, effective December 1, 2020, that affect the way Commuted Values are required to be calculated. This is expected to result in lower lump sum amounts payable on **termination of employment**, **division of pension on relationship breakdown**, and **pre-retirement death**.

As a result of this change, Commuted Values under the *Winnipeg Police Pension Plan* are anticipated to decrease in the range of 5% to 15% based on current interest rates (Commuted Value interest rates change on a monthly basis). The actual amount of any decrease will be different for each individual Member, with age being the most significant factor (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 are receiving – a bi-weekly pension from the *Plan*.

WHO IS AFFECTED?

Members who Terminate Employment – If you terminate employment before being eligible for an unreduced pension under the *Plan*, you can 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 can choose to receive the Commuted Value of that pension from the *Plan* provided that you have not attained 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.

IMPORTANT DATES

If you are entitled to a Commuted Value under the *Winnipeg Police Pension Plan* before **December 1, 2020**, it will be determined using the standard 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 standard 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 deemed to have elected a deferred pension), and you are younger than age 55, you may elect to receive the Commuted Value of your deferred pension based on the standard in place prior to December 1, 2020 by submitting an application, in writing, to the *Winnipeg Police Pension Plan* by **November 30, 2020**.

BACKGROUND

A **Commuted Value** is the lump sum amount of money expected to be needed, together with future investment earnings, to pay a pension at 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.

Commuted Values are calculated using prevailing bond yields. Until now, the prescribed calculation method has been based on interest rates derived from Government of Canada bond yields plus a fixed spread. These interest rates, which change on a monthly basis, have lately been in the range of 1.3% – 2.5%.

Under the new actuarial standard, these interest rates, after December 1, 2020, will be based on provincial government and corporate bond yields, which are expected to be in the range of 0.0% – 0.5% higher than the current Commuted Value interest rate basis. These higher interest rates are expected to result in lower Commuted Values under most Canadian pension plans.

(The changes in the actuarial standards applicable to the *Winnipeg Police Pension Plan* are different from those applicable to *The Winnipeg Civic Employees' Pension Plan*. As a result, the information in this Notice is different than the information in the Notice that has been provided to members of *The Winnipeg Civic Employees' Pension Plan*.)

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.

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