

OCASA is in regular communication with Derek Dobson, CEO & Plan Manager, CAAT Pension Plan. We recently posed three questions, which OCASA members are asking:

1. What impact will Bill 16 have on administrators who are in their final years before retirement?
2. For the late college career person, are they disadvantaged by paying into the pension plan if they start at a more “senior” age?
3. How many administrative members are eligible for retirement?

Here are the answers in brief:

**1. What impact will Bill 16 have on administrators who are in their final years before retirement?**

The assumptions are the key drivers on what impact this could have on members. For our examples, we have assumed the following:

- Age 60 retirement (CAAT Pension Plan average)
- Age 85 at age at death (CAAT Pension Plan projected average)
- 2 year pay freeze with an impact of 2% per year less in assumed salary increase.
- YMPE (used in benefit calculation) increases by 2% per year
- Assumed that the impacts of the freeze are permanent. I.e. there will not be “catch-up” increases in the future. If this occurred only those retiring in a short time period would be impacted by the freeze.

In addition to the assumptions, please note that we have:

- Ignored the effects of inflation protection (same ratios would generally apply)
- Ignored the effects of survivor benefits (same ratios would generally apply)
- The effects are different based on pay and service.
- The effects are different pre and post age 65 due to any impact on the bridge benefit
- We have rounded the results

**Example 1:**

- Data - Salary \$50,000 and 20 years of service at retirement
- Monthly lifetime pension impact = \$50 per month or 4.3% reduction in lifetime pension (0% impact on bridge)
- Over 25 years of expected retirement period = \$14,000 reduction

**Example 2:**

- Data - Salary \$85,000 and 10 years of service at retirement
- Monthly lifetime pension impact = \$40 per month or 3.5% reduction in lifetime pension (0% impact on bridge)
- Over 25 years of expected retirement period = \$12,000 reduction

Example 3:

- Data - Salary \$120,000 and 30 years of service at retirement
- Monthly lifetime pension impact = \$170 per month or 3.25% reduction in lifetime pension (0% impact on bridge)
- Over 25 years of expected retirement period = \$25,000 reduction

**2. For the late college career person, does paying into the pension plan if they start at a more “senior” age disadvantage them?**

- Pure myth for people who join the CAAT Pension Plan.
- In fact, the reverse is true. They are getting great value from belonging to a defined benefit pension plan at later ages. In addition, colleges pay 50% of the contributions.
- Of course, participation is mandatory for full-time employees but this is a very valuable arrangement for employees and they should get educated rather than feeling “trapped” in a vehicle they do not believe they are getting value from.
- Many financial advisors have little understanding of defined benefit pension plans, the value a defined benefit brings, and the amount of risk the employee avoids from belonging to a plan (investment risk, longevity risk, retirement timing risk, annuity conversion costs and risk, etc.) Unfortunately many advisors are paid based on the assets they invest and there is a real conflict of interest in making recommendations to clients. There are independent advisors who charge on a fee for service model and will not invest client’s money.
- The latest information viewed is that defined benefit pension plans deliver up to 50% more benefit for the same cost compared to individual accounts (Defined contribution or RRSP). These arguments are even more compelling when you consider that colleges pay half of the contributions.
- In general, defined benefit pensions plan generally deliver more benefits per dollar contributed than other pension arrangements.

**3. How many administrative members are eligible for retirement?**

- Total participating in the pension plan = 2287
- Eligible for retirement = 799 or 35%
- Eligible for unreduced retirement = 241 or 11%
- Age 65 and older = 41 or 2%
- Please note that many members elect to retire before or after their earliest unreduced date.