

Date: September 25, 2015
To: Current and Deferred Members of the Carleton University Retirement Plan
From: Elizabeth Springer, Chair, Pension Committee *EBS*
Re: Increasing Life Expectancy: Impact on Starting Money Purchase Pensions

The Pension Committee has approved a recommendation to the Board of Governors to update the mortality tables used to calculate starting Money Purchase pensions. This change is required to ensure that members of the Carleton University Retirement Plan ("the Plan") receive the appropriate pension based on their life expectancy and to ensure that the Plan is in compliance with the Income Tax Act.

This change in mortality tables does not affect anyone who is currently receiving a pension from the Plan or anyone who retires on a Minimum Guarantee pension.

Mortality tables have been updated in the past. The current table came into effect in 2006 and mortality tables were also updated in 1998 and 1988. These new recommended tables reflect improvements in life expectancy that continue to occur (as per the recent Canadian Pensioners' Mortality study by the Canadian Institute of Actuaries). Because people are living longer, the assets accumulated in their Money Purchase accounts must be allocated over a longer retirement period. This means that starting Money Purchase pensions for new retirees will decrease after the date of the change (see the example on the next page).

The Pension Committee recognizes that Plan members should have adequate time to consider the effect of this change when doing their retirement planning. **Therefore the change will be implemented over a four-year period commencing July 2, 2016:**

- **For pensions commencing on or before July 1, 2016, the current mortality tables will be used.**
- **For pensions commencing after July 1, 2016, the new mortality tables apply, phased in over four years.**

Information sessions to go over this change in more detail are being planned. **Check Today@Carleton for dates and times.**

If you are nearing retirement and would like to discuss the impact of the change on your pension specifically, please contact a pension specialist in Human Resources at ext. 3634.

If you have any questions about this issue, please feel free to contact me or your Pension Committee representative. The members of the Pension Committee are:

Elizabeth Springer (Chair), Pension Fund Management	ext. 3620
Martha Attridge Bufton (CUPE 2424), Library	8184
Ronald Jastremski (CUPE 910, CUPE 3778, OPSEU 404), FMP	3668
Ed Kane (Union-exempt staff), University Services	5627
Bill Lawson (CUASA), Retired	2391
Shirley Mills (CUASA), Mathematics and Statistics	2199
Duncan Watt (Secretary), Vice President (Finance and Administration)	3804
Bob Wener, Board of Governors	

An example of the impact of the Mortality Table Change on starting Money Purchase pensions

If the new table were fully implemented all at once, the change could result in starting pensions about 2.9% to 8.8% lower than those paid under the current tables.

As this is a significant adjustment, the Pension Committee is recommending that the mortality table change be gradually implemented so that the financial impact of the change does not unduly affect one group of Plan members should their retirement date fall close to the implementation date. Therefore, the change will be phased in over four years; for new retirements starting after July 2, 2016, 2017, 2018 and 2019.

Here is one case that demonstrates how the changes to the mortality table could impact a starting Money Purchase pension.

Jane Smith will retire soon on a Money Purchase pension. She has a spouse and has chosen the Joint & Survivor 60% pension (i.e. 60% of the pension amount continues to a Plan member's surviving beneficiary after the member's death). This form of pension was chosen for the example because it is required by law for Plan members who have a spouse unless the spouse waives the right to this form of pension.

The following table shows the impact on her pension, depending on:

- How old she is when she retires; and
- the year in which she retires.

Impact of Mortality Table Change on Jane's annual Money Purchase pension, per \$100,000 of assets

Age	Current Pension	New pension effective July 2, 2016	Decrease (Dollars)	New pension effective July 2, 2017	Decrease (Dollars)	New pension effective July 2, 2018	Decrease (Dollars)	New pension effective July 2, 2019	Decrease (Dollars)
55	\$6,960	\$6,936	(\$24)	\$6,876	(\$60)	\$6,804	(\$72)	\$6,744	(\$60)
56	\$7,032	\$7,008	(\$24)	\$6,936	(\$72)	\$6,876	(\$60)	\$6,804	(\$72)
57	\$7,116	\$7,080	(\$36)	\$7,008	(\$72)	\$6,936	(\$72)	\$6,864	(\$72)
58	\$7,212	\$7,164	(\$48)	\$7,092	(\$72)	\$7,008	(\$84)	\$6,936	(\$72)
59	\$7,296	\$7,248	(\$48)	\$7,176	(\$72)	\$7,092	(\$84)	\$7,008	(\$84)
60	\$7,404	\$7,344	(\$60)	\$7,260	(\$84)	\$7,176	(\$84)	\$7,080	(\$96)
61	\$7,512	\$7,452	(\$60)	\$7,356	(\$96)	\$7,260	(\$96)	\$7,164	(\$96)
62	\$7,632	\$7,560	(\$72)	\$7,464	(\$96)	\$7,356	(\$108)	\$7,260	(\$96)
63	\$7,752	\$7,680	(\$72)	\$7,572	(\$108)	\$7,464	(\$108)	\$7,356	(\$108)
64	\$7,884	\$7,800	(\$84)	\$7,692	(\$108)	\$7,572	(\$120)	\$7,464	(\$108)
65	\$8,028	\$7,944	(\$84)	\$7,824	(\$120)	\$7,692	(\$132)	\$7,572	(\$120)

Average % change

0.7%

1.2%

1.3%

1.3%

As you can see from this case, the amount of the adjustment depends on her age at retirement and the year in which she retires. Please note that the adjustment will be different if she chooses a form of pension other than the Joint & Survivor 60%.

After July 2, 2019, once the new table is fully implemented, small mortality adjustments to starting pensions will be made annually to reflect future projected improvements in life expectancy. These decreases are expected to be about 0.1%, or about \$4 - \$11 for each \$100,000 of Money Purchase assets (similar to annual adjustments under the current table).