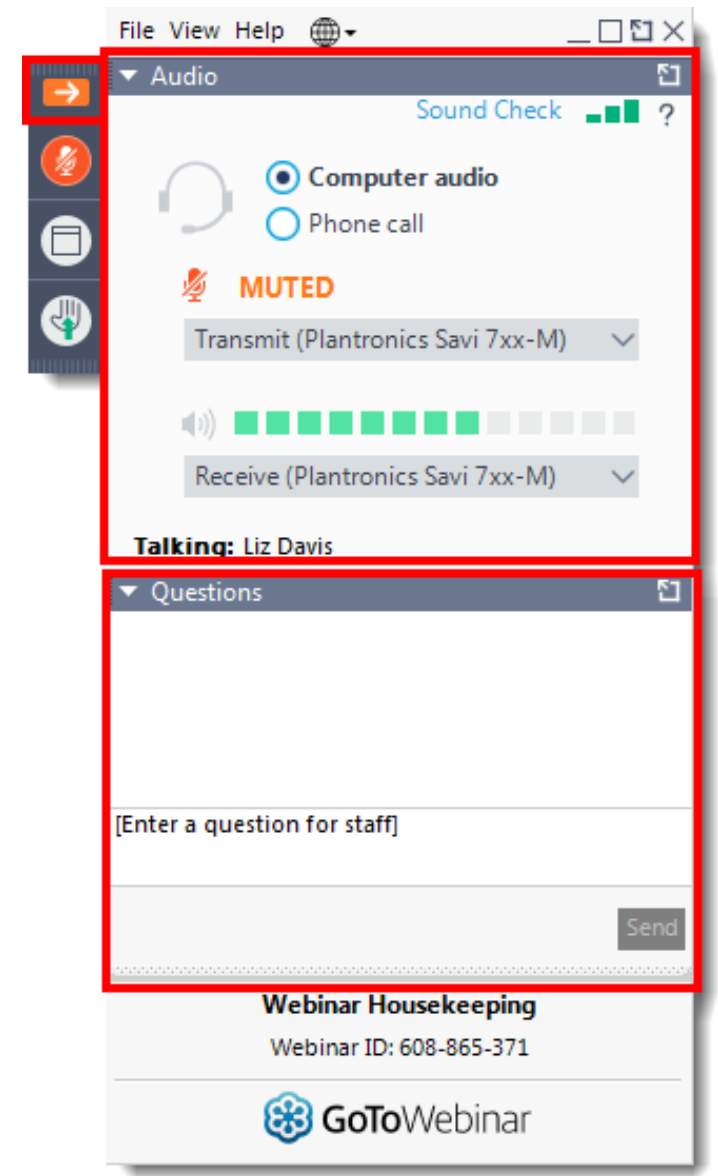


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Employer Education Session: New DBplus Pension Adjustment Offset – DBplus Only

July 21, 2022



Meeting Overview

Purpose

- Discuss the revised DBplus Pension Adjustment formula

Agenda

- What is a PA?
- Future state
- Timeline (Jan 1, 2023)
- Q&A

What is a Pension Adjustment (PA)?

What is a Pension Adjustment?

- A **Pension Adjustment** (PA) is the deemed value of the pension benefit earned by a member each tax year
- The PA system was designed to level the playing field for tax sheltered retirement funds
- PAs are reported annually as a dollar amount on an employee's T4

What is a Pension Adjustment?

PA

$9 \times \text{Benefit Entitlement} - \600^*

*typically prorated based on service

What is a Pension Adjustment?

PA

$$(9 \times \text{Benefit Entitlement}) - (\$600 \times \text{Service}^*)$$

Pension earned this
year

PA
offset

*Service is often used as the “proration factor”

Current DBplus PA Framework

Current DBplus PA Framework

| Employer Participates in: | DBplus Only |
|---------------------------|------------------------------|
| DBplus PA Formula | $9 \times \text{BE} - \$600$ |

- BE = Benefit Entitlement
 - DBplus BE = Total Contributions \times 8.5%

Challenges of Current DBplus PA Framework

Concurrent Members:

Ensure PA offset does not exceed \$600 across all employers

Consistency Between Employers:

Based on current formulas, a FT contract member who works for an employer who participates in DBplus only will get a \$600 PA Offset.

However, the same member, if they were working for a college, for example, would get a \$300 PA Offset.

The revised DBplus PA Formula

Revised DBplus PA formula

For all Employers, regardless of plan design:

$$9 \times \text{Benefit Entitlement} - \$600^*$$

*prorated based on: $(\text{Member} + \text{Employer Contributions}) \div \text{Money Purchase Limit}$

Revised DBplus PA formula

For all Employers, regardless of plan design:

9 × Benefit Entitlement

– [\$600 × (Member and Employer Contributions ÷ Money Purchase Limit)]

The Revised DBplus PA formula

Example: Calculate the 2023 PA for this member:

| | |
|---|-----------------|
| DBplus Earnings for this period: | \$50,000 |
| Member and Employer Contributions (5%/5% = 10% total): | \$5,000 |
| DBplus Benefit Entitlement (BE) = (Member and Employer Contributions) × 8.5% | \$425 |
| 2023 Money Purchase Limit (assumed): | \$32,000 |

2023 PA = $(9 \times \text{BE}) - [\$600 \times (\text{Member and employer contributions} \div \text{Money Purchase Limit of that year})]$

2023 PA = $(9 \times \$425) - [\$600 \times (\$5,000 \div \$32,000)]$

2023 PA = \$3,825 - \$93.75

2023 PA = \$3,731

Timeline

GO LIVE DATE: JANUARY 1, 2023

For **2022 PA reporting**, happening in early 2023:

- Use the current DBplus PA formulas

For **2023 PA reporting**, happening in early 2024 (as well as for any terminations and retirements in 2023):

- Use the new, revised DBplus PA formula
- For any DBplus pension purchases resulting in a Past Service Pension Adjustment (PSPA) from January 1, 2023, onward, the PSPA will be calculated using the revised DBplus PSPA formula.



Questions



caat

PENSION PLAN