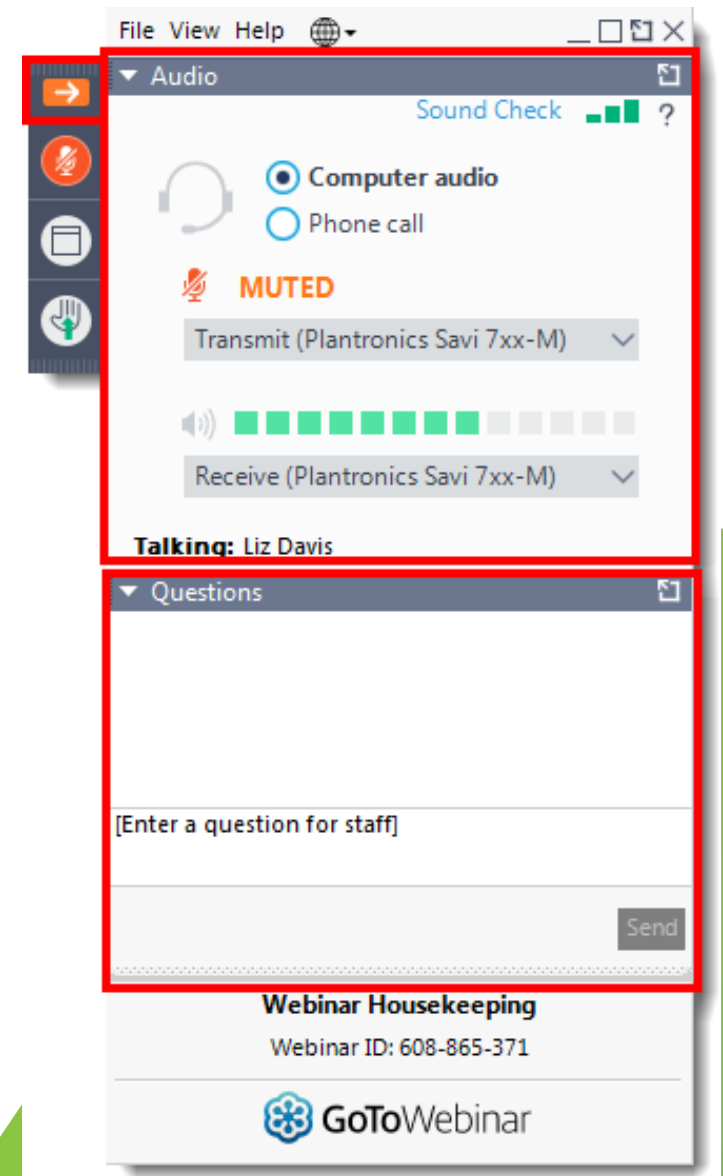


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# Employer Education Session: New DBplus Pension Adjustment Offset

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:	DBprime and DBplus
DBplus PA Formula	$9 \times \text{BE} - \$300$

- BE = Benefit Entitlement
  - DBplus BE = Total Contributions  $\times$  8.5%
- **\$300** Offset = 0.5 years of “service”
  - Used for OTRFT/part-time members (since full-time members are in DBprime)

# Challenges of Current DBplus PA Framework

## Concurrent Members:

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

## Inter-Design Members:

Need to ensure that members who change plan design in the same year have a pension adjustment offset that does not exceed \$600.

## Consistency Between Employers:

Based on current formulas, a FT contract member who works for a college employer will get a \$300 PA Offset.

However, the same member, who is working for a DBplus only employer, for example, would get a \$600 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:

<b>DBplus Earnings for this period:</b>	<b>\$50,000</b>
Member and Employer <b>Contributions</b> (9%/9% = 18% total):	<b>\$9,000</b>
DBplus Benefit Entitlement ( <b>BE</b> ) = (Member and Employer Contributions) × 8.5%	<b>\$765</b>
2023 <b>Money Purchase Limit</b> (assumed):	<b>\$32,000</b>

2023 PA = (9 × BE) - [\$600 × (Member and employer contributions ÷ Money Purchase Limit of that year)]

2023 PA = (9 × \$765) - [\$600 × (\$9,000 ÷ \$32,000)]

2023 PA = \$6,885 - \$168.75

**2023 PA = \$6,716**

# “Inter-Design” PA formula

*For all Employers who participate in both DBplus and DBprime:*

***DBplus:***

*(9 × Actual DBplus BE) - [\$600 × {the lesser of (1 – DBprime Pensionable Service in the year) and (Member and employer DBplus contributions ÷ Money Purchase Limit of that year)}]*

***+***

***DBprime:***

*(9 × Yearly DBprime BE - \$600) × DBprime Pensionable Service in applicable year*

# Inter-Design PA formula

For all Employers who participate in both DBplus and DBprime:

**DBplus:**

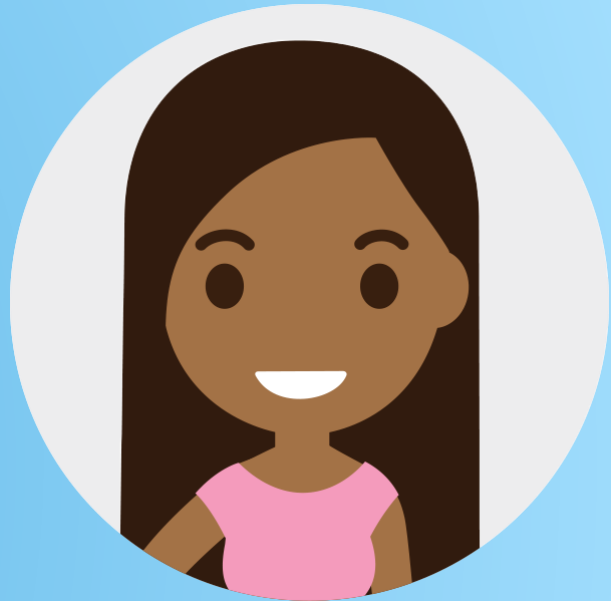
$(9 \times \text{Actual DBplus BE}) - [\$600 \times \{\text{the lesser of } (1 - \text{DBprime Pensionable Service in the year})$   
 $\text{and } (\text{Member and employer DBplus contributions} \div \text{Money Purchase Limit of that year})\}]$

+

**DBprime:**

$(9 \times \text{Yearly DBprime BE} - \$600) \times \text{DBprime Pensionable Service in applicable year}$





Robin changes from  
DBplus to DBprime on  
September 1, 2023

- DBplus earnings of \$50,000 up to August 31, 2023
- DBprime earnings of \$30,000 from September 1 – December 31, 2023
- DBprime pensionable service = 0.33077

# DBprime PA calculation

<b>DBprime Earnings for the period</b>	<b>\$30,000</b>
Pensionable Service	0.33077
2023 YMPE (assumed)	\$64,900
DBprime Benefit Entitlement	\$1,359.65

- PA calculation =  
=  $(9 \times \$1,359.65 - \$600) \times 0.33077$   
=  $\$11,636.85 \times 0.33077$   
=  $\$3,849$

# DBPlus PA calculation

<b>DBplus earnings</b>	<b>\$50,000</b>
Member and Employer Contributions	\$9,000
DBplus Benefit Entitlement	\$765
2023 Money Purchase Limit	\$32,000

## ■ DBplus PA calculation

$$= (9 \times \$765) - [\$600 \times \{\text{the lesser of } (1 - 0.33077) \text{ and } (\$9,000 \div \$32,000)\}]$$

$$= \$6,885 - [\$600 \times \{\text{the lesser of } 0.66923 \text{ and } \mathbf{0.28125}\}]$$

$$= \$6,885 - [\$600 \times 0.28125]$$

$$= \$6,885 - \$168.75$$

$$= \$6,716$$



Chris changes from  
DBprime to DBplus on  
November 21, 2023

- DBprime earnings of \$87,083 from January 1, 2023 – November 20, 2023
- DBprime pensionable service = 0.88846
- DBplus earnings of \$27,000 from November 21 – December 31, 2023

# DBprime PA calculation

<b>DBprime Earnings for the period</b>	<b>\$87,083</b>
Pensionable Service	0.88846
2023 YMPE (assumed)	\$64,900
DBprime Benefit Entitlement	\$1,506.01

- PA calculation =  
=  $(9 \times \$1,506.01 - \$600) \times 0.88846$   
=  $\$12,954.09 \times 0.88846$   
=  $\$11,509$

# DBplus PA calculation

<b>DBplus earnings</b>	<b>\$27,000</b>
Member and Employer Contributions	\$4,860
DBplus Benefit Entitlement	\$413.10
2023 Money Purchase Limit	\$32,000

## ■ DBplus PA calculation

=  $(9 \times \$413.10) - [\$600 \times \{\text{the lesser of } (1 - 0.88846) \text{ and } (\$4,860 \div \$32,000)\}]$

=  $\$3,717.90 - [\$600 \times \{\text{the lesser of } \mathbf{0.11154} \text{ and } 0.15188\}]$

=  $\$3,717.90 - [\$600 \times 0.11154]$

=  $\$3,717.90 - \$66.92$

=  $\$3,651$



# 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 PSPA from January 1, 2023 onward, the PSPA will be calculated using the revised DBplus PSPA formula.





# Questions



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PENSION PLAN