



Plan Member Q & A on Pension Commuted Value Change

Effective July 1, 2022

Q: What is changing on the Commuted Value (CV) calculations?

A: Effective July 1, 2022 the interest rate used to calculate the commuted value will be changed to the same interest rate and assumptions used to fund the Plan. It is also the same interest rate used to calculate the required contribution rate for the pension plan. This will ensure that the monthly pension and the CV withdrawal amount will have the same value under the pension plan. This change will ensure that APEX Pension Plan is in alignment with LAPP, the plan that it wraps around.

Q: Why is this change being made?

A: First and foremost, to align with LAPP. Many elements are taken into account in determining CV amounts. By aligning the CV interest rate with the funding rate, the CV withdrawal amount and the monthly pension have the same value. In addition, the stable interest rate means the CV value will not be fluctuating every month. This will make retirement planning easier, so you can determine before you retire if the CV withdrawal or the monthly pension best suits your personal retirement plan. By aligning the CV calculation with plan funding, future plan costs will be stable, and APEX will continue to be able to offer you the option of a CV withdrawal or monthly pension, regardless of your age at termination.

Q: Will my monthly pension be affected by this change?

A: No, your pension benefit remains the same, your contributions will reduce from 2.61% of pensionable earnings to 2.42% effective January 1, 2023. The change only relates to the calculation of the lump sum amount available to withdraw from the Pension Plan (portability option). The same interest rate assumption used to set the contribution rate and fund the Pension Plan will be used to determine the CV withdrawal amount if you wish to withdraw the CV amount on termination rather than receive a monthly pension at retirement age from the Plan.

Q: How much will lump sum payouts be affected by the change in CV calculation interest rates?

A: It is likely that lump sum CV payouts will be lower. However, it is not possible to determine how much of a difference there will be. In the current method of calculating CV amounts, interest rates used in the calculation change monthly based on the Bank of Canada bond rates. In addition, other factors are used in the calculation which vary by each person's situation, such as age marital status and pensionable service, etc. So, no one can accurately predict what the difference would be. If your contributions with interest are less than the CV withdrawal amount, you will be refunded the excess contributions.