

Canadian Christian School Pension Plan and Trust Fund Update

June 2020

To keep you fully informed, we're sharing the latest developments since our January 2020 Pension Plan newsletter.



Background

As the COVID-19 pandemic continues to impact investment markets throughout the world, we want to assure you that we continue to closely monitor the situation. The Plan has seen improvements in recent months as investment markets begin to recover. Our goal remains to ensure long-term success of the Plan and to protect the benefits our participants have earned.

Protecting Participant Benefits

While investment markets have seen some recovery, we are implementing two specific changes that will help further protect participant benefits.

Lump Sum Cash Outs

Currently, inactive participants have the option of taking a lump sum cash out prior to age 55. Effective immediately due to government regulation, we are required to stop paying lump sum cash outs. Pension regulations require this when there is greater than 10% reduction in the solvency funded status. Our Plan experienced this reduction in February 2020 due to investment market performance and a decrease in interest rates.

The regulators are updating the rules regarding this requirement and once those are final, we will determine when lump sum cash outs can once again commence.

Final Average Earnings Date

We are pausing the extension of the date through which Final Average Earnings (FAE) are recognized in the calculation of pension benefits. The FAE is used in the pension formula to calculate your pension benefit amount. Being able to set and reset the date for FAE recognition is a flexible feature of the Plan that the Trustees can use as a lever to manage fluctuations in the Plan's funding status. The Trustees have used this lever before. The FAE was not extended in 2011 and was reinstated in 2013.

Given the current situation, we will not extend the FAE beyond August 31, 2020. We will continue to assess the financial health of the Plan and review the FAE date in the future with the goal of extending the FAE date beyond August 31, 2020. This does not impact current retirees; their monthly pension payments remain unchanged.

Your Final Average Earnings if You Retire This Year

The pension formula in the CSI Plan uses your Final Average Earnings (FAE). For service prior to September 1, 2010, this is the average of the best three consecutive years of earnings in your last 20 years of service, up to a set date. For service after September 1, 2010, this is the average of the best five consecutive years of earnings in your last 20 years of service, up to a set date. This date is updated by way of an amendment if the financial status of the Plan allows it. The Plan has not been amended to update FAE beyond August 31, 2020.

Example

Diane is considering retiring on September 1, 2021. At that time, she will have 30 years of service in the Plan. In the 2019/2020 school year, she has been making an annual salary of \$60,000, and she expects a salary increase of \$1,000 in September 2020.

These example pension formulas assume that Diane's school chose the CSI Plan option with the highest contribution rate.

Pension if the FAE were updated

Annual pension	\$33,290.00
Monthly pension	\$2,774.17

Pension with frozen FAE at August 31, 2020

Annual pension	\$32,732.00
Monthly pension	\$2,727.67

Because the FAE has not been updated past August 31, 2020, Diane's monthly pension will be \$46.50 less than it would have been had her FAE been updated to reflect earnings up to August 31, 2021.

When we are able to extend the FAE date, everyone who retires after August 31, 2020, will begin receiving pension benefit payments based on the newly updated FAE basis, although they will not receive any retroactive payments for pension benefits paid before the FAE date extension.

Next Steps

We believe that the health of the Plan remains positive and is sustainable over the long-term, which is reason for us all to remain encouraged. We will continue to communicate with you on a regular basis regarding the status of the Plan.

Focusing on You

We deeply care about our school communities and understand the uncertainty participants and schools are currently experiencing.

Our goal is to keep you informed through ongoing communications. We are also available to answer questions or discuss any concerns that you may have. Please do not hesitate to contact us.

You can reach our Trustees by contacting Howard Van Mersbergen, Vice President of Employee Benefits, at 877.274.8796, ext. 226, or hvanmersbergen@csionline.org.

