Upcoming Changes to Commuted Value Calculations

The Actuarial Standards Board of the Canadian Institute of Actuaries (CIA) has updated its pension commuted value (CV) standards effective December 1, 2020. The CIA publishes standards for how CVs are to be calculated for registered pension plans in Canada. As a registered pension plan, the Manitoba Municipal Employees Pension Plan must comply with these standards when calculating CVs.

A CV is the estimated amount of money you would have to put aside today, to grow with tax-sheltered investment earnings, to provide you with a future benefit similar to the MEBP pension you earned.

These changes do not have an impact on a member's pension calculation. Pensions that are being paid to retired members, their survivors and pensions that members are entitled to receive when they retire in the future are not affected by the changes. Only terminated members who are eligible to take their Commuted Value (CV) out of the Plan and choose to do so are affected.

What is changing?

Assumption	**Standards Prior to December 1, 2020**	**Revised Standards effective December 1, 2020**
Interest Rates to be used:	Government of Canada bond yields plus a fixed spread adjustment of 90 basis points	Government of Canada bond yields plus a spread determined from provincial and corporate bond yields
Retirement Age to be used for CV calculation	The age that produces the greatest value from the Plan	50% at the age that produces the greatest value from the Plan and 50% at the earliest age the member is entitled to an unreduced pension from the Plan

The revised CV standards could result in a decrease to a terminated member's CV when compared to the prior standards. However, the effect of the changes to a member's CV will depend on the member age, pensionable service, benefit accrual and market conditions at the time of the calculation.

Why is this change being made?

The reduction in the lump sum amounts paid out of the plan will have a direct positive impact on the funded status and long term sustainability of the pension fund. The amounts paid out under the prior standards have tended to be much higher than the amounts that were actually contributed to the Plan by the member and their employers, which was causing significant losses to pension plans in Canada. If this was allowed to continue, these losses would need to be offset by reduced benefits or increased contributions for the members who remain in the plan.