REMINDER – WHY THE REVIEW?

• We have still not recovered fully from the 2008 market crash
  • Current funded status “inflated” by an aggressive discount rate
  • Negative cash flows and a challenging market
• We are facing significant headwinds that are beyond anyone’s control
  • Maturity, longevity, membership trends, economics, enhanced CPP
• Sponsors requested a broader review as part of the MI² consultation
• Limited tolerance for contribution increases (member & employer)
  • Enhancements to CPP benefit will increase retirement costs
• We are late to the game (many plans have made strategic choices)
Per Side Contribution Rates and Funded Status

- NRA 65 < YMPE
- NRA 65 > YMPE
- NRA 60 < YMPE
- NRA 60 > YMPE

Funded Status

Comprehensive Plan Review
THE UPSHOT – PRELIMINARY BOARD DECISION

• Significantly improves plan sustainability
• Reflects the introduction of enhanced CPP – addresses affordability
• Takes steps to address longevity
• Provides meaningful DB coverage to more people

• Changes, if any, will have no impact on current retirees
• Benefits earned prior to the effective date are preserved
### PRELIMINARY DECISION

<table>
<thead>
<tr>
<th>Provision</th>
<th>Current Plan</th>
<th>Draft Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrual rate</td>
<td>• 1.325% / 2% integrated with Year’s Maximum Pensionable Earnings (YMPE)</td>
<td>• 1.325% / 2% integrated with new Year’s Additional Maximum Pensionable Earnings (YAMPE)</td>
</tr>
<tr>
<td>Contributions</td>
<td>• Integrated with current YMPE</td>
<td>• Integrated with new YAMPE</td>
</tr>
<tr>
<td>Service limit</td>
<td>• 35 years</td>
<td>• None</td>
</tr>
</tbody>
</table>

**Rationale:**
- Recognizes the enhanced CPP, both benefits and costs
- Allow members to accrue a larger, but delayed pension
## PRELIMINARY DECISION

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<tr>
<td>Early retirement</td>
<td>• 30 years of service or 90 (85) points&lt;br&gt;• Age/points based on “eligible” service&lt;br&gt;• 5% reduction per year or point prior to above</td>
<td>• 30 years of service or 90 (85) points plus age 60 (55)&lt;br&gt;• Age/points based on “contributory” service&lt;br&gt;• Actuarial equivalent to NRA</td>
</tr>
</tbody>
</table>

**Rationale:**

- Partially reflect the impact of longer lifespans and enhanced vitality
- Acknowledge that people are joining the plan at later ages than in the past and won’t benefit (but pay for) early retirement subsidies
**PRELIMINARY DECISION**

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<tbody>
<tr>
<td>Non-full-time members</td>
<td>• Optional for non-full-time who work 700 hours or earn 35% of YMPE (2 consecutive calendar years)</td>
<td>• Mandatory</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Member opt out if earning less than 35% of YAMPE</td>
</tr>
<tr>
<td>NRA 60 for paramedics</td>
<td>• Optional for police and fire</td>
<td>• Optional for police, fire and paramedics</td>
</tr>
</tbody>
</table>

**Rationale:**

- Recognizes emerging workforce trends and broader DB coverage
- Helps to address Plan maturity (additional active membership)
- NRA 60 for paramedics ensures equitable treatment of affected members
### Provision

<table>
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</tr>
</thead>
</table>
| Indexing  | • Guaranteed | • Conditional  
|           |              | • Provided for until 2025 |

### Rationale:
- Addresses plan maturity / enhances risk management capacity
- Provides a lever to manage intergenerational equity
- Transition plan gives greater certainty for retirees in the short term
**CONDITIONAL INDEXING RESTORATION PLAN**

- **Surplus management**
  - > 110%
    - Restoration of conditional benefits retrospectively to a level that doesn’t put Plan under 110%
    - Reduce contribution rates to a level that doesn’t put Plan under 110%

- **Reserve management**
  - 100% to 110%
    - At 105%, restoration of conditional indexing prospectively would begin to a level not to jeopardize sustainability
    - No reduction of contribution rates, unless indexing has been restored prospectively to 100% of CPI

- **Deficit management**
  - < 100%
    - Under 100%, granting of conditional indexing subject to FMS

The SC agrees to provide 100% indexing from Jan. 1, 2021 to Jan. 1, 2025 as per the current inflation provisions
# NEXT STEPS

<table>
<thead>
<tr>
<th>Clarity and Transparency</th>
<th>1. Communication and Engagement – June to October</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Forums: Sponsor, stakeholder, employer, union</td>
</tr>
<tr>
<td></td>
<td>• Additional information provided (e.g., web)</td>
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<td>• Member outreach and focus groups</td>
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<td></td>
<td>• Other</td>
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<td>2. Final decision – November</td>
</tr>
<tr>
<td></td>
<td>3. Implementation – November 2018 to 2021 (or later)</td>
</tr>
</tbody>
</table>
Plan for the Future

Open discussion