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# Lakehead University – Pension Actuarial Update

March 2024

# Agenda

1. LUEPP amendment effective January 1, 2024
2. DC to DB plan conversion
3. Reciprocal transfer agreement
4. Professional Plan annuitization consultation with FSRA
5. Plan wind-up proposal

# LUEPP Amendment

- Draft amendment 2023-3
  - effective December 1, 2023 – Contributions for USW members stop being made to LUEPP, and start up in CAAT DB Plus
  - effective January 1, 2024 – Contributions for COPE members stop being made to LUEPP, and start up in CAAT DB Plus
- These changes were collectively bargained in 2023

# Update on Professional Plan conversion from DC to DB

- Nov. 27, 2023 – Filed request for ministerial exemption for PSPA calculation method and exemption from certification
- Dec. 8, 2023 – plan changes were presented to the Pension Board
- Dec. 12, 2023 – Board of Governors approval of plan amendments
- Dec. 21, 2023 – Amendment 2023-3 (DB Conversion) was filed with regulators
- Dec. 21, 2023 – Amendment 2023-4 (mandatory portability at retirement) was filed with regulators
- Jan. 30, 2024 – CRA approved PSPA calculation method and exemption from certification

# Update on reciprocal transfer agreement

- Approx Oct 27, 2023 – agreement reached with LUFA to submit joint request to FSRA re: reciprocal transfer agreement
- Nov 20, 2023 – Lakehead/CAAT/Eckler joint submission to FSRA
- Feb 9, 2024 – FSRA email that their review by technical consultant staff is ongoing

# Update on Professional Plan annuitization consultation with FSRA

- Aug 15, 2023 – proposal for plan annuitization submitted to FSRA
- Sep - Nov 2023 – multiple video meeting with FSRA
  - FSRA agreed to summarize their concerns in writing
- Feb 5, 2024 – Eckler followed up
- Feb 27, 2024 – FSRA followed up indicating a letter should be ready in 2-3 weeks

# Plan wind-up proposal

- As of Jan. 1, 2024, all new member contributions to Lakehead Plans have stopped
- Members desire to transfer Lakehead DC accounts to purchase additional benefits under CAAT
- Members are currently prevented from transferring DC Lakehead pension while employment continues
- Plan wind-up would enable transfers to CAAT or other financial institutions

# Plan wind-up proposal (cont.)

- Wind-up poses significant hurdles in both plans
  - Partial wind-ups are not allowed in Ontario
- Professional Plan:
  - Deficit funding for University
  - Annuitization/settlement of retirees
- LUEPP:
  - 4 retirees receiving lifetime pensions



# Plan wind-up proposal (cont.)

- Proposed solution
  - Create a new Lakehead DC Plan
  - Asset transfer for non-retired members from LUEPP to new DC Plan
  - Asset transfer for non-retired members from Prof. Plan to new DC Plan
    - Calculate and crystalize any pre-1997 DB top-up entitlements at transfer date to eliminate any remaining DB features
  - Wind-up the new DC Plan once the transfers are completed
  - Retirees from both plans are retained
    - Plan will be ongoing until regulatory and funding challenges associated with plan wind-ups can be resolved

# Plan wind-up proposal (cont.)

- Potential risks to FSRA approval:
  - Amendment to crystallize Pre-1997 DB minimum benefit
- Valuation of LUEPP retiree benefits
  - Currently fully funded if a valuation were to be done
- Process expected take a minimum of 12-18 months

# Plan wind-up proposal (cont.)

- Impact on members
  - Non-retired members will be given options with respect to their account balances upon wind-up
    - Transfer to CAAT, transfer to LIRA or LIF, purchase annuity, etc.
  - No change for retired members at this point
    - Potential for future wind-up still exists
- Impact on University
  - No additional liability created
  - No material change in current pension obligations
    - Crystallization of pre-1997 DB minimum in Professional Plan will technically reduce future risk, but not a material consideration
  - Future wind-up of remaining pensioner plans may be explored

# Pension plan wind-up roadmap

Steps	Notes	Timing
<b>Advance consultation with FSRA</b>	<ul style="list-style-type: none"> <li>• Complexities need to be communicated in advance of application to transfer assets</li> <li>• Provide FSRA with notice of intended request for approval to crystallize pre-1997 DB minimum benefit for actives</li> </ul>	Immediately
<b>Board of Governors Approval</b>	<ul style="list-style-type: none"> <li>• Board resolution</li> </ul>	
<b>Advance notice to membership and unions</b>	<ul style="list-style-type: none"> <li>• Include high-level info on creation and wind-up of new DC plan</li> </ul>	TBD
<b>Set up new DC pension plan</b>	<ul style="list-style-type: none"> <li>• Draft trust agreement</li> <li>• Draft plan document (replicating terms and provisions of current DC provisions of the Lakehead Plans)</li> <li>• Set up new custodial agreement</li> <li>• Draft plan member booklet (using wording from current booklet)</li> </ul>	TBD
<b>File New Plan with FSRA and CRA</b>	<ul style="list-style-type: none"> <li>• File all documents, along with required regulatory forms, with both FSRA and CRA</li> </ul>	TBD

# Pension plan wind-up roadmap (cont.)

Steps	Notes	Timing
<b>LUEPP and Professional Plan amendments</b>	<ul style="list-style-type: none"> <li>• Amendments to transfer DC accounts to New Plan</li> <li>• Effective date of amendment is effective date of asset transfer</li> <li>• File with FSRA and CRA</li> </ul>	TBD
<b>Official individual notice to plan members</b>	<ul style="list-style-type: none"> <li>• Include asset transfer notice and windup notice in one communication</li> </ul>	Legislated – within six months of Effective Date
<b>Application for FSRA CEO consent</b>	<ul style="list-style-type: none"> <li>• Preparation of required reports/forms</li> <li>• Proposal for crystallization of DB minimum benefits</li> <li>• No assets can be transferred until approval of the application has been received from FSRA</li> </ul>	Legislated – within 9 months of effective date of asset transfer. FSRA review <90 business days (i.e. <3 months)
<b>Transfer Assets from LUEPP and Prof. Plan to New DC Plan</b>	<ul style="list-style-type: none"> <li>• Transfer current account balances to new plan once the approval has been received</li> </ul>	Legislated – within 120 days after approval is received
<b>Filing with FSRA after completion of asset transfers</b>	<ul style="list-style-type: none"> <li>• Statements certifying transfers were made</li> <li>• Statements of amounts transferred to new DC plan</li> </ul>	Legislated – within 60 days after completion of the transfer of assets
<b>Wind-up New Plan</b>	<ul style="list-style-type: none"> <li>• Board Resolution and Amendment</li> <li>• Wind-up report filing</li> <li>• FSRA review and approval</li> <li>• Option forms and transfer of accounts</li> <li>• Plan deregistration</li> </ul>	TBD

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