



## **Teachers' Pension Plan Frequently Asked Questions – August 2021 Changes in Plan Text**

### **1. What is changing?**

- Prior to this change in Plan Text, a member could opt to take the Commuted Value (CV) payout as long as they were not eligible to retire with an unreduced pension. As of November 1, 2021 this is no longer the case as you are not eligible to take the CV once you have 20 years of pensionable and past service, or are eligible to retire with an unreduced pension. If your employment ends before you are eligible to retire and you have 20 or more years of pensionable and past service, your pension entitlement will need to stay in the Plan as a deferred pension until retirement benefits are payable. However, if you already have 20 years of service or more before November 1, 2021, you will still have the option to take your CV until you become eligible for an unreduced pension.

### **2. How does this impact me?**

- If you have more than 20 years of service before November 1, 2021, this change has no impact on you. You remain eligible to take your CV payout as long as you are not eligible for an unreduced pension. If you have less than 20 years of service on November 1, 2021, this change applies to you. You will only be eligible to take a CV as long as you are not eligible to retire with an unreduced pension and you have less than 20 years of pensionable and past service.

### **3. What is Commuted Value (CV) exactly?**

- In Canada, a member of a defined benefit pension who terminates their membership in the plan (by terminating their employment) may receive the pension entitlement in the form of a lump sum. Commuted Value, as defined in the Plan Text, means the present value of a pension benefit calculated in a manner that complies with the Canadian Institute of Actuaries' Recommendations for the Computation of Transfer Values from Registered Pension Plans. Essentially, the Commuted Value of your pension is equal to the amount of money that you would have to invest at the date of your transfer, based upon specific interest rates in place on the date of your transfer, to accumulate sufficient funds to purchase a lifetime pension equal to your TPP pension.

**4. Do I have to terminate my teaching position to request my CV?**

- Yes, you will have to formally resign your position before you can request your CV payout. The resignation must be accepted by your employer. You would no longer be entitled to any employment or post employment benefits such as health and dental benefits under your Group Insurance. You would also be losing any survivor benefits that your pension may have provided in the event of your death. By leaving your pension plan, you miss out on the security of predictable monthly retirement income for life.

**5. What do you mean by “Accumulated 20 years of pensionable and past service”? What is past service?**

- Pensionable service is the period of employment during which required contributions are made to the Pension Plan. It includes any service worked, or purchased in accordance with Plan Text Section 11, or transferred into the Plan in accordance with Section 10. This service is still in the Plan. Past service refers to any prior pensionable service that had been refunded or transferred out of the Plan. Past service is included in the total years for purposes of CV eligibility.

**6. Why are you allowing someone who already has 20 years vested in the pension plan still be eligible for the CV?**

- Individuals who already have 20 years of pensionable may have already made their retirement plans. These plans could include transferring out a Commuted Value. The changes that have been made allow all members to have adequate time to plan their retirement decisions

**7. Why are you sending this letter to me?**

- Since Plan Text came into effect, we are required to communicate any changes to the Plan text to you directly. While this may have no impact on you, it is a change for somebody planning to take their CV, depending on their current years of accumulated service.
- If you are working and accrue the 20 years prior to your resignation effective date then you will not be eligible for a CV payout. You must provide the required notice period of resignation to NLESD in ample time.

**8. What if I have 20 years of service now, am I no longer eligible to take my CV?**

- If you have 20 years of service or more at November 1, 2021, you are still eligible to take your CV until you are eligible to retire. If you have less than 20 years of service at November 1, 2021, you can only take your CV up to the point where you will have accumulated 19.9 years of service.

**9. Why are you making these changes now; is the plan in financial trouble?**

- The Sponsor Body has approved these changes in the best interest of the Teachers' Pension Plan, and you, its members. The Plan is a defined benefit plan with the primary purpose of paying secure, predictable lifetime pensions to its members. Paying out a lump sum Commuted Value immediately before retirement is at odds with this purpose. This amendment supports our focus on the long-term stability and sustainability of the Plan.
- The Teachers' Pension Plan is not in any financial trouble. The Plan is quite healthy with the funded status on a going concern basis at 114.9% as at the end of 2020.

**10. Who do I contact if I have other questions?**

- The Teachers' Pension Plan Corporation website has various documents and tools to assist members, including copy of the Plan text and a detailed Members' Guide.
- For further questions you may contact the TPPC directly using the following link: <https://www.tppcnl.ca/Contact>