

Civil Service Superannuation Fund



Newsletter

April 2003

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Was Your Permanent Appointment Prior to May 31, 1983?

Under the existing regulations, any *full-time* casual or probationary service which immediately precedes your entry into the CSSF is eligible for purchase as pensionable service. If your permanent appointment date was prior to May 31, 1983, then the existing regulations set the cost of buying this service at the contributions which would have been made on your casual/probationary earnings at that time of employment plus a nominal amount of interest.

Effective January 1, 2004, these regulations will be repealed and replaced with regulations which set the cost of buying such service at the full actuarial cost. This change in costing methods is necessary to ensure that sufficient money is put into the CSSF to fund the additional pension benefit which an employee is buying. The following example illustrates the financial impact on the fund when one year of casual service (from 1975) is purchased under the existing rules:

Estimated current cost (contributions + interest) to member	\$1,000
Matching employer contribution	\$1,000
Estimated additional liability assumed by the CSSF to provide additional benefit	\$7,500
Resulting unfunded liability assumed by the CSSF	\$5,500

As you can see, the existing prior service purchase rules are contributing to the unfunded liability facing the CSSF. This regulation change with regards to the cost for prior service purchases is a move to protect the health and future viability of your pension fund and also ensures that the calculation of the cost to buy prior service is consistent for all members, regardless of the member's permanent appointment date.

Did You Know?

• **Purchasing Maternity, Parental and Adoption Leaves**

When you are returning from maternity, parental or adoption leave, you have up to 180 days after your return to work to elect to purchase your leave at the contributions which would have been paid, had you been at work. If you miss this 180-day election period, you can still purchase the leave but it will be at the full actuarial cost!

• **Using Personal RRSP Monies to Purchase Service**

You can transfer money from your personal RRSPs to the Civil Service Superannuation Fund for purposes of purchasing service. This transfer can occur tax-free since it is going from one registered pension plan to another.

• **Annual Report**

The 2001/2002 Annual Report and Audited Financial Statements of the Province of Prince Edward Island Civil Service Superannuation Fund are now available at Island Information Service.

Funding Valuation of the CSSF

Every three years, tax laws require that a valuation of the pension fund be done to assess the amount of pension benefits promised to employees, the annual cost of making these pension promises and whether there are sufficient assets to meet these promises. As of April 1, 2002, the results of the valuation of the CSSF are as follows:

Annual Cost of Pension Benefits	12.99% of payroll
Average Employee Contribution	7.37% of payroll
Average Employer Contribution	<u>7.37%</u> of payroll
Total	14.74% of payroll
Excess Contributions (14.74% - 12.99%) (excess contributions are applied against the unfunded liability)	1.75%
Total Pension Plan Assets	\$436.0 million
Total Pension Benefits Promised	<u>\$488.5 million</u>
Unfunded Liability	\$ 52.5 million

The ability to improve the pension benefits provided under the CSSF is limited when such a large unfunded liability exists. In 1994, the Government of PEI committed to making 10 annual special payments to reduce the CSSF's unfunded liability. However, even with these special payments and the excess contributions from employees and employers, it is projected that it will be another 30 years before the CSSF will be fully funded.

For more information, please call
Employee Benefits
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