

Salaried Pension Plans – COVID-19 Update and Restriction on the Payout of Commuted Values Effective May 2020

The financial health of McMaster's Salaried Pension Plans (Plan 2000 and Original Plan) remains strong despite the market volatility driven by the COVID-19 Pandemic.

McMaster, with the assistance of its Actuary (Mercer), monitors the financial position of the Salaried Pension Plans on a quarterly basis. We are pleased to report that both Salaried Pension Plans' financial health, measured by going concern based ratios (ratio of investment assets to actuarial liabilities, valued using long-term assumptions), remain in excess of 100% as at April 1, 2020.

In addition to monitoring the plans on a going concern basis, McMaster is required by Ontario pension legislation¹ to make quarterly assessments of the plans' funded position on a plan termination basis (assuming the plans ceased to operate and all benefits were immediately settled). In the course of this monitoring, if either pension plan's "transfer ratio" (the ratio of plan assets to plan liabilities on a termination basis) is found to have dropped 10% or more from the level determined in the most recent actuarial valuation, the Plan Administrator (McMaster) is required to seek the regulator's² permission to continue commuted value ("CV") transfers to plan members. Note, there is no impact to monthly pension payments under this regulation.

Due to the market turmoil resulting from the COVID-19 crisis, the transfer ratios of both Salaried Pension Plans have dropped by more than 10% at April 1, 2020. As a result, McMaster is required to cease payment of CV transfers above a prescribed threshold until the regulator approves McMaster's request to resume payments.

The regulator is finalizing a new process that plan administrators are to use for making CV transfer applications and is expected to issue it in May 2020. McMaster will review these changes and then make the necessary application to the regulator for permission to resume CV transfers. In the meantime, Human Resources will advise retiring members who have elected a CV transfer that the CV transfers will be delayed. Individuals may opt to choose a different benefit option, or opt to delay their pension benefit decision. Interest will be credited on CVs for the period between the member's retirement date and their payment date.

Since April 1, 2020, the financial position of the plans has improved due to improving market conditions. The funded status of the McMaster Salaried Pension Plan remains solid and is typical in relation to comparable defined benefit pension plans in Ontario, particularly in light of the current low interest rate environment. The plans are not at risk and the University remains committed to the long-term success of its pension arrangements.

If you have any questions about this information, please contact your [HR representative](#).

¹ Prescribed in section 19 of the Regulations to the Pension Benefits Act (Ontario)

² Financial Services Regulatory Authority (FSRA) of Ontario