

Challenge the Process – Discussion (revised April 5, 2010)

Issues	Constraints/Current practice	Pros	Cons	Comments
<p>Should we allow ex-spouses to remain in the Plans?</p>	<ul style="list-style-type: none"> • The Pension Benefits Act in its current form does not allow ex-spouses whose member spouse is currently working to transfer assets out. • Under the current provisions of the PBA ex-spouse can withdraw their funds out when the spouse member terminates, dies or retires. • Bi11 133 – will make it possible for ex-spouses to transfer their funds out but it is not clear if there will be a retro - active option (expected to be proclaimed into force in 2011) 	<ul style="list-style-type: none"> • Keeps funds in the plans • May be seen as benefit to the member spouse 	<ul style="list-style-type: none"> • Set up a new account but it needs to be linked to the member account to know when to enable the transfer out of the spousal account • Administration is cumbersome. • May not be able to force them out depending on the legislation • Taking on additional fiduciary responsibilities for individuals with no connection to Western. 	<ul style="list-style-type: none"> • See attached summary and motion
<p>Should we allow regular and voluntary</p>	<ul style="list-style-type: none"> • We allow this at the moment • Can be done any month 	<ul style="list-style-type: none"> • Provides members with flexibility and choice in the 	<ul style="list-style-type: none"> • Increases administration but can be done on the system 	<ul style="list-style-type: none"> • Additional Data and recommendation at a later meeting to include analysis of how the academic pension plan

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investment directions to be different?		management of their funds	so not a big issue <ul style="list-style-type: none"> Members get confused as to which funds they changed the allocation for (It has led to errors and member complaints in the past). 	required contribution level is administered to promote a higher level of employee required contributions if possible. <ul style="list-style-type: none"> Voluntary contribution are not locked in and can be withdrawn from the pension plan, so a different investment strategy can be pursued for those assets Since we provide this already may be seen as a take away if discontinued. The voluntary account also used for transfer in from other plans.
Should we allow investment directions for past and future contributions to be different?	<ul style="list-style-type: none"> We can allocate past and future separately at the moment. Can be done any month 	<ul style="list-style-type: none"> Flexibility and member responsiveness 	<ul style="list-style-type: none"> Increases administration but can be done on the system so not a big issue Members get confused as to which funds they changed the allocation for (It has led to errors and member complaints in the past). 	<ul style="list-style-type: none"> Consider the feasibility of having a system that provides an option to deal with all funds or allocate these directions separately –the concern is not to take options away from members but need to review business process. Since we provide this already may be seen as a take away if discontinued. Not causing significant administration problems.
Should we allow voluntary	<ul style="list-style-type: none"> Up to the CRA maximum 1225 members do make 	<ul style="list-style-type: none"> Assist in saving for retirement in a way 	<ul style="list-style-type: none"> Some extra administration but not 	<ul style="list-style-type: none"> Focus on how to administer the Voluntary accounts but not to

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contributions at all?	<p>these currently (1320 members made voluntary contributions in 2009)</p> <ul style="list-style-type: none"> • Estimated amount for 2010: \$4,300,000 (\$5,100,000 of voluntary contributions were made in 2009) • Members contribute on average 4% of their earnings (for those who contribute only) • Voluntary account also used to hold funds transferred in from other plans. 	<p>that is cost effective for members.</p> <ul style="list-style-type: none"> • A common option in most registered pension plans 	<p>onerous to date good system support.</p> <ul style="list-style-type: none"> • Gets onerous when we provide manual cash advance for urgent cases 	<p>eliminate them</p> <ul style="list-style-type: none"> • Given the relatively low level of required member contribution helps to encourage more retirement savings. • Can be pulled out at member request without locking in with \$100 fee. • Identified a need to increase member contributions.
Should we allow transfers in or out?	<ul style="list-style-type: none"> • Currently allow transfer in from other plans and requires manual processing. • PBA says we can allow them in but that we have the option to limit this. • Must allow transfers out in the prescribed manner. 	<ul style="list-style-type: none"> • Increases funds under management • Member convenience by allowing consolidation of their retirement savings. • Member are doing this, we tend to get regular requests (<ul style="list-style-type: none"> • Transfer in from other plans can be administratively complex if coming from outside of Ontario (e.g. Manitoba sourced funds) 	<ul style="list-style-type: none"> • Review business process for operational improvements but recognize that the ability to transfer in represents a significant recruitment tool. • Process is time sensitive and has manual requirements and a number of areas involved. • Consider only allowing transfers in from Ontario only sourced funds • Members going to Western RIF can

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		several a month); <ul style="list-style-type: none"> • In 2008 we had 70 transfers in and 35 transfers out • In 2009 we had 44 transfers in and 54 transfers out • Transfers in are used as a recruiting tool 		move these funds from pension plan to RIF but not from RSP to Western RIF
Should we allow terminated members to stay in the plans?	<ul style="list-style-type: none"> • Terminated Members can stay in pension plan until the end of the year they-turn age 71- Income Tax limit • \$200 annual fee for members who terminated before early retirement date • No fee for members who retire 	<ul style="list-style-type: none"> • Keeps more funds under management 	<ul style="list-style-type: none"> • Increases administration some former members who have not worked for Western for a long time. • Work and time to track down and update information for members who may be less engaged. 	<ul style="list-style-type: none"> • Provide analysis of the number of terminated members affected and account values and administration costs for the Board for further review & options. • Data and administration for terminated members is a challenge – they tend to move, leave the country and forget to tell us. • Should we review the smaller terminated accounts or long time terminated members • Process implications and resources to administer moving members out. • For some members the \$200 annual fee is a significant proportion of their

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				account balance and as such they would be better off transferring their money out

CHALLENGE THE PROCESS:**Should we allow ex-spouses to remain in the Plans?****Ex-Spousal Accounts**

Ex-spousal accounts are accounts held in the pension plans and administered by the pension group on behalf of former spouses on members of the pension plans.

Background

Under the Ontario *Pension Benefits Act (PBA)* the ex-spouses of pensions plan members may not receive more than 50% of the pension benefits accrued by the member during the marriage in the course of a marriage breakdown property settlement. The amount of the benefit is determined in the separation agreement or court order. The ex-spouse cannot, however transfer this amount out of the pension plan until the earlier of the normal retirement date of the member or the date on which payment of the pension benefit to the member commences. This has led to considerable administrative burdens and complexity for all pension plans sponsors in Ontario.

Under the current provisions of the PBA the ex-spouse can elect: to transfer the lump sum value of the account from the pension plan under prescribed rules or elect a life time pension from an insurance company, but nothing can happen in this regard until the member spouse has reached normal retirement age or pension payments to or on behalf of the member spouse have started.

New amendments to both the Family Law Act and the PBA contained in Bill 133¹ will enable the transfer of the ex-spousal accounts at the time of separation for pension plans registered under the PBA.

¹ *Bill 133, An Act to amend various Acts in relation to certain family law matters and to repeal the Domestic Violence Protection Act, 2000*

Both the PBA and Family Law Act have been amended in this regard and the provisions are expected to be proclaimed into effect in 2011. The Bill will allow immediate transfer of lump-sum payments from the pension plan to the ex-spouse for members who are not retired; the non-member spouse of a retired member will receive a portion of the pension in pay. This is expected to make the administration of ex-spousal accounts more equitable and straightforward. Of particular interest for us will be the ability for the ex-spouse to deal with their pension account under the UWO pension plan at the time of the property settlement. As noted previously under the current law, a real division of the pension by the plan administrator (i.e. lump sum transfer or pension payment to the ex-spouse) could only happen when the member actually terminated/died/retired at some point in the future.

UWO Pension Plans

Currently the administration of approximately 50 ex-spousal accounts is highly onerous and creates risk for pension group who is faced with:

- Interpreting the individualized separation agreements with pension provisions which are often silent or inadequate in their terms to enable a clear interpretation of the ex-spousal benefit.
- A difficult and complex record keeping (currently ex-spousal account records are recorded one of two ways on our systems) and there is no system based way to track the triggering dates for the ex-spouses relative to the member account.
- We administer advising the ex-spouse of the options to deal with their account by checking at the time that every member retires or terminates if there is paperwork that indicates a spousal account and if there is, then we communicate with the ex-spouse.
- We do not force the ex-spouse at the time that the member spouse elects to deal with the pension to do the same.

Despite being onerous to administer, ex-spouses do not pay a fee for the administration of their account, one rationale for this is that the ex-spouse usually wants to transfer out of the pension plan and is prevented by doing so under the PBA so charging a fee for an account they did not want is punitive. This rationale would change when the ex-spouse remains in the pension plan after the member reached normal retirement date or transferred the pension account out.

The current pension plan provisions do not specify any obligation actions in regard to ex-spousal accounts. The administration of these accounts is completely prescribed by the terms of the PBA as amended from time to time.

Regulations – Draft regulations should be available for comment shortly in anticipation of the Bill 133 coming into force 2011. Once the regulations are released, there is expected to a period for input from the public prior to the regulations being adopted. This will enable plan sponsors grappling with the

administration of these ex-spousal accounts to ensure that their views on the more contentious issues such: as retroactivity , calculation provisions for defined benefit plans, valuation and the need for prescribed forms to be put before the legislators and pension authorities.

Motion:

That the administration of ex-spousal accounts is to be reviewed so that where possible ex-spousal accounts are transferred out of the pension plans or annuities purchased at the earliest possible date allowed under the applicable legislation, and furthermore, commentary be provided to the pension legislators to promote the need for the new transfer provisions in Bill 133 to be made retroactive.