

### **What is a Commuted Value (CV)?**

The Commuted Value is the present-day lump sum value of your future monthly pension payments that you have earned and are payable to you unreduced starting at age 65.

### **How do you calculate my CV amount?**

Calculations are run in our pension administration system. There are many factors included in calculating the CV, including your current age, retirement age, interest rates, and life expectancy. Using all these factors, the system can calculate the CV, or present value, of your pension.

The calculation assumptions are set by our independent actuarial consultants who follow their professional standards and review market conditions, plan rules and demographics to establish the assumptions. They use the same assumptions to assess the financial health of the plan, and those valuations are filed with, and reviewed by, provincial regulators and the Canada Revenue Agency.

### **Why do you use an interest rate to calculate my CV?**

When you apply an interest rate to a value, you are adding interest to calculate its future value. Similarly, when you discount a future value with an interest rate, you are doing the opposite and subtracting interest to calculate the present value of a future payment. For a CV calculation the system uses the interest rate to discount back a future value to an earlier date. The Plan's future pension payments are known, and the system applies the interest rate to calculate what the present value would be today for all the future pension payments. Interest rates are based on the plan's investments and market conditions.

When interest rates go up, you expect to get more value in the future for your investment today.

- If you have \$100 and invest it at an interest rate of 10%, in 1 year you expect to receive \$110.

As a CV is the present value of a future benefit payment, a change in interest rate works in the same manner but in the opposite direction. As the rate rises, you receive less today to provide the same future value.

- If you are owed \$110 in 1 year at an interest rate of 10%, then we owe you \$100 today. BUT

- If you are owed \$110 in 1 year at an interest rate of 15%, then we only owe you \$96 today.

This also has the opposite impact; if interest rates decrease, then the CVs increase.

- If you are owed \$110 in 1 year at an interest rate of 5%, then we owe you \$105 today.

### **Why does my age impact the CV?**

If you have earned the exact same pension as your colleague who is 5 years older than you, and you both get termination options on the same day, you will find that your colleague has a higher CV. This is because the CV calculation is the present value of what we owe you at 65. For someone who is 50, they have 15 years until their retirement. Therefore, they have 15 years to earn interest on the lump sum we pay them, to provide them with the equivalent pension they were owed. If you are 45, then you have 20 years until your retirement, so you have an extra 5 years to earn interest, and that's why the calculation will give you a lower CV.

### **This CV calculation is not fair, my employer paid more/less than you are paying me!**

Sometimes the CV will be less than the contributions sent to the Plan by your employer, sometimes it will be more. The calculation method is not set by the OE955 Pension Plan, but by the actuarial professional body and the pension regulators. The promise of a pension plan is to pay you a monthly pension in the future. If that pension is taken out as a lump sum, then the plan is required to pay you the fair value (CV) of that future pension, and that calculation is explained above.

**Things to think about: Pension or Transfer**

	<b>Pension</b>	<b>Transfer</b>
<b>Lifetime security</b>	Your pension is managed by the Board of Trustees with expert advice to help the plan stay stable and sustainable for the long term. You will receive a pension payment for as long as you live.	Your pension is managed by you. You have to decide how much you can withdraw from your pool of money every year and manage it so it doesn't run out during your lifetime.
<b>Increase potential</b>	If the plan is in a strong enough position, the Board may decide to increase the monthly pension payable. If your money has been taken out of the plan, you do not get the benefit of future increases.	If your average investment return after fees is higher than the interest rate used by the plan, you could earn more over time compared to what the plan would have paid you.
<b>Fees</b>	The plan manages a large amount of money and can negotiate very low investment management fees.	Generally, individual retail investors will pay higher fees over time than a large pension fund.
<b>Financial market ups and downs</b>	The plan has been through many financial market cycles over the decades. There is a large fund of money that is professionally managed and can handle the ups and downs of the market because the investment risk is pooled for all plan members of different ages. The risks are not borne by an individual, but by the group. As a large investor, the plan also has access to private investments that can move differently compared to regular public financial markets.	If your investments have a significant decrease, they may come back to their value, or they may not. You may be able to wait for them to bounce back, but you may not. If the value of your investments went down, and you need to make your regular monthly withdrawal to cover your expenses, you cannot wait until your investment recovers, you will have to withdraw funds at their reduced value today.
<b>What if the fund collapses</b>	The fund is regularly valued by independent actuaries, and those valuations are reviewed by the regulators (Alberta government and CRA). The fund has consistently been valued at over 100% funded for decades, meaning it is projected to have enough money to cover all benefits owed. Many employers pay into a shared plan, so one employer experiencing trouble will not impact pensions.	No impact. You have taken your money out of the plan, so you do not receive any increases or decreases that impact the plan members.
<b>Death Benefit</b>	When you retire, you get various options which can provide guaranteed payments to your beneficiaries or a pension to your partner upon death. If you pass away before retiring, the full value of your pension will be paid to your partner or beneficiaries, depending on your relationship status.	When you pass away, whatever is left in your account is payable to the account beneficiaries.