



STRP UPDATE

FOCUS ON EQUITY

EXCITING PLAN CHANGES COMING JULY 1, 2024

There will be some changes coming to the pension plan, and they are all focused on improving equity among members – woo hoo! Although some subsidization is inevitable in a plan like the Saskatchewan Teachers' Retirement Plan, the pension team has been working hard to make improvements to the Plan design in order to eliminate inequities. With support from the Pension and Benefits Board of Directors, the Saskatchewan Teachers' Federation Executive and councillors, the following four changes have been approved and will take effect July 1, 2024.

1 A NEW BENEFIT FORMULA

You would probably agree that the current STRP formula is a little tricky to understand. That's because it's what we call an "integrated" formula – it provides different benefits below and above a certain earnings level (called the YMPE) in order to align it with benefits that you earn in the Canada Pension Plan.

YMPE: The Year's Maximum Pensionable Earnings – the earnings level at which all working Canadians stop contributing to the CPP each year. In 2023, it is \$66,600.

CURRENT FORMULA

FOR EACH YEAR OF SERVICE AFTER JUNE 30, 2015
Career average earnings (CAE) formula

$$1.3\% \text{ of your annual earnings up to the YMPE} + 2.0\% \text{ of your annual earnings above the YMPE} \times \text{Contributory Service each year}$$

There are two problems with the current formula:

1. Members who earn a lower income (i.e., teachers in their first five years) pay more per dollar of pension earned in the Plan than members who earn a higher income (i.e., LEADS members). This means that lower-paid members are subsidizing some of the benefits for higher-paid members.
2. The Canada Pension Plan is making changes to their benefits and earnings levels. Once that takes effect, the STRP's integrated formula will no longer align, defeating the purpose of the current formula's design.

The Solution: A new, easier-to-understand and more equitable pension formula!

NEW FORMULA

FOR EACH YEAR OF SERVICE AFTER JUNE 30, 2024
Career average earnings (CAE) formula

$$1.6\% \text{ of your annual earnings} \times \text{Contributory Service each year}$$

Starting July 1, 2024, your pension formula will change to a flat accrual rate of 1.6 percent on all earnings. This means that the STRP will no longer be dependent on any future changes made to CPP benefits. And even better, this new accrual rate will eliminate the subsidization happening among members at different salary levels. Everyone will pay the same rate for every dollar of pension earned.

How does this change affect me?

There is no action required on your part – your pension will automatically be calculated using the new formula beginning July 1, 2024. You may notice that the contributions to the STRP (shown on your pay stub) will be a bit different than they were in previous years. That's because along with the change to the benefit formula, the contribution rate will also change to a flat rate of 10 percent on all earnings.

While the total contributions the Plan receives will not change, the amounts each individual member will contribute may be slightly different based on how their salary currently compares to the YMPE. Lower-earning members will see increases in their future pensions but will pay a bit more in contributions. Higher-earning members will see a small decrease in future pension but will also pay a bit less.

2

LONGER INTEREST-FREE PERIOD FOR PARENTAL LEAVE PURCHASES

Members have been asking for improvements to parental leave purchases, and we heard you! We know that finances can be tight after coming back from parenting leave. That's why the STRP will be doubling the interest-free period for parental leave purchases from one year to two years following the end of your leave. Still need extra time? No problem! We are also eliminating retroactive interest so any purchase made after the interest-free period ends will still benefit from those two years being interest-free. That means no interest in the first two years following the end of your leave, regardless of when you make the purchase.

The same change is also being made to compassionate leave purchases.

This is great news for those new (or future) parents! It also improves equity, since all members will benefit from those two interest-free years, rather than only those members who can afford to purchase their leave right away.

This change will apply to any leaves purchased after July 1, 2024, even if the actual leave took place before that date. If you're looking for information on purchasing a leave of absence and reasons why you might want to do it, visit the STRP e-Guide on the Federation website, www.stf.sk.ca, to learn more or contact our office to request a purchase quote. Once you have a quote, you can use the STRP Pension Estimator to see how the purchase will affect your pension amount and retirement date (hint: likely higher and sooner).



3

SUBSTITUTE TEACHERS WILL BE ELIGIBLE FOR PRE-RETIREMENT UPGRADES

Pre-retirement upgrades are an important part of your STRP benefits. They help to increase your career-average pension with inflation so that your pension provides a more meaningful benefit when you retire. Currently, substitute teachers are not eligible for these upgrades even though they pay the same contribution rate as contract teachers.

A **Conditional Upgrade** is an inflationary increase applied to accrued pensions for members who are still working and have not yet retired. They are not guaranteed and are dependent on the health of the Plan.

These are different from Cost-of-Living Adjustments (COLA), which are annual increases applied to pensions in pay. Substitute teachers are already eligible to receive any COLAs granted during their retirement.

That is why we are so excited to tell you that beginning July 1, 2024, all eligible substitute teachers will receive any conditional upgrades that are granted by the Plan! To be eligible for the upgrade, a substitute teacher must have worked a minimum of 20 days of eligible service in that Plan year or the immediately preceding Plan year. There is no action required by you – if you taught at least 20 eligible days in the required time period, you will automatically be granted any applicable upgrades to your pension. It's that easy!

Since the change is effective July 1, 2024, the first upgrade that substitute teachers could receive would be June 30, 2025, if the Plan is able to grant a conditional upgrade on that date.

4

MORE EQUITABLE DEATH BENEFITS

The STRP currently offers an additional death benefit option for members who pass away prior to retirement with at least eight years of service. This additional benefit option, paid to dependent children or dependent parents, is rarely used and complicated to administer. In the history of the STRP, only 10 members' beneficiaries have received an additional benefit under this Plan provision. It also creates scenarios where certain children receive death benefits while their siblings don't, simply because they are still considered a dependant under the Plan rules.



To improve equity and ensure all members' spouses and beneficiaries receive an equitable death benefit, this alternative death benefit provision is being removed. Don't worry – your spouse (or beneficiaries) will still be entitled to the normal death benefit provided under pension legislation. That means that if you pass away prior to retirement, your spouse would be eligible to receive a lump-sum payout of the value of your pension, or to convert that lump sum into a lifetime monthly pension. If you do not have a legal spouse when you pass away, your beneficiaries or estate would be paid the lump-sum death benefit. No changes have been made to the Plan's death benefits for members after they retire.

THE BIG PICTURE

The retirement landscape in Canada is shifting, and innovation continues to be necessary to ensure that the Plan is still meeting its intended purpose for all members. The STRP has been at the forefront of this shift, finding unique ways to maximize sustainability while also providing a meaningful, equitable retirement benefit that will continue to be the backbone of your future retirement income.

NOW IN EFFECT: NEW RE-EMPLOYMENT RULES FOR RETIRED MEMBERS

As of July 1, 2023, any STRP retired members who return to work in a LEADS position or in a position as an employee of the Federation will have their monthly pension payments suspended, and will be required to re-enroll in the Plan for the entire period of their re-employment.

The common practice of returning (or continuing) to work in retirement, known as “double-dipping,” can have a significant cost to the Plan, especially in relation to high-income earners. Those costs come at the expense of the greater Plan membership. This change helps to mitigate these costs to improve the Plan’s sustainability for all members.

WHO THIS AFFECTS	WHO THIS DOES NOT AFFECT
STRP pensioners returning to work as: <ul style="list-style-type: none">• LEADS members• Employees at the STF	STRP pensioners returning to work as: <ul style="list-style-type: none">• Classroom teachers• Substitute teachers• Vice-principals• Principals• Other positions eligible for STRP

NEW VALUATION FILED; PLAN REMAINS HEALTHY



Earlier this year, the STRP finalized a valuation to determine its financial position as of July 1, 2022. Despite a down market in 2021-22, the Plan’s financial position improved, and the Plan remains fully funded, including reserves for future conditional increases.

WHAT WOULD YOU LIKE TO SEE IN THE UPDATE?

Have suggestions for content in this newsletter? Our communications guy wants to know! Send him a message at stfcommunications@stf.sk.ca.

STRP UPDATE

Need more information? Contact us at:

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This publication contains general information only. In the event of any discrepancy in interpretation, error or omission, the applicable legislation and Plan Text are the final authority.

TEACHERS GET ANOTHER PENSION BOOST

The STRP is excited to once again be providing a conditional upgrade to teachers’ pensions.

On June 30, 2023, eligible active teachers received a 3.8 percent increase to all pension benefits earned between July 1, 2015, and June 30, 2022. This increase will show up on the June 30, 2023, annual statements being sent in December.

For more information, read the [original announcement](#).



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STF-00114 / 20230726 / 9110-99