POLICY DIRECTIVES

At its meeting on December 6, 2012, the Board of Regents approved several draft policy directives for the Memorial University Pension Plan as recommended by the University Pensions Committee. These draft directives set out in writing many of the University’s existing administrative practices relative to the pension plan and include a number of proposed new procedures and methods pertaining to such issues as eligible pensionable service, the cost basis for pension buybacks and interest rates. The primary purpose of each directive and any related new administrative practices are described in the accompanying table located on the reverse side of this notice.

WHEN DO THESE DIRECTIVES BECOME EFFECTIVE?

Policy directives that are approved by Memorial’s Board of Regents must also be approved by the Minister of Advanced Education and Skills. They do not require legislative amendment to the Memorial University Pensions Act so they can move through the government administrative channels more quickly. Once approved by the Minister, the directives will come into effect. In this regard, the draft policy directives 2012-1 to 2012-7 have been submitted to the Minister for review and approval. While the timing of Ministerial approval cannot be readily determined, it is expected that the process could take several weeks to conclude. The University has requested that the effective date be no earlier than April 1, 2013.

Where these directives reference existing administrative practices and policies approval by the Minister will not change their application.

WHAT’S NEW?

- The cost basis for buybacks of prior refunded service will be changing from one-half actuarial cost to the greater of full actuarial cost and commuted value;

- The cost basis for buybacks of other prior service will be changing from full actuarial cost to the greater of full actuarial cost and commuted value;

- Contractual employees will be able to purchase the period of continuous service (of at least 20 hours per week) leading up to mandatory pension participation;

- The interest rate to finance pension buybacks will be linked to the assumed rate of return on pension plan assets;

- Interest applied to employee contributions will be based on the pension fund’s actual rate of return.

TRANSITIONAL PROVISION DURING NOTICE PERIOD

Pension plan members are advised that these directives will come into effect following approval by the Minister of Advanced Skills and Education. In the meantime, the cost basis for prior service purchases, the determination of eligible prior service and other administrative functions will follow existing established practices (eg. one-half actuarial cost for prior refunded Memorial University service).

EXCEPTION: Where a prior service costing is requested by a terminating employee for purposes of transferring their pension from the pension plan, the cost will be determined using the basis outlined in the draft directives. This will maintain the integrity of the plan’s funding and assure fair treatment of terminating plan members.
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<tr>
<th>DIRECTIVE</th>
<th>PRIMARY PURPOSE</th>
<th>NEW PROVISIONS</th>
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| 2012-1    | Prescribes what constitutes eligible prior contractual service for buyback and sets terms for buyback contracts | i. the 6 months leading up to mandatory pension participation is eligible for purchase  
   ii. if the period in i above is purchased within 90 days of entering the plan, the cost is based on plan contribution rates and the university matches the employee amount  
   iii. except for ii above, the cost is based on the greater of full actuarial cost and commuted value (previously the cost was full actuarial value)  
   iv. buyback contract interest rate is the plan assumed rate of return as per actuarial valuation (previously prime + 2%)  
   v. 90 day time period to receive payment on buyback contracts |
| 2012-2    | Prescribes terms for buyback of prior refunded Memorial service | i. the cost is based on the greater of full actuarial cost and commuted value (previously the cost was based on one-half actuarial value)  
   ii. buyback contract interest rate is the plan assumed rate of return as per actuarial valuation (previously prime + 2%)  
   iii. 90 day time period to receive payment on buyback contracts |
| 2012-3    | Prescribes terms for buyback of prior refunded NL government service | i. the cost is based on the greater of full actuarial cost and commuted value (previously the cost was full actuarial value)  
   ii. buyback contract interest rate is the plan assumed rate of return as per actuarial valuation (previously prime + 2%)  
   iii. 90 day time period to receive payment on buyback contracts |
| 2012-4    | Prescribes terms for buyback of unpaid leave of absence | i. For purchases not made within 90 days of return from leave the cost is based on the greater of full actuarial cost and commuted value (previously the cost was full actuarial value)  
   ii. buyback contract interest rate is the plan assumed rate of return as per actuarial valuation (previously prime + 2%)  
   iii. 90 day time period to receive payment on buyback contracts |
| 2012-5    | Prescribes terms under which contractual employees participate in the pension plan | i. in accordance with practice, MUNFA four month term appointees are not eligible for pension plan participation (this is new only to the extent that it is to be formalized in a directive)  
   None – reflects pension standards legislation and existing practice |
| 2012-6    | Prescribes eligible financial vehicles for purposes of pension transfers | None – reflects pension standards legislation and existing practice |
| 2012-7    | Prescribes rate of interest applied to employee contributions | i. rate of interest is to be set at the greater of fund net rate of return and zero (previously rate was 5%) |

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A full description of the Policy Directives can be viewed at: www.mun.ca/humanres/pensions.php