

Members of the Plan are hereby notified of the following proposed amendments to the McGill University Pension Plan ("Pension Plan"), which will be submitted for final approval to the Board of Governors. The amendments are subject to adoption of a formal plan amendment (Amendment No. 23) to be filed with the *Régie des rentes du Québec* and the *Canada Revenue Agency* with an effective date of January 1, 2011. The Pension Plan is governed by the rules and regulations of the *Supplemental Pension Plans Act (Québec)* and the *Income Tax Act (Canada)*.

The most significant change being introduced in Amendment No. 23 is the elimination of the internal annuity option for all settlements after December 31, 2010 for members who joined or were eligible to join the Pension Plan prior to January 1, 2009.

The practice of offering annuities directly from the Pension Plan has resulted in significant losses and liabilities, necessitated significant additional funding and places at risk the financial health and sustainability of the Pension Plan for all plan members. In addition, changing requirements in pension legislation have imposed further restrictions on the Pension Plan's ability to declare future annuity dividends. It is important to note that it is not common for pension plans such as the McGill University Pension Plan to issue annuities directly and current pension legislation no longer allows others to do so.

For Pensioners in receipt of an internal annuity from the Pension Plan, the elimination of the internal annuity settlement option does not cause the discontinuation of the annuity dividend program. In addition, for active members of the hybrid plan, it does not impede the continued operations of the defined benefit minimum provision. No modifications to the phased retirement provisions of the Pension Plan are contemplated by this amendment.

Members wishing to purchase annuities may continue to do so through a Canadian life insurance company. Recent surveys have found that in most cases, the quoted payment amounts are equivalent to or higher than the payment offered through the Pension Plan. In order to better assist members wishing to purchase annuities, a monthly survey of annuity offers from Canadian life insurance companies is available on the Pension Plan website at www.mcgill.ca/pensions/retirement/annuity/. During the course of 2010, other initiatives to further assist members will be explored and include investigating group annuity options offered through life insurance companies and establishing preferential arrangements with annuity brokers.

A number of other modifications to the Pension Plan will need to be made in order to comply with applicable legislation, to harmonize the Plan Document with current practices as well as other changes of an administrative nature. These changes include:

- As part of the conditions of enrolment, all members joining the Plan on or after January 1, 2011 will be required to submit proof of age (*copy of passport or birth certificate*);
- In the case of part-time employees, eligibility criteria for participation in the Pension Plan has been segregated from the eligibility criteria related to the Optional Benefits Package offered at McGill;

Members may consult the documents concerning these modifications during normal business hours (Monday to Friday from 9:00 a.m. to 5:00 p.m.) in the offices of the Pension Administration Committee: 688 Sherbrooke Street West, Suite 1420, Montreal, Quebec, H3A 3R1. Members may view the current Plan Document as amended to January 1, 2009 on our website at www.mcgill.ca/pensions/committee/plandocument. In addition, a marked copy of the pending amendments will be available on the website in the near future.



John D'Agata - Secretary, Pension Administration Committee

June 2010