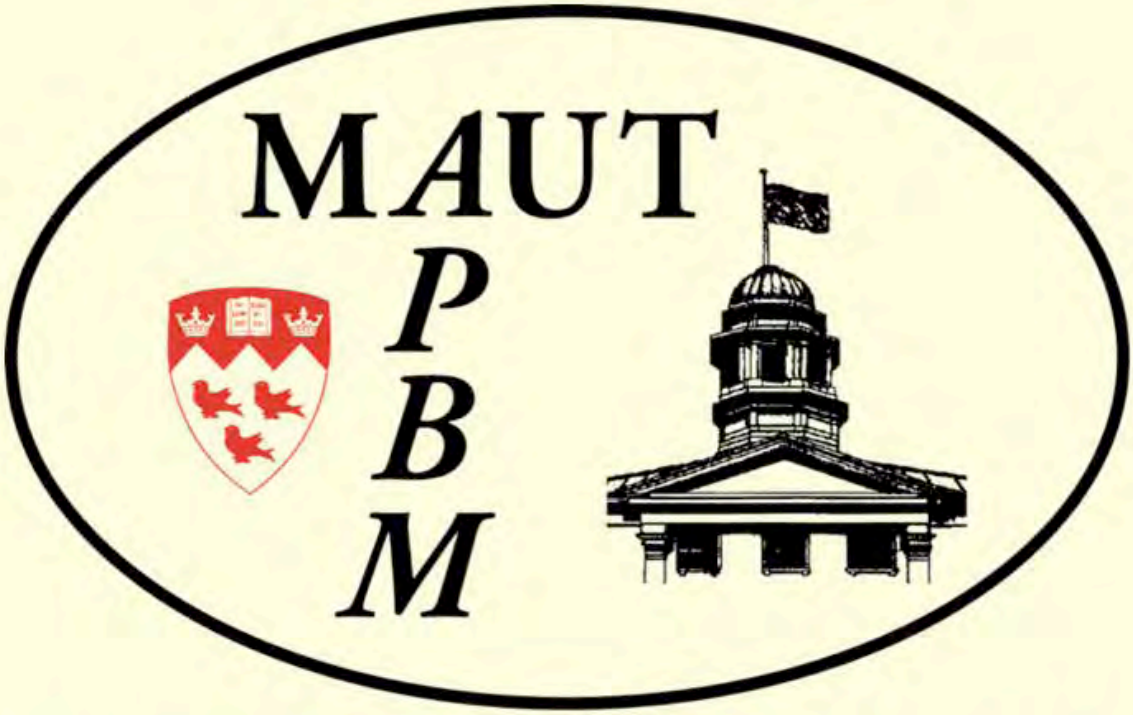
WELCOME



MAUT FORUM ON RETIREMENT

March 7, 2011

MAUT FORUM ON RETIREMENT

Introduction and overview: Brendan Gillon, President MAUT

Aging is not what it used to be: Edith Zorychta, Faculty of Medicine

The McGill Pension Plan: John D'Agata, Director – Pensions

McGill Benefits During Retirement: Kathleen Tobin, Manager - Benefits

Retirement Incentive Program: Edith Zorychta, MAUT

Advice About Financial Advisors: Sebastien Betermier, Faculty of Management

Dialogue on Retirement: Speakers and Participants

….questions, insights, experiences…

MAUT FORUM ON RETIREMENT

AGING IS NOT WHAT IT USED TO BE

EDITH ZORYCHTA

FACULTY OF MEDICINE

OVERVIEW:

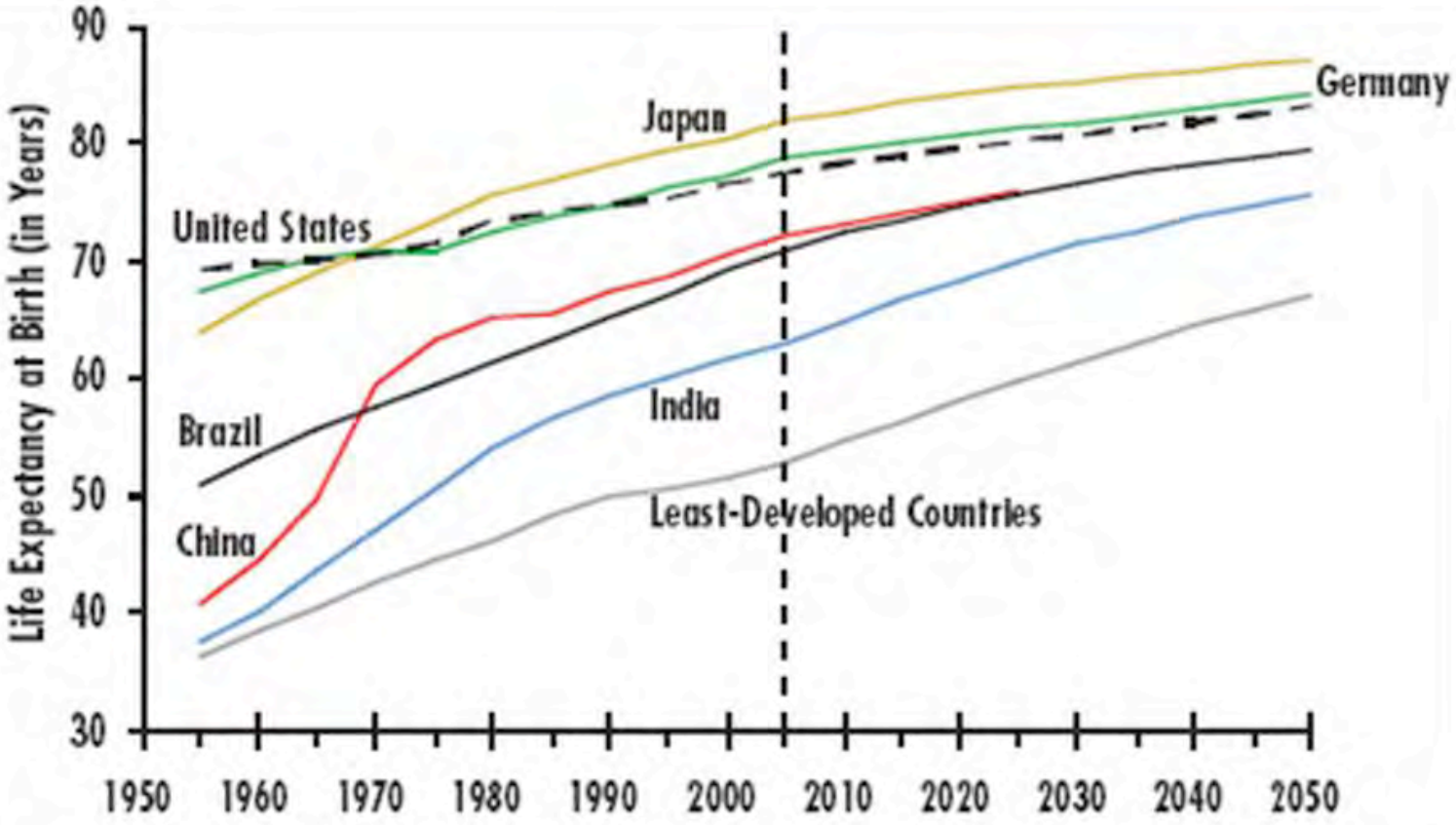
Average life expectancy has been increasing at a steady rate for over 100 years and will continue to do so for some time into the future.

Many cultural, professional, governmental and personal concepts of aging are based on historic situations that have radically changed….we now live in good health for many more years than we did even 50 years ago.

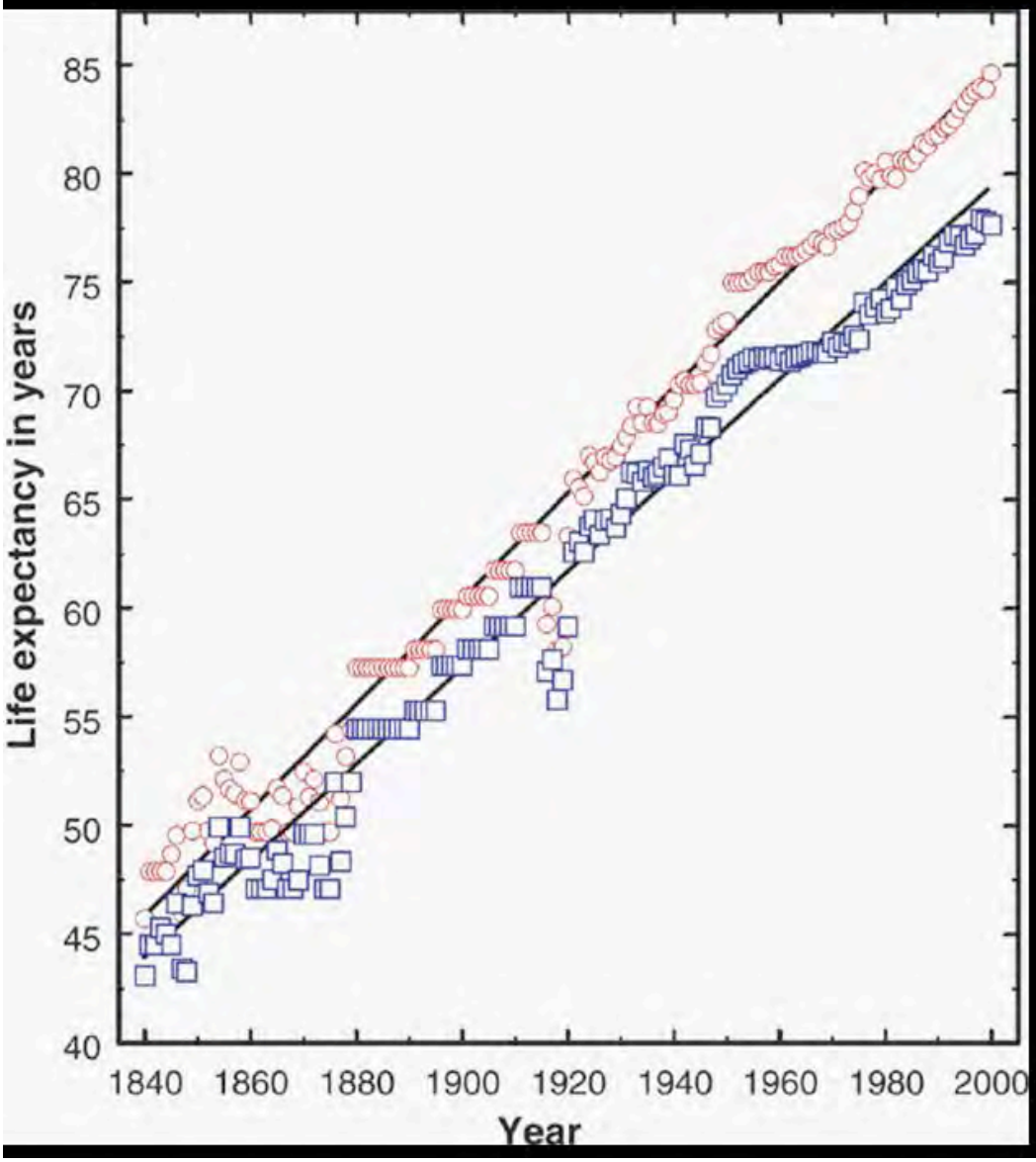
Highly educated professionals have even longer than average life expectancy.

Lifestyle choices regarding exercise, smoking, nutrition, and early detection of treatable disorders are major factors influencing the quality and duration of life.

The concept of retiring at a chronological age of 65 is slowly being adjusted worldwide to reflect advances in health and longevity.
A short and very readable reference : *Remeasuring Aging* ,
http://www.sciencemag.org/content/329/5997/1287.full

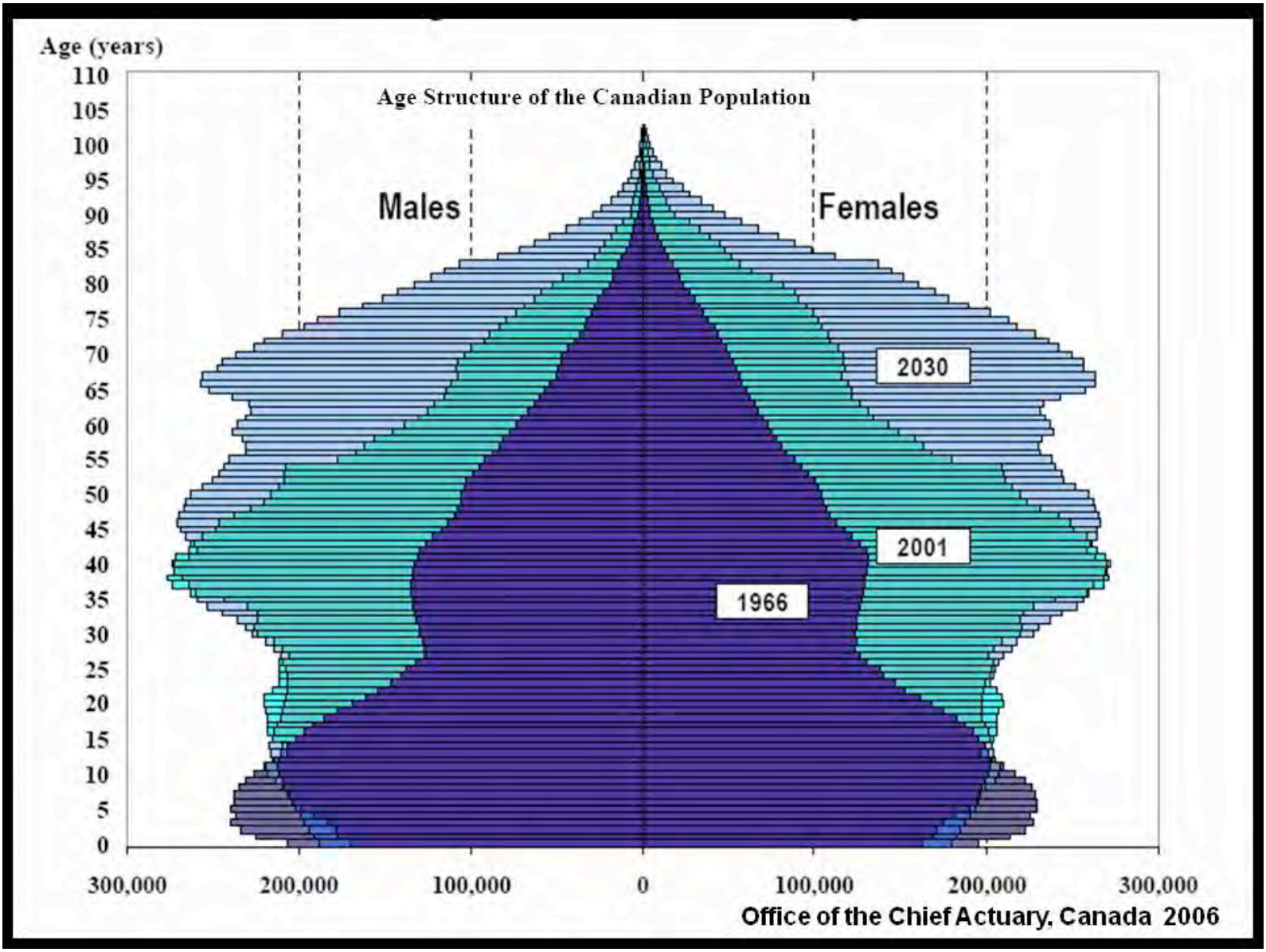


Source: United Nations *World Population Prospects: The 2006 Revision*, Medium Variant

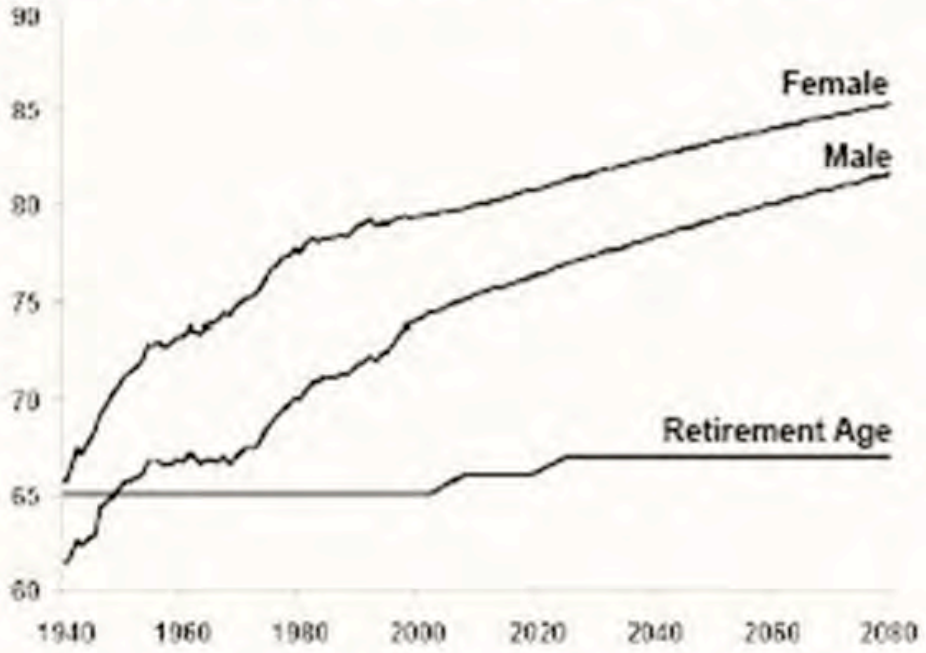


INCREASING

2.2 YEARS / DECADE


Age (years)
Age Structure of the Canadian Population
Males
Females
2030
2001
1966
110
105
100
95
90
85
80
75
70
65
60
55
50
45
40
35
30
25
20
15
10
5
0
300,000
200,000
100,000
0
100,000
200,000
300,000
Office of the Chief Actuary, Canada 2006

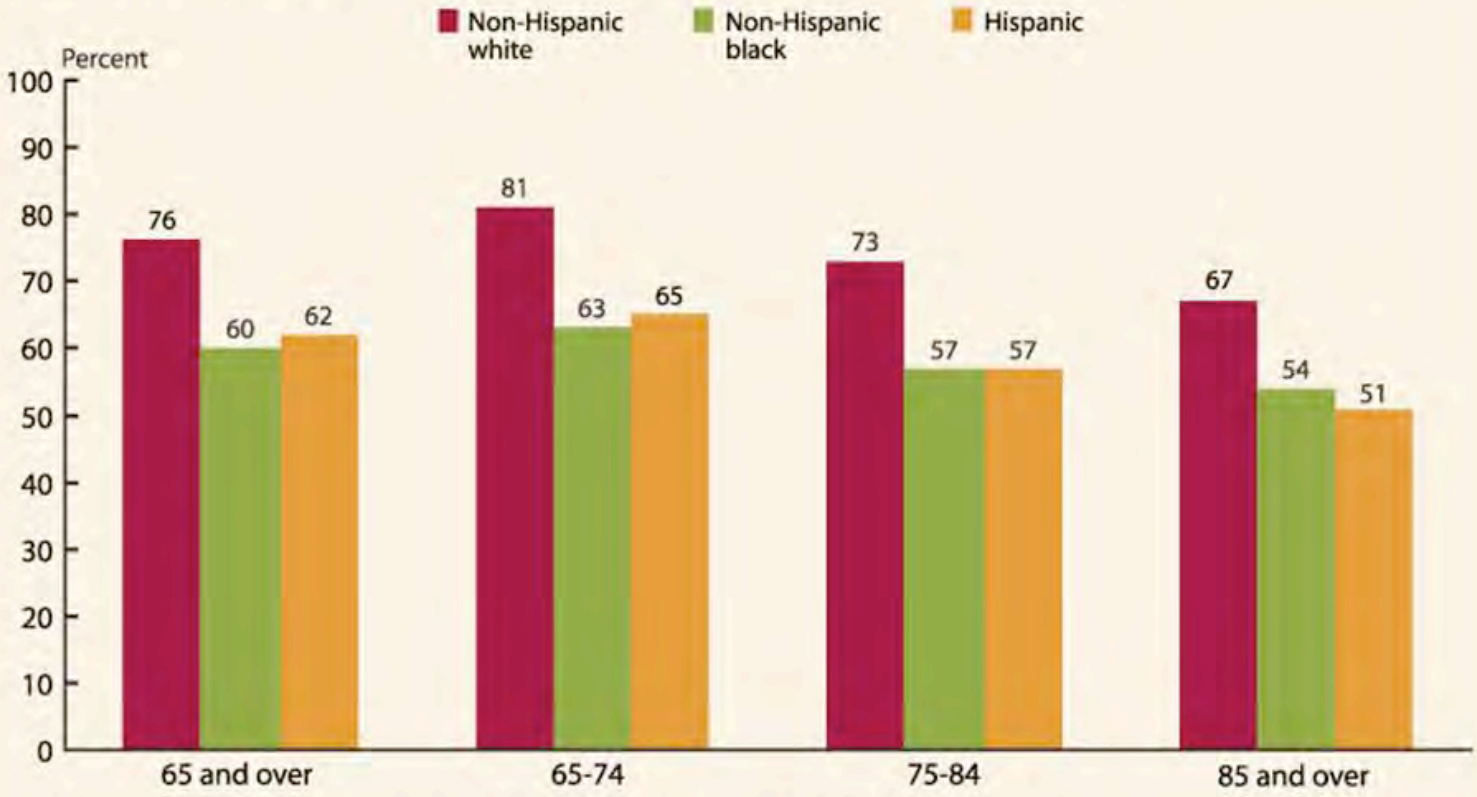
Life Expectancy vs. the Social Security Retirement Age



Sources: 2004 Annual Reports of the Board of Trustees of Social Security and Medicare.

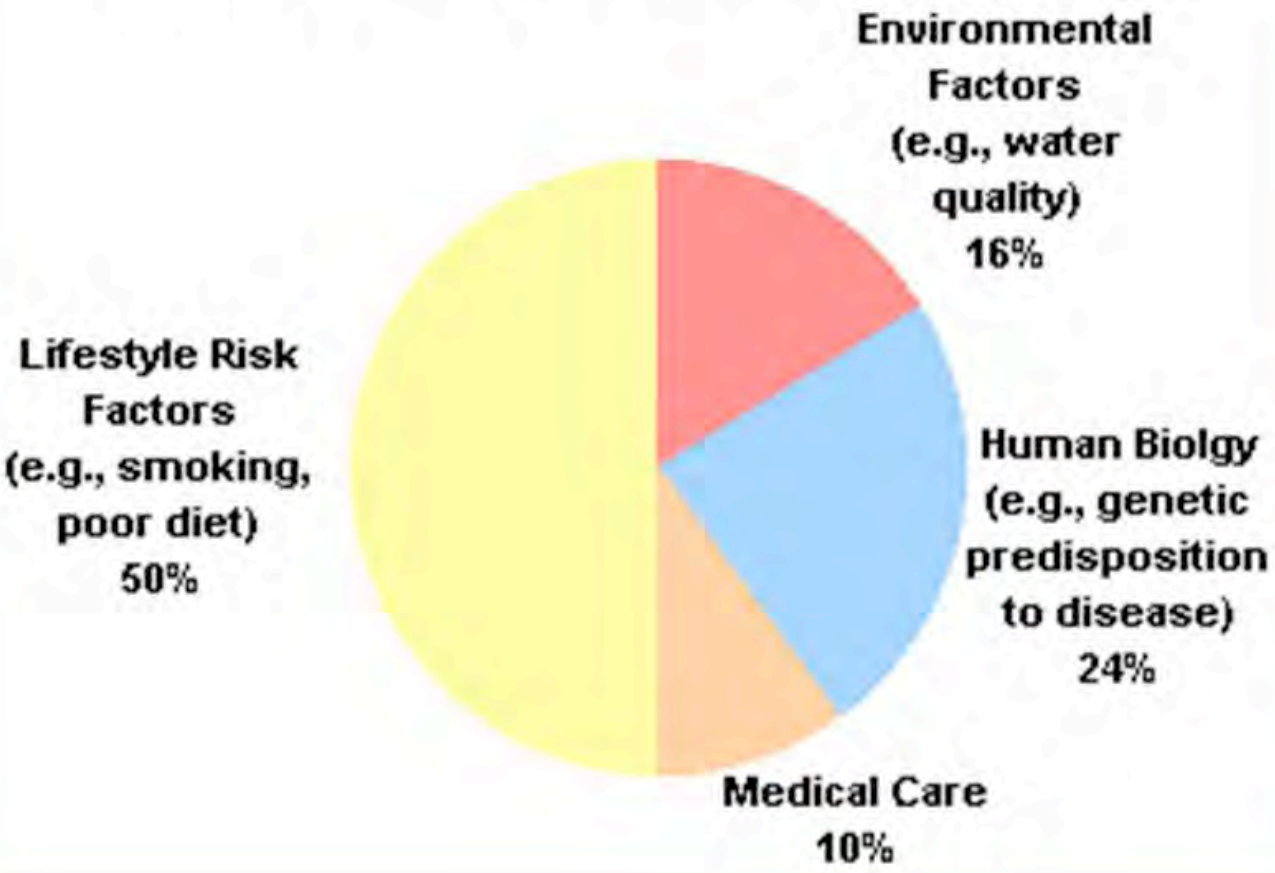
Indicator 20 - Respondent-Assessed Health Status

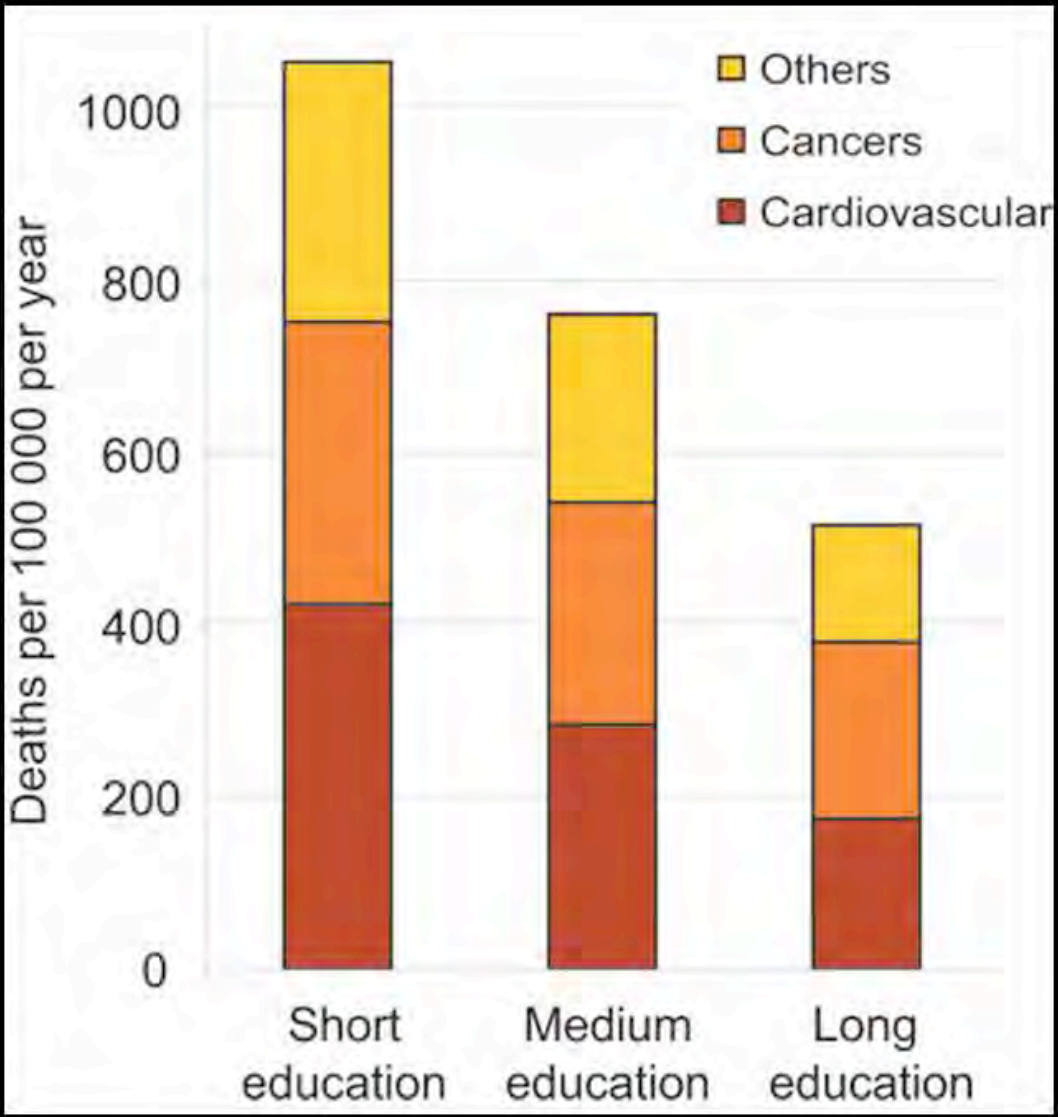
Percentage of people age 65 and over who reported having good to excellent health, by age group and race and Hispanic origin, 2002-2004



Note: Data are based on a 3-year average from 2002-2004. People of Hispanic origin may be of any race.
Reference population: These data refer to the civilian noninstitutionalized population.
Source: Centers for Disease Control and Prevention, National Center for Health Statistics, National Health Interview Survey.

Factors Influencing Life Expectancy




Others
Cancers
Cardiovascular
Deaths per 100 000 per year
1000
800
600
400
200
0
Short education
Medium education
Long education

MAUT FORUM ON RETIREMENT

THE MCGILL PENSION PLAN

JOHN D'AGATA

DIRECTOR – PENSIONS

Income Security?

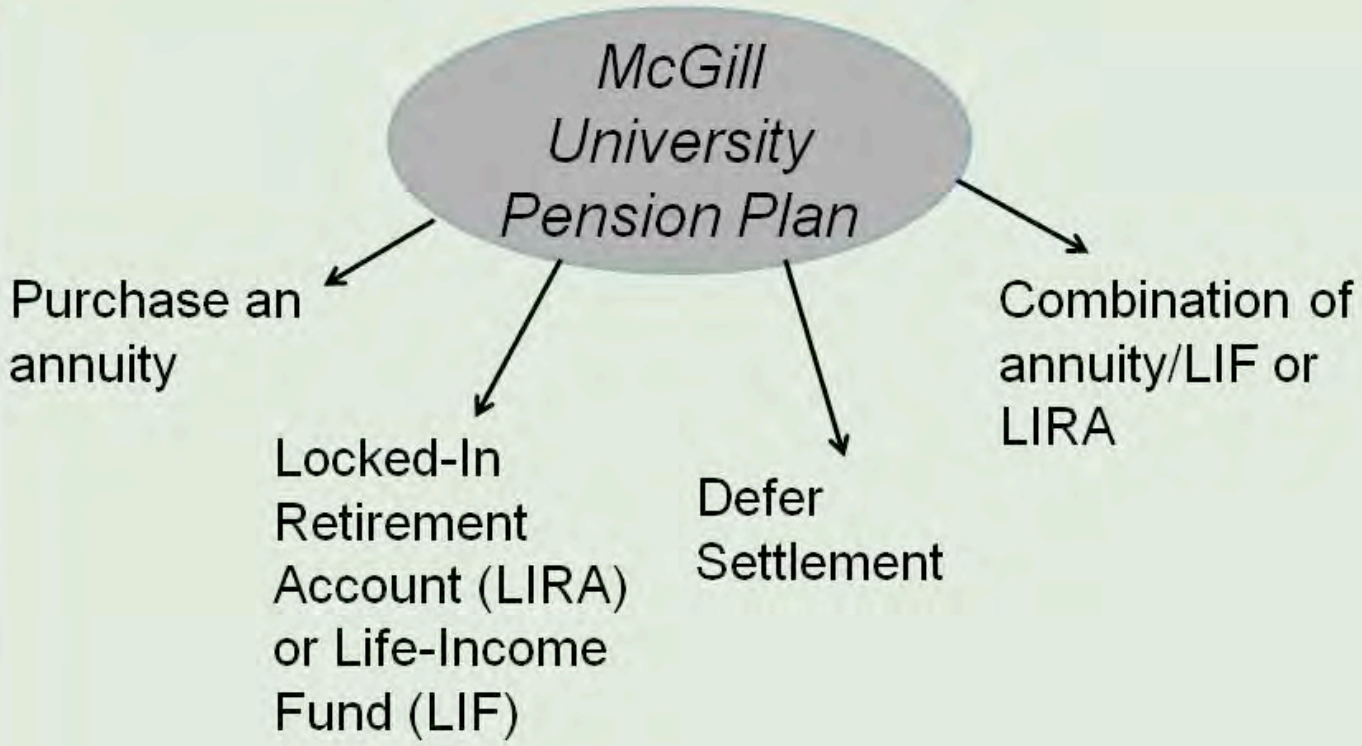
What does it cost to buy a pension of $38,000 per year?

A. $498,000 @ age 65 – male
B. $550,000 @ age 65 – female
@ age 60 – male
C. $552,000 @ age 65 – survivor pension 60%
D. $500,000 @ age 65 – female, annuity rate 0.5% higher
E. $600,000 @ age 60 - female

Human Resources

Settlement Options

Options



What is an annuity?

- Exchange a fixed amount of $ for a future stream of payments
- Income amount is fixed at the onset
- Offers protection from outliving capital

Annuity - Features

- Single-Life Annuity
  - Highest Payments
  - Payments cease upon death
- Joint & Last Survivor Annuity
  - Payments continue to surviving spouse
  - >= 60% of payment to continue unless spouse waives entitlement
- Guaranteed Period: 5-15 years
- Indexed annuities

Single Life Annuity - Age 65 - No Guarantee Period - MALE

Financial Institution	$ 75,000	$ 100,000	$ 250,000	$ 500,000
BMO Insurance	$ 470.06	$ 627.39	$ 1,588.28	$ 3,189.77
Canada Life	$ 487.11	$ 651.15	$ 1,648.81	$ 3,329.43
Desjardins Financial Security	$ 489.77	$ 653.94	$ 1,588.41	$ 3,201.65
Equitable Life	$ 469.14	$ 627.74	$ 1,594.95	$ 3,219.07
Manulife Investments	$ 464.22	$ 619.72	$ 1,572.62	$ 3,177.38
Standard Life	$ 432.38	$ 578.57	$ 1,474.13	$ 2,966.73
Sun Life Assurance Company	$ 457.14	$ 612.67	$ 1,562.97	$ 3,154.96
Transamerica Life Canada	$ 472.68	$ 630.06	$ 1,596.98	$ 3,207.97

Single Life Annuity - Age 65 - No Guarantee Period - FEMALE

Financial Institution	$ 75,000	$ 100,000	$ 250,000	$ 500,000
BMO Insurance	$ 421.54	$ 562.64	$ 1,424.36	$ 2,860.56
Canada Life	$ 426.35	$ 570.10	$ 1,444.32	$ 2,917.01
Desjardins Financial Security	$ 428.47	$ 572.09	$ 1,436.48	$ 2,895.41
Equitable Life	$ 427.89	$ 572.75	$ 1,456.11	$ 2,939.45
Manulife Investments	$ 428.53	$ 572.08	$ 1,451.72	$ 2,933.10
Standard Life	$ 415.40	$ 555.88	$ 1,416.50	$ 2,850.88
Sun Life Assurance Company	$ 421.48	$ 565.08	$ 1,442.54	$ 2,912.48
Transamerica Life Canada	$ 417.58	$ 557.14	$ 1,414.53	$ 2,845.89

Source: CANNEX @ February 28, 2011

This information is current as of the date posted and is subject to change without notice.

http://www.mcgill.ca/pensions/retirement/annuity/

Annuity Issuer Ratings

as at February 28, 2011

(the information provided is as of the date posted and is subject to change)

Credit Rating

Credit rating is the ability of an issuer to meet its ongoing financial obligations; it is an opinion on relative ranking of vulnerability to default. A rating outlook assesses the potential direction of an issuer's debt rating for the next two to three years.

	Standard & Poor's		Fitch		A.M. Best		DBRS	
	Rating	Outlook	Rating	Outlook	Rating	Outlook	Rating	Outlook
BMO Insurance	A+	STABLE	AA-	STABLE	a	STABLE	AAL	STABLE
Canada Life	AA	STABLE	AA-	STABLE	aa	STABLE	AAL	STABLE
Desjardins Financial Security	A	STABLE	-	-	-	-	-	-
Equitable Life	-	-	-	-	-	-	-	-
Great-West Lifeco	A+	STABLE	A+	STABLE	a	STABLE	AAL	STABLE
Industrial Alliance	A+	STABLE	-	-	a+	STABLE	A	STABLE
Manulife Financial	A-	STABLE	A	STABLE	a-	NEG	AH	STABLE
Standard Life	A+	STABLE	A-	STABLE	-	-	-	-
Sun Life Financial	AA-	STABLE	A+	STABLE	-	-	AAL	STABLE
Transamerica Life	AA-	STABLE	-	STABLE	aa-	STABLE	-	-

Financial Stability Rating

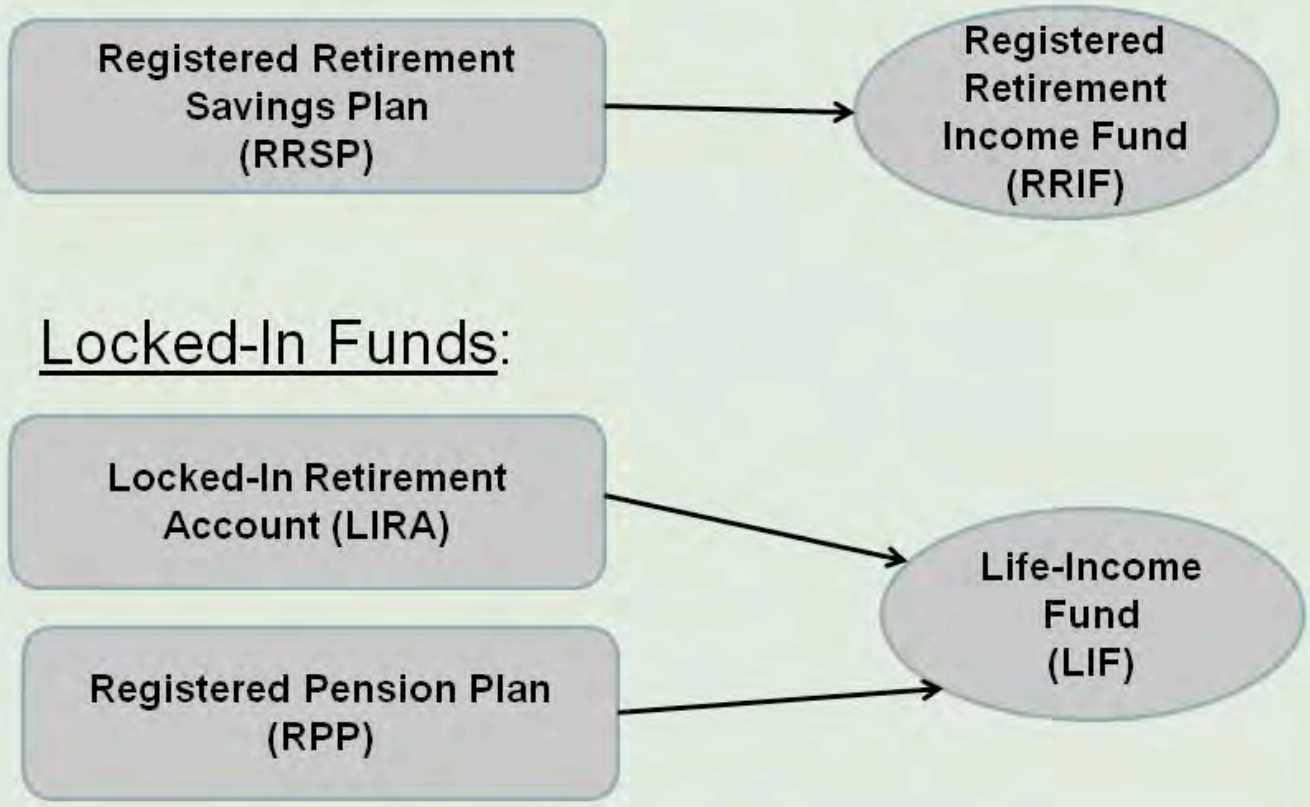
The ability of an insurance provider to meet its ongoing insurance policy and contract obligations. It does not address the quality of an insurer's claims handling services or the relative value of products sold.

http://www.mcgill.ca/pensions/retirement/annuity/

http://www.assuris.ca

Not for profit organization that protects Canadian policyholders
Founded in 1990
Canadian citizens or residents
Transfer of policy to a solvent company in case of failure/bankruptcy
Annuities insures the higher of: $2000 monthly payment or 85% of excess
Every life insurance company is required to become a member

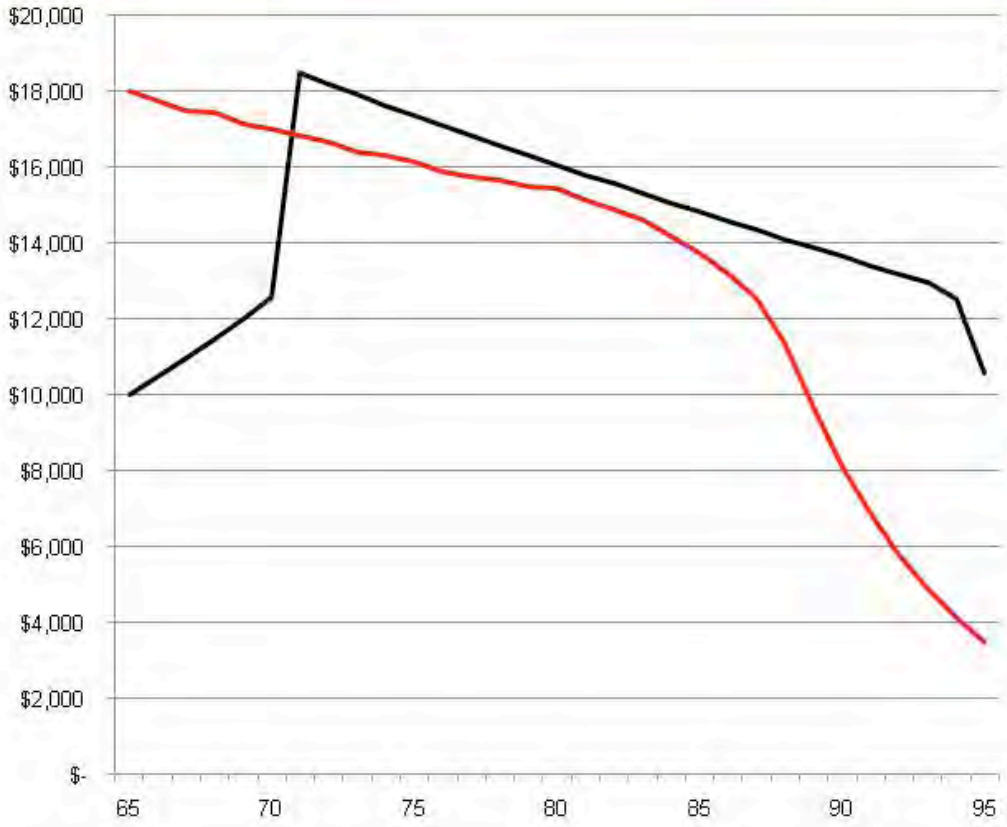
Retirement Income Options (other than annuities)



Life-Income Fund (LIF)

- Subject to minimum and maximum annual withdrawal limits
- You assume the investment risk
- You decide how account is to be invested
- Rate of return is dependent on investment selection
- May convert to an annuity

LIF Income Stream



Assumptions:
Initial Value of Account: $250,000
ROR on Investments: 4.5%
Start Age: 65 (at beginning of year)

Minimum Payment Stream
Maximum Payment Stream

LIF/LIRA Plan Types

- Self directed
- Full service brokerage account
- Financial institution/Insurance company
- Discretionary Management Account – Money Management Firms
- Always ask how the financial advisor/provider is paid – by transaction, commission, % of asset etc…

Pension Income Options

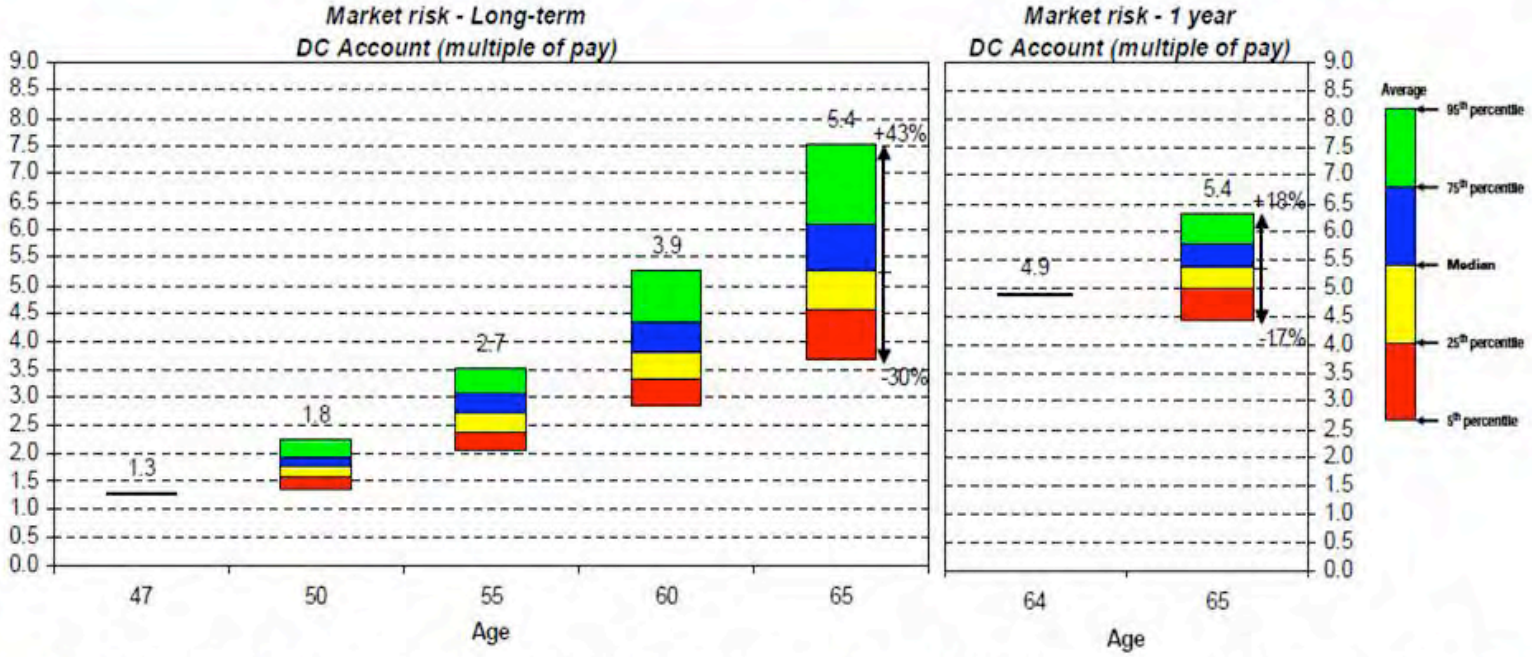
	Annuity	LIF
Potential to Grow		√
Fixed Income	√	
Flexible Payments		√
Convertibility		√
Control of Investments		√
Inflation Protection	√ if indexed	√
Estate Preservation	Limited to remaining guaranteed payments	√

Capital Accumulation

What would the defined contribution balance be after 29 years of participation in the McGill University Pension Plan starting at age 36?
(assumes $65,000 start salary, 100% Balanced Account)

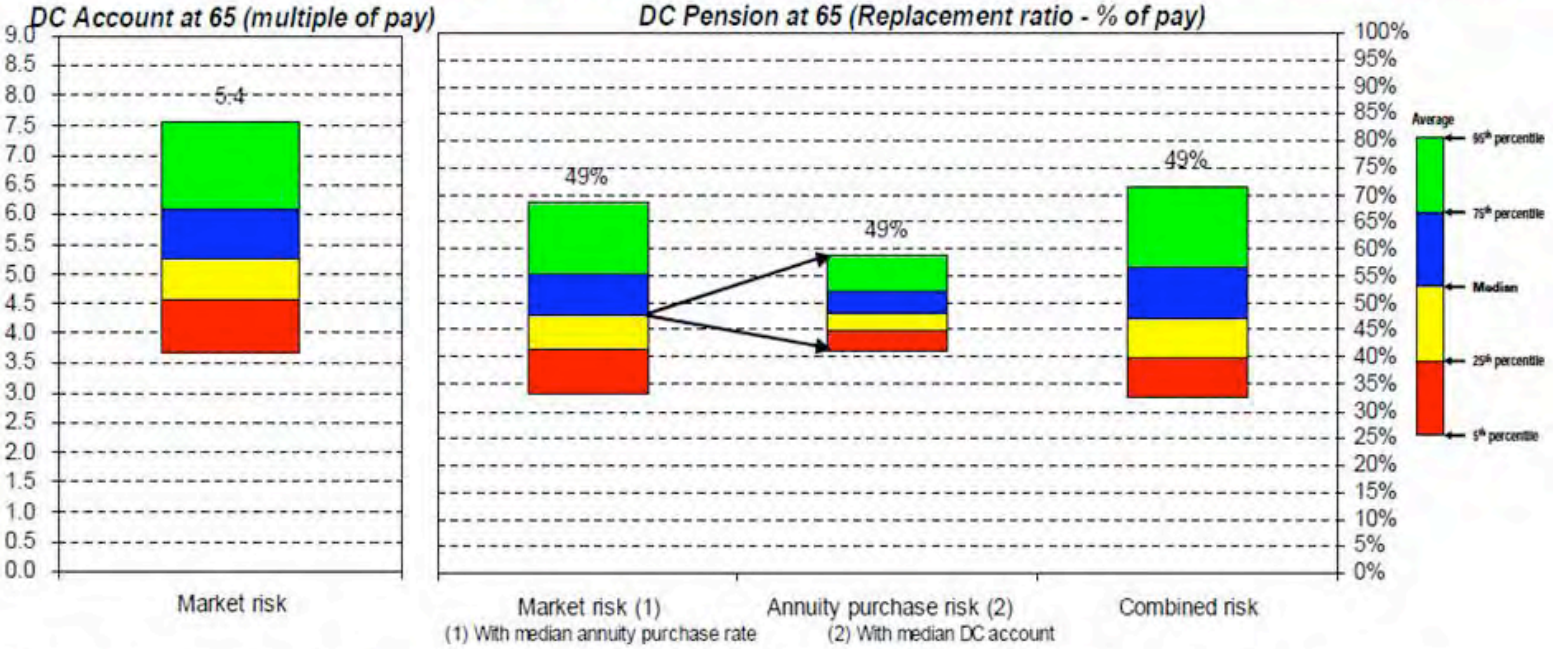
A.	$487,500	Top of 1st quartile performance
B.	$390,000	Top of 2nd quartile performance
C.	$351,000	Median
D.	$260,000	4th quartile performance

Defined Contribution (DC) Account Accumulation Phase Illustration



- The purpose of the graphs is to illustrate the possible range of DC account balance, shown as a multiple of pay, resulting from exposure to investment risk (i.e. market risk)
  - Graph on the left illustrates the average and range of DC account by 5-year increments until age 65
  - Graph on the right illustrates the possible fluctuation over the last year os service before retirement at age 65
- Note that the graph on the right is used as the starting point on the next page to illustrate the possible range of pension available when converting a DC account balance to a pension at retirement
  - Conversion is not mandatory

Defined Contribution (DC) Account Retirement Conversion Illustration



If a participant elects to convert the DC account balance into a pension, the amount of pension will depend on:

- The value of DC account balance at retirement; and
- The conversion rate (i.e., annuity purchase rate) in effect at retirement

The graph of the right illustrates the impact of these two components on the range of pension (shown as a % of pay)

- The 1st bar assumes a single conversion rate to illustrate the impact of the DC account balance value at retirement
- The 2nd bar uses a single DC account balance to illustrate the impact of the conversion rate fluctuation
- The 3rd bar combines these two elements

Investment Responsibility

i. Understand the decisions that you need to make and select investment option(s) which are right for you.

ii. Review your investment portfolio & investment strategy

iii. Seek independent investment tax advice

Use of titles

Autorité des marchés financiers:

Refer to public register to determine whether the individual or firm has the right to pursue activities with respect to securities or other financial products and services.

http://www.lautorite.qc.ca/en/registre-entreprise-individu-en-conso.html

- Financial Planner: Must hold diploma issued by the *Institut québécois de planification financière* and certificate issued by *Autorité des marchés financiers*

- Dealing Representative of an Investment Dealer: Must satisfy minimum education and experience requirements for each registration category; *Investment Industry Regulatory Organization of Canada* defines the proficiency requirements.

- Managing General Agents: outside of industry regulations (*Canadian Counsel of Insurance Regulators*).

Verify if liability insurance policy is in place.

MAUT FORUM ON RETIREMENT

MCGILL BENEFITS DURING RETIREMENT

KATHLEEN TOBIN

MANAGER - BENEFITS

Post Retirement Benefits

- Supplemental Health Plan
- Dental Plan
- Life Insurance Plan
- Post Retirement Privileges

Post Retirement Benefits

Eligibility criteria:

- Minimum age of 55
- Minimum of 10 years of continuous service
- Participated in the benefits plans for a minimum of 10 consecutive years

Highlights of Health Plan

- Continuation into retirement
- McGill continues to pay 50% of costs
- Eligible dependents can continue coverage
- Coverage for surviving spouse continues

Highlights of Health Plan

Human Resources

Residency requirements:

- Must be a resident of Canada
- Coverage dependent on eligibility for any Canadian provincial health care plan

Highlights of Health Plan

Coverage:

- McGill Plan covers prescription drugs not covered by provincial plans
- All other coverage identical to that of active members
  - Hospitalization, travel, physiotherapy, etc.

Highlights of Health Plan

Travel Insurance:

- Out-of-country coverage for emergency medical expenses
- 100% reimbursement of eligible expenses
- Coverage includes pre-existing conditions
- 90-days per trip

QUEBEC DRUG PLAN

Health Plan members

at age 65, must choose either:

- RAMQ Drug Plan

  or

- McGill Drug Plan for 65+
- Automatically registered with RAMQ

QUEBEC DRUG PLAN

RAMQ Drug Plan/McGill Drug Plan

Similarities:

- Deductible
- Co-insurance
- Out-of-pocket

Differences:

- Annual premium
- Method of payment

Highlights of Dental Plan

- Continuation into retirement
- McGill continues to pay 50% of costs
- Eligible dependents can continue coverage
- Coverage for surviving spouse continues

Highlights of Dental Plan

- Coverage identical to that of active members
- No residency requirements
- Plan reimburses expenses based on Quebec Fee Guide for General Practitioners

Life Insurance Plans

- Coverage continues at retirement
- Basic Plan
- Optional Plan

Life Insurance Plans

Human Resources

Basic Plan:

- ½ x pre-retirement salary to $50,000 until age 65
- ½ x pre-retirement salary to $30,000 at 65+
- McGill pays 100%

Life Insurance Plans

Human Resources

Optional Plan:

- Can maintain insurance at existing levels to maximum of $100,000
- Member pays 100%
- Rates based on age
- Can reduce or cancel coverage anytime

Post Retirement Privileges

- Library Privileges
- Computing Services (http://www.mcgill.ca/it/)
  - E-mail
  - VPN access
  - McGill user name
  - DAS account
- ID Card – keep your current card
- Parking: continuance of permit

Human Resources

Questions?

MAUT FORUM ON RETIREMENT

RETIREMENT INCENTIVE PROGRAM

EDITH ZORYCHTA

MAUT

RETIREMENT INCENTIVE

PHASE 1: LIMITED TIME OFFER, ENDED JUNE 30, 2009

PHASE 2: A LUMP SUM PAYMENT CURRENTLY AVAILABLE TO TENURED ACADEMICS AND FULL-TIME FACULTY LECTURERS WITH 10 YEARS OF CONTINUOUS SERVICE.

AGE 64:	receive 100% of annual base salary
65:	67%
66 :	33%

YOU MUST RETIRE WITHIN THE SUBSEQUENT YEAR.

FOR DETAILS SEE: http://www.mcgill.ca/apo/academic-staff/policies/retirement-incentive-program/

RETIRED FACULTY HAVE ACCESS TO MANY FEATURES:

Library, E-mail and VPN access

Tuition benefit for children

Faculty Club membership

Access to parking

Emeritus and retired status

MAUT membership – special lunches + all regular meetings

James McGill Society

McGill Women's Associates – Books & scholarships

All concerts, theatre, speakers, departmental seminars

Annual Quarter Century Club celebration

Listing in electronic directory

MAUT
PBM

College and University
Retiree Associations
of Canada

Associations de retraités
des universités et collèges
du Canada

CURAC
ARUCC

7B Pleasant Blvd.
Suite 997
Toronto ON M4T 1K2

curac@curac.ca
www.curac.ca

MAUT FORUM ON RETIREMENT

ADVICE ABOUT FINANCIAL ADVISORS

SEBASTIEN BETERMIER

FACULTY OF MANAGEMENT

"Hold on just a few more minutes. I want mine medium well."

Avoiding The Sharks

Sebastien Betermier
Assistant Professor of Finance
Desautels Faculty of Management

Know the different ways to invest.

passive management

Take given prices and create a diversified portfolio that is tailored to buffer against certain risks that are important to you.

no free lunch. higher returns means higher risk.

active management

Achieve high returns for the same level of risk by looking for assets that are under-valued today and sold for a higher price tomorrow.

this is really hard. what does it mean for you?

Watch out for... financial advisors who brag about having performed better than the benchmark (the market performance as a whole)

Ask yourself... is it the correct benchmark?
is it luck?
is the financial manager taking on more risk?
is it skill?

What do you want from your retirement?

each of us is unique...different risk aversion, constraints, etc.

ask yourself...

- How will you live during retirement?
- What do you want to leave as bequest?
- How much risk are you willing to take on?
- How risk averse are you?
- How dependent on constant constraints?
- Do you have other assets on the side?
- Consider the worst case scenarios

Find an Advisor who CARES.

your advisor needs to take the time to understand your goals and what you want.

beware of advisors who try to frame your objectives by asking leading questions.

example... *"You would like at least $60K per year on your retirement right?"*

You may find yourself answering "yes" and then choosing selected options without really having considered your retirement goals.

Be aware of all the fees.

what kinds of fees?

- starting contract fees
- termination fees
- management fees
- transaction fees

also know

- there are undisclosed fees, so ask for the total fee
- annuities tend to be expensive for you and profitable for financial advisors

Take your time.

- Relationships take time to build.
- Don't delegate all your wealth right away.
- Make sure you have an exit strategy.
- Desperation in an advisor is a red flag.

negative indicators...

aggressiveness
pushiness
make-it-or-break-it deals.

You have the Power.

- Don't be intimidated by jargon.
- Trust your intuition about a person.
- Question too many generalizations.
- Remember, you lose when there is bad investment managment - not your advisor.

there are good financial advisors out there, you just have to find them.

MAUT P B M

MAUT FORUM ON RETIREMENT

DIALOGUE ON RETIREMENT

SPEAKERS AND PARTICIPANTS

….QUESTIONS, INSIGHTS, EXPERIENCES…

MAUT will consider additional strategies to provide more information on financial management , particularly for younger colleagues. We will keep you posted.