You are richer than you think – NOT!
A glance at pensions.

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For all but a handful of SFUFA members[1], the SFU Pension Plan is a Defined Contribution (also known as a Money Purchase) Plan. Under this plan, SFU contributes just under 10% (excluding an initial CPP offset) of your basic salary to the SFU Academic Pension Plan. This money is invested under the direction of the Pension Trustees. When you decide to take retirement, your contributions and investment returns on these earning provide a (locked-in) lump-sum whose subsequent withdrawals of principal and further investment income provide a retirement income stream.

A breakdown of the amounts currently held by members in the Plan are shown below:

Average fund balance (excluding voluntary contributions) for Academic Plan members as of June 2012.		
Age Class	Number of Members	Average Balance ($)
20 - 29	8	7,698
30 - 34	53	18,987
35 - 39	148	45,924
40 - 44	190	66,211
45 - 49	175	79,985
50 - 54	203	121,790
55 - 59	211	135,204
60 - 64	151	235,199
65+	125[a]	420,630
[a] Includes members who have "retired" from SFU but have not withdrawn their funds from the Plan.		

How much of a retirement income stream does $500,000 at age 65 get you? If you use the retirement calculator at SunLife or other similar calculators such as at http://tinyurl.com/8bfueya, these calculators show that a single life (male) annuity purchased at age 65 with a guaranteed payout of 10 years will return an income stream of about $35,000/year for the rest of your life with inflation protection. Hardly a luxuriant amount! [This does not include retirement income from CPP or other sources.]

These computations scale directly for different plan balances and as a rough rule of thumb, the yearly retirement income stream (under the above assumptions) is about 7% of the initial plan

[1] There are fewer than 5 faculty hired prior to 1973 who are still on the defined benefit plan.

balance. So, you would expect to need about $750,000 in plan assets to provide about $50,000/year retirement income stream for the rest of your life with inflation protection. [An inflation rate of 2.5%/year is expected to double prices in under 30 years!]

A substantial number of plan members in the 60-64 age category have smaller plan assets than the members of age 65+, and with lower investment returns expected on the immediate horizon, it is unlikely that their plan assets will increase substantially before age 65. They can expect a much smaller retirement income stream than current members over the age of 65. Members in the 55-59 year category are in a direr situation with substantially smaller plan balances. Many of these members were hired later in their careers and so have fewer years of pension contributions to the SFU plan which is one reason for their small average balances. Hopefully, these members have additional pension assets invested with their former employers!

As a comparison, the APSA/ CUPE Defined benefit plan costs SFU 15.3% of basic salary/year (according to the 2011 Plan financial statement) up from 12.69% in previous years. It pays 2.13% of highest average salary over a 5-year window per year of service prior to 1990 and 1.7% per year of service after 1989. It is indexed each year to the CPI to a maximum of 3.0%.

The implications of the above are clear. SFUFA members need to save substantially more outside of the SFU Pension Plan to increase their retirement income. This is difficult with our wages frozen for many years and our low salary ceilings. These features also directly affect the contributions to the Plan and the eventual lump-sum available for retirement income. It is not surprising that some members decide not to retire because of insufficient retirement income.

Disclaimer: I and SFUFA are not a financial planners and the above should not be construed as financial advice. SFUFA members should consult with their own financial advisors.