APPENDIX "A"

Cost savings mechanism

1. The cost savings mechanism will be applied in the first full calendar year following the date of enrollment in the BCCPP. For example, if members enroll in 2021, the cost savings mechanism will be calculated in 2022. The cost savings mechanism will be applied each year until the transition costs are fully paid.

2. The cost savings from earlier retirement will be calculated using the formula described below:

a. Average Annual Salary Savings – The potential savings arising from the retirement of members will be calculated annually using the following:

(Average gross actual salary plus benefits of Retirees including Market or Salary Differentials)	**-**	(Average gross actual salary plus benefits of new hires including Market Differentials)

Average actual salary does not include retention awards, chairs stipends, start-up costs, mortgage assistance or relocation costs. Average actual salary will equal the average over the three calendar years preceding the date on which SFU begins participation in the BCCPP and will subsequently be re-calculated as a three-year moving average. This process will continue for the 20-year amortization period of the Transition Cost.

b. Retirees – All SFU faculty who in a given calendar year cease to be employed as faculty members at SFU and are 55 years or over at that time.

c. Retirement Date – The date at which retiring members cease to be employed as faculty members at SFU.

d. Retirement Age – The average age of Retirees on their Retirement Date, calculated each calendar year or over a number of calendar years.

e. Comparator Retirement Age – The average age that SFU faculty aged 55 years and over ceased to be employed as faculty members at SFU in three calendar years preceding entry to the BCCPP. These calendar years shall not include 2021.

f. Average Annual Retirement Age –The Average Annual Retirement Age of Retirees will be calculated each calendar year following entry into the BCCPP, using a three-year moving average, excluding 2021. For clarity, if members join the BCCPP in 2021, the first year of calculation would be the average age of those retiring in 2022; the second year would be the average age of those members retiring in 2022 and 2023; the third year would be the average age of those members retiring in 2022, 2023 and 2024. For all subsequent years, a three-year rolling average would be used.

g. Change in Average Retirement Age – The Average Annual Retirement Age will be subtracted from the Comparator Retirement Age, yielding the Change in Average Retirement Age (which may include fractional amounts). The resulting difference will be used to calculate the Total Annual Savings.

h. Average Number of Retirees per Year – The Average Number of Retirees per Year will be calculated each calendar year following entry into the BCCPP, using a three-year moving average, excluding 2021. For clarity, if members join the BCCPP in 2021, the first year of calculation would be the number of retirees in 2022; the second year would be the average of the number of retirees in 2022 and 2023 respectively; the third year would be the average of the number of retirees in 2022, 2023 and 2024 respectively. For all subsequent years, a three-year rolling average would be used.

i. Total Annual Savings – (Average Number of Retirees per Year) x (Average Annual Salary Savings) x (Change in Average Retirement Age). If Total Annual Savings equates to a negative amount, then Total Annual Savings will be set to zero for that year.

3. For the purposes of the cost-savings mechanism, appointments in which the faculty member transitions from a full-time appointment into retirement via a phased retirement contract will be treated as follows:

a. Effective Salary – The effective salary at the time of retirement will be the underlying full-time salary, unaffected by the phased retirement process.

b. Effective Retirement Age – The effective retirement age will take into account the phased retirement process by prorating the period of the phased retirement according to the percentage of full-time salary the faculty member is paid during the phased retirement. For example, if at age 62 a faculty member transitions from a full-time contract to a 3-year phased retirement and during the period of the phased retirement is paid at an average salary of 60% of their underlying full-time salary, the duration of the phased retirement would be pro-rated as 0.6 x 3 years = 1.8 years, with their effective retirement age being 62 + 1.8 = 63.8 years.

c. Effective Retirement Date – The effective retirement date is unchanged by the phased retirement contract, and remains the date at which the retiring member ceases to be employed as a faculty member at SFU.

4. For the purposes of the cost-savings mechanism, faculty members retiring from a long-term, part-time appointment will be treated as follows:

a. Effective Salary – The effective salary at the time of retirement will be the underlying full-time salary, unaffected by the part-time appointment.

b. Number of Retirees – The part-time faculty member will be counted as a fractional retirement. For example, a faculty member retiring from an 80% appointment would contribute 0.8 to the number of retirees in that year.

5. SFU and SFUFA members will share equally the Total Annual Savings resulting from a Change in Average Retirement Age. If there are savings, SFUFA members' share will be distributed in order of the following:

a. First, to be applied in paragraph 30b. of the Letter of Agreement, if required.
b. Second, to restoring the forgone salary of actively employed faculty members that has arisen from deferred GWI and temporary levies under paragraph 30d. of the Letter of Agreement, to be distributed on a proportional basis.
c. Third, to restoring forgone PDR amounts of actively employed faculty members under paragraph 30c. of the pension proposal, to be distributed on a proportional basis.
d. And, fourth, credited as additional funds to the PDR accounts of faculty members up to a maximum additional amount of $300 per faculty member in any year, with amounts exceeding $300 per faculty member carried forward and credited to the next year's cost savings.

This mechanism shall be in effect for the amortization period agreed to by the parties. The parties agree to meet every five years to review the formula and consider whether changes to the formula are required to meet the future needs of the parties.