

Brock University Pension Plan



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**For more information...**

If you have questions about this booklet or the Brock University Pension Plan, please call the Human Resources Department at extension 3186 or extension 4898.

## Part 1: Your future is worth the investment

*Someday, perhaps not too far in the future, you will be spending your retirement years doing the things you love. Having a pension you can count on is important and the Brock University Pension Plan provides you with a starting point to build your retirement savings.*

Most financial experts will tell you that the “secret” to a financially secure retirement is to plan and save according to that plan. Your retirement may last longer and cost more than you think. You could spend a third or more of your life in retirement. The more you save now, the better prepared you will be for the pleasures and unexpected challenges that sometimes come with retirement.

If your savings are sufficient, you should be able to maintain a standard of living after retiring that is comparable to what you enjoyed while working. Your monthly pension from the University – as well as from any other employers, if applicable – when combined with your own savings and government pension benefits, will help you reach your retirement goals.

We encourage you to take the time to learn about the Brock University Pension Plan – your future is worth the investment!

You can find out what the plan provides, when and how, by reading this booklet. You will find answers to some of the questions that other plan members frequently ask about the plan throughout the booklet. Also, if you run into terms that you do not understand, you can read the definitions we have included in various sidebars and in the glossary starting on page 35.

Since your personal financial planning extends beyond the Brock University Pension Plan, you will also find general information about personal savings and government benefits that you may find useful.

For more help in planning and saving for your retirement, you should consider using the services of a qualified financial advisor.

### For more information

This booklet is a good source of information about the Brock University Pension Plan. Its purpose is to summarize the terms and conditions of the plan. If you have questions or comments about this booklet or about the Brock University Pension Plan, please contact pension staff in the Human Resources Department at extension 3186 or extension 4898.

*It is important to note that this booklet is designed to describe, in simple terms, the Brock University Pension Plan for eligible employees as at March 2016. It has been prepared for information purposes only. All examples of benefit calculations in this booklet are for illustrative purposes only. Your own pension benefit entitlement may differ based on your own circumstances and the application of the detailed provisions of the plan documents.*

*Subject to legislation and collective bargaining, as applicable, future amendments may be made to the plan. If there is a discrepancy between this booklet and the official plan text, or questions of interpretation arise, the official plan text will prevail. The official plan text, as amended from time to time, is available, on request, in the Human Resources Department.*

## Part 2: Welcome to the pension plan

Take away the pension jargon, the benefit formulae, and the government regulations and you will find that most pension plans are one of two types:

- defined contribution (DC) plans that offer the opportunity for plan members to benefit from investment performance; and
- defined benefit (DB) plans that offer the security of a clearly defined pension benefit.

### A “hybrid plan”

The Brock University Pension Plan is a hybrid plan, which offers you the best of both worlds. Its DC component – the Money Purchase Pension – lets you participate in the plan’s investment performance. At the same time, the DB component – the Minimum Guaranteed Pension – provides a clearly defined, formula-based pension. The Minimum Guaranteed Pension acts as a benefit floor or safety net that helps protect you from market downturns.

When...	The pension plan provides...
You leave Brock University at age 55 or older	An immediate monthly pension, a deferred pension starting at a future date, or a lump-sum commuted value
You leave Brock University before age 55	Deferred pension starting at a future date or a lump-sum commuted value
You die	A benefit payable to your eligible spouse, beneficiary or estate

Once your pension payments begin, the pension that you receive from the plan each year will be equal to the greater of your Money Purchase Pension or Minimum Guaranteed Pension.

### More than a retirement benefit

While the pension plan’s main purpose is to provide you with income after you retire, it also provides benefits in other circumstances. Above is an overview of what the plan provides. You will find more details as you read the rest of the booklet.

### Who pays for the benefits

Money purchase contributions made by you and the University are deposited into your Money Purchase Account. The University also makes additional contributions to the Minimum Guarantee Fund, when necessary, based on pension legislation and the advice of the plan actuary.

All contributions are placed in a trust fund. Professional money managers, hired by the Board of Trustees, invest the assets of the fund based on investment policies approved by the Board of Trustees. The University’s Pension Committee monitors the performance of the money managers and recommends changes to the University. You have no investment decisions to make regarding the Money Purchase Account and Minimum Guarantee Fund.

Commuted value refers to the lump-sum present value of your pension. In other words, the commuted value of your pension is an estimate of what you would need to invest right now to give you the pension you would receive if you were to leave your benefits in the plan. The calculation is based on a number of factors, such as interest rates and mortality rates, and is carried out according to established actuarial principles and methods.







YMPE (year's maximum pensionable earnings) is the earnings maximum used to determine contributions and benefits under the Canada Pension Plan. The YMPE is adjusted each year. In 2016, it is \$54,900.

## How to find out more about your own situation

Each year, you will receive *Your Personal Pension Statement* as at June 30.

The statement will include:

- your personal information on record (including the names of your spouse and beneficiary);
- total contributions to your Money Purchase Account over the past year;
- your account balances; and
- the pension you have earned as of the statement date and the projected pension on your normal retirement date.

## Frequently asked questions

Q: When will I receive my annual statement?

A: *Your Personal Pension Statement* is prepared as of June 30 and is sent to you before December 31 each year.

Q: How can I keep informed of the fund's investment performance?

A: Monthly rates of return, market reviews and other related investment information is available on the pension website at:

<http://www.brocku.ca/hr-ehs/pension-new/investments>

## Part 3: Joining the plan

*Early participation in the plan might be one of the wisest financial choices you ever make. The sooner you join the plan, the sooner you can begin to build your retirement benefit. If you spend your career at the University, your Brock University pension could be one of your biggest financial assets at retirement.*

### Permanent full-time employees

If you are a permanent full-time employee, you may choose to become a plan member on the first day of any month coincident with or next following your date of hire. However, it is mandatory to join the plan the month coincident with or next following the completion of one full year of service or when you reach age 30, whichever is later.

### Other permanent employees, 12-month term full-time employees and limited term faculty employees

If you are a permanent employee (other than a permanent full-time employee), a 12-month term full-time employee, or a limited term faculty employee, you may choose to become a plan member on the first day of any month following your date of hire. Membership in the plan is not mandatory, regardless of your age or years of service with the University.

### Other employees

If you do not meet one of the criteria set out above, membership in the plan is not mandatory, regardless of your age or years of service with the University; however, you may join the plan after you have been employed by the University for 24 consecutive months, provided you have:

- earned at least 35% of the Canada Pension Plan's year's maximum pensionable earnings (YMPE) from employment with Brock University in each of the two immediately preceding calendar years; or
- worked at least 700 hours a year at Brock University in each of the two immediately preceding calendar years.

## Frequently asked questions

Q: What forms do I fill out at enrolment?

A: You must complete and sign an enrolment form, which authorizes the deductions from your earnings. As well, you are required to complete a spousal declaration and designate a beneficiary. The necessary forms are available from the Human Resources Department.

Q: Who can I name as my beneficiary?

A: If you have a spouse on the date of your death, pension legislation requires that your spouse receive any death benefit payable from the plan, unless your spouse has waived his or her entitlement to this benefit. Without a spousal waiver, any death or survivor benefit will be paid to your spouse, regardless of whom you have named as your beneficiary.

Under the plan and current pension legislation, a spouse is defined as a person to whom you are:

- legally married, provided you are not living separate and apart from that person on the date a determination is made (that is, retirement or death);
- not legally married, but you and that person have cohabited continuously in a conjugal relationship for at least three years; or
- not legally married, but you and that person are cohabiting in a conjugal relationship of some permanence, and are jointly the natural or adoptive parents of a child, as defined in the *Family Law Act* (Ontario).

The definition of spouse in pension legislation may be different from how a spouse is defined for other purposes, for example, under the *Income Tax Act* (Canada).

If you do not have a spouse on the date of your death or your spouse has completed a waiver, your designated beneficiary will be entitled to receive the death benefits payable under the plan. Your beneficiary can be any person of your choice.

If you wish to name a child who is younger than age 18 as your beneficiary, we suggest that you consult your lawyer before completing the beneficiary designation.

If you do not name a beneficiary or none of your beneficiaries survive you, and you do not have a spouse on the date of your death, any death benefit will be payable to your estate.

Your beneficiary may be changed at any time in writing, subject to any legal restrictions. To be valid, your written beneficiary designation must be provided to the Human Resources Department.

Q: Do I have to update my personal information?

A: Yes. Keeping the University informed whenever you have life events that change your personal circumstances is important. You should notify the Human Resources Department of any changes in your personal circumstances, such as a change in your marital status, your designated beneficiary, or your address.

You should also review your personal information each year when you receive your annual pension statement to ensure that your information is correct and up to date.

Q: Can I leave the plan while still employed at Brock University?

A: Once you enrol in the plan, you cannot cease participating in the plan until you terminate employment or retire.





## Part 4: Building your pension

*Both you and the University contribute toward your pension.*

### Money Purchase Account

Your contributions to the Money Purchase Account

As a member, you make the following contributions by payroll deduction to your Money Purchase Account (the defined contribution portion of the pension plan):

4.4% of your pensionable earnings up to the YMPE

*plus*

6% of your pensionable earnings above the YMPE

#### Employee Contributions

Here are examples of how this formula would work in 2016 for a few hypothetical employees. The YMPE in 2016 is \$54,900.

#### Example – total earnings below the YMPE

Pensionable earnings	\$40,000.00
Total employee contributions in 2016	$4.4\% \times \$40,000.00 = \$1,760.00$

#### Example – earnings below and above YMPE

Pensionable earnings	\$60,000.00
Contributions on earnings below YMPE	$4.4\% \times \$54,900.00 = \$2,415.60$
Contributions on earnings above YMPE	$6\% \times (\$60,000.00 - \$54,900.00) = \$306.00$
Total employee contributions in 2016	$\$2,415.60 + \$306.00 = \$2,721.60$

#### Example – earnings below and above YMPE

Pensionable earnings	\$120,000.00
Contributions on earnings below YMPE	$4.4\% \times \$54,900.00 = \$2,415.60$
Contributions on earnings above YMPE	$6\% \times (\$120,000.00 - \$54,900.00) = \$3,906.00$
Total employee contributions in 2016	$\$2,415.60 + \$3,906.00 = \$6,321.60$

All of your contributions are fully tax-deductible from your annual income. You benefit from this tax deductibility right away, since your pension contributions are taken into account when the income tax deducted from your pay is calculated.

#### The University's contributions to your Money Purchase Account

The University is required to make the following contributions to your Money Purchase Account:

7.4% of your pensionable earnings up to the YMPE

*plus*

9% of your pensionable earnings above the YMPE

Pensionable earnings are your regular annual earnings received from the University.



## University Contributions

Here are examples of how this formula would work in 2016 for a few hypothetical employees. The YMPE in 2016 is \$54,900.

### Example – total earnings below the YMPE

Pensionable earnings	\$40,000.00
Total University contributions in 2016	$7.4\% \times \$40,000 = \$2,960.00$

### Example – earnings below and above YMPE

Pensionable earnings	\$60,000.00
Contributions on earnings below YMPE	$7.4\% \times \$54,900.00 = \$4,062.60$
Contributions on earnings above YMPE	$9\% \times (\$60,000 - \$54,900.00) = \$459.00$
Total University contributions in 2016	$\$4,062.60 + \$459.00 = \$4,521.60$

### Example – earnings below and above YMPE

Pensionable earnings	\$120,000.00
Contributions on earnings below YMPE	$7.4\% \times \$54,900.00 = \$4,062.60$
Contributions on earnings above YMPE	$9\% \times (120,000.00 - \$54,900.00) = \$5,859.00$
Total University contributions in 2016	$\$4,062.60 + \$5,859.00 = \$9,921.60$

## Short Term Accounts

If you are an active member and age 62 or older, you have the option of transferring annually a portion of your Money Purchase Account to the Short Term Account. Once the funds have been transferred, they will remain in the Short Term Account until you make an election with respect to your pension. The purpose of this account is to assist members with their financial planning by removing some of the uncertainty that comes from fluctuating market value investment returns on the Money Purchase Account.

At retirement, the combined balances in your Money Purchase Account and Short Term Account will be used to provide a pension in the normal manner; that is, within the pension plan or by transferring the money out of the plan. The Minimum Guaranteed Pension rules continue to apply.

The Human Resources Department contacts eligible members on an annual basis with more information on this option.

## Minimum Guarantee Fund

The University is responsible for ensuring that there is enough money in the Minimum Guarantee Fund – the defined benefit component of the plan – to finance the Minimum Guaranteed Pension that the plan provides.





The **Variable Annuity Fund** is a fund within the plan's trust fund into which assets from your Money Purchase Account, Additional Voluntary Contribution Account and/or Special Transfer Account are transferred, if you elect a pension from one or more of these accounts. The assets are invested according to the plan's investment policies and are used to provide pensions to pensioners and their survivors, according to the form of pension elected at pension commencement. The value of this fund can change because of factors such as investment performance and mortality. As such, the amount of money available to pay pensions varies from year to year and this results in the annual increases or decreases to pension amounts.

Based on accepted actuarial principles and methods – and on the rules specified in pension legislation – the actuary for the plan determines the amount of contributions the University must make to maintain the Minimum Guarantee Fund at the required funding level. Because the future is uncertain, this determination is based on a number of assumptions, including those about performance of the pension fund assets and the rate of change in benefits payable to members.

At each valuation of the plan, if investments have not performed as well as assumed, and/or if the benefits payable are greater than assumed, the University may have to make additional contributions to the Minimum Guarantee Fund.

On the other hand, the University may be able to reduce its contributions to the plan until the next valuation if the fund investments have performed better than assumed and/or the benefits payable are less than assumed.

### **Additional voluntary contributions**

In addition to the required contributions discussed above, the plan allows you to make additional voluntary contributions through payroll deductions. These contributions are accounted for in a separate Additional Voluntary Contribution Account in your name, that is, they are not co-mingled with your required contributions to the Money Purchase Account. The additional voluntary contributions, however, are credited with the rate of return that is earned by the Brock University Pension Plan.

The University does not make any contributions related to the additional voluntary contributions and there is no guaranteed level of pension with respect to these contributions.

All pension contributions are limited by the *Income Tax Act* (Canada). The University will ensure that regular plan member and employer-required contributions do not exceed this government limit; however, you are responsible to ensure that you do not exceed the limit with additional voluntary contributions. If you go over the limit due to additional voluntary contributions, you are responsible for paying any penalties and costs associated with the over-contribution.

Please see “Part 10: Other sources of retirement income” for more information.

Your additional voluntary contributions stay in the plan, within the separate Additional Voluntary Contribution Account, until the earliest of retirement, termination, or death.

### **Special transfers from other registered pension plans**

If you were a member of a registered pension plan in Canada before joining the University, you may be able to transfer the lump-sum value of your prior benefit into the Brock University Pension Plan. The administrators of the transferring plan would need to agree to the terms of the transfer and you must complete the required paperwork.

This lump-sum transfer is accounted for in a separate Special Transfer Account in your name, that is, the associated funds are not co-mingled with your required contributions to the Money Purchase Account. The lump-sum transfer, however, is credited with the rate of return that is earned by the Brock University Pension Plan.

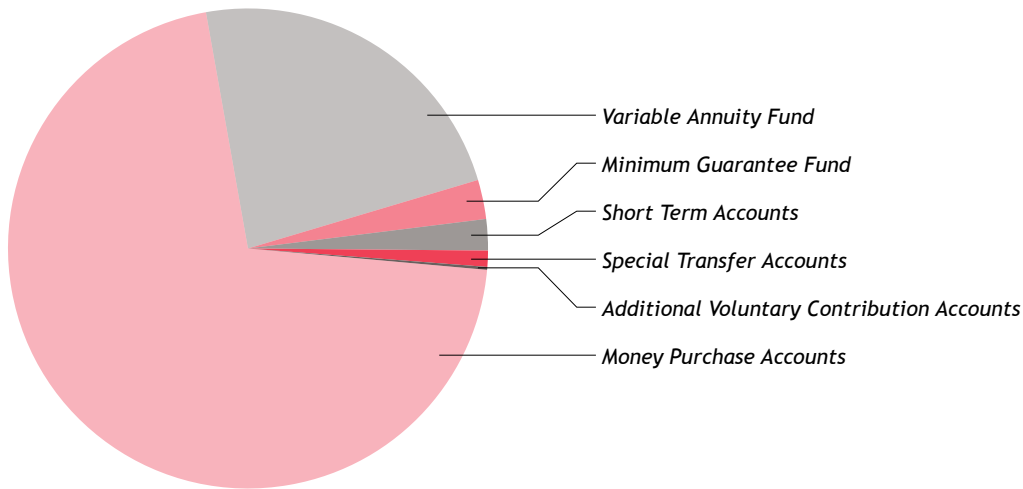
The University does not make any contributions related to a transfer and there is no guaranteed level of pension with respect to the lump-sum transfer.

The lump-sum transfer must stay in the plan, within the separate Special Transfer Account, until the earliest of retirement, termination, or death. The University administers the funds on a locked-in or non-locked-in basis, according to instructions received from the other plan administrator.

## One trust fund

While there are separate accounts under the Brock University Pension Plan, all of the money is actually held together under one trust fund that is administered by professional money managers who invest the assets of the fund based on the University's *Statement of Investment Policies and Procedures*.

The following diagram illustrates the make-up of that trust fund. The proportions allotted to each type of account can change over time with the flow of contributions or transfers into accounts and benefit payments from those accounts.



The trust fund is apart from the University's operational funds. The University's Pension Committee monitors the performance of the money managers and makes related recommendations to the Board of Trustees.

## Contributions under special circumstances

### While you are totally disabled

If you become totally disabled, your membership in the plan will continue as long as you receive benefits from the University's Long Term Disability Income Continuance Plan. You will continue to earn pensionable service and the University will deem as paid both employee and employer contributions during the time period that you are receiving long term disability benefits.

The Human Resources Department will provide you with specific details during the disability management process.

### While on leave without pay

While you are on leave without pay, in accordance with applicable collective agreements, University policies and limits under the *Income Tax Act* (Canada), you may be able to elect to:

- provide the University with post-dated cheques to cover required contributions to your Money Purchase Account during the period of the leave; or
- stop contributing to the plan during the period of the leave.

Before choosing to stop contributing to the plan, it is important to consider that you cannot buy back service or add these contributions at a future date.

Contact the Human Resources Department to provide you with specific details before you begin your leave.

*A Statement of Investment Policies and Procedures is a document required by legislation for all pension plans. It describes the objectives and operation of the plan. The statement outlines investment-related policies and procedures, including asset allocation guidelines.*

*Registered retirement plan assets that are locked-in cannot be taken in cash when you leave the plan. These assets must be used to provide you with retirement income.*

*Plan assets that are non-locked-in may be taken in cash. If you have non-locked-in assets and choose to take a cash refund when you leave the plan, income taxes will be deducted.*







## Maximum contributions

The *Income Tax Act* (Canada) limits your and the University's contributions to the defined contribution component of the plan. The maximum amount changes every calendar year. For 2016, the maximum amount is the lesser of 18% of your pensionable earnings or \$26,010. This maximum applies to the total of your and the University's contributions to your Money Purchase Account, as well as your additional voluntary contributions.

Once the total of your and the University's required contributions in a calendar year reach this maximum, no further contributions will be deducted from your pay, and no further contributions will be made by the University in respect of your Money Purchase Account for the rest of that calendar year.

## Frequently asked questions

Q: Can I choose how my Money Purchase Account is invested?

A: No. The funds in your Money Purchase Account are invested by professional fund managers according to the plan's *Statement of Investment Policies and Procedures*, which is approved by the Board of Trustees.

Q: Can I use my pension contributions as collateral on a loan or as a down payment on a mortgage?

A: No. You cannot use plan contributions in this way. They cannot be assigned to anyone, for example, to pay a debt or secure a loan, except in certain cases of marriage breakdown.

Q: Under the plan, the normal retirement age is 65. Must I continue to make the required contributions to the pension plan if I work past age 65?

A: Yes. Employee and employer-required contributions to your Money Purchase Account are still required if you work beyond your 65th birthday.

Contributions will continue until you retire or reach the age at which you must begin receiving a pension. Regulations under the *Income Tax Act* (Canada) require that you start to draw your pension no later than December 1 of the calendar year in which you reach age 71.

Q: Do I have to participate in the plan if I am on a leave of absence?

A: When you are on a leave of absence without pay, you can choose not to make contributions to the plan during the leave of absence. If you make this choice, however, pensionable service forfeited during this period cannot be purchased later.

Q: May I contribute to the Brock University Pension Plan and a registered retirement savings account (RRSP) at the same time?

A: Yes. However, contributions are limited by the *Income Tax Act* (Canada). For more information on the relationship between your membership in the plan and RRSP contributions, please see "Part 10: Other sources of retirement income."

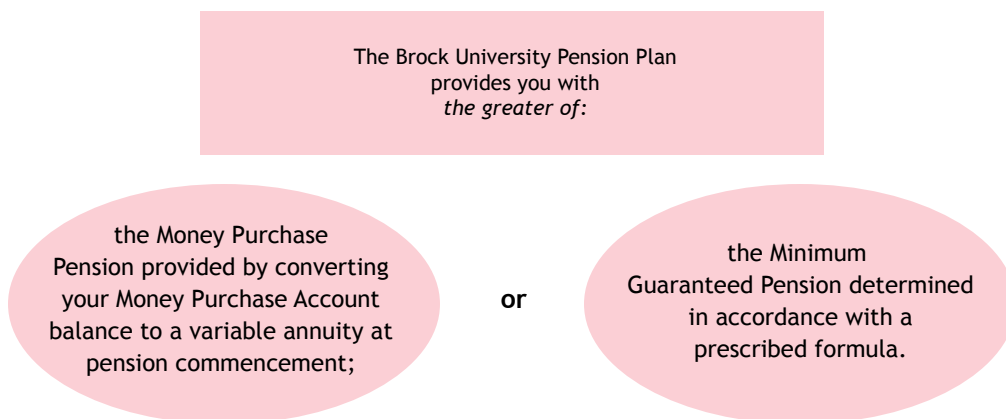
## Part 5: Calculating your pension

*The Brock University Pension Plan is a hybrid pension plan made up of two parts – a defined contribution (DC) component and a defined benefit (DB) component. These parts are combined so that you have the opportunity to benefit from the investment performance of the pension fund, but your pension is protected against market downturns through the provision of a Minimum Guaranteed Pension.*

### How the plan works

Here are the main differences between the DC and DB components.

- The Money Purchase Account – the DC component – provides you with a benefit based on the accumulated contributions and investment earnings. The amount of your retirement income from this component cannot be predicted ahead of time because it is dependent on the investment earnings (or losses) and the cost of providing the Money Purchase Pension when you retire (using mortality and rate-of-return assumptions).
- The Minimum Guaranteed Pension – the DB component – provides you with a benefit based on a predetermined formula that factors in your pensionable earnings and years of pensionable service.



Here is how the plan provides you with the greater of the two amounts.

If your ...	Then you will receive a pension equal to...
Money Purchase Pension is greater than your Minimum Guaranteed Pension	Your Money Purchase Pension
Minimum Guaranteed Pension is greater than your Money Purchase Pension	Your Money Purchase Pension, plus a top up from the Minimum Guarantee Fund equal to the excess of your Minimum Guaranteed Pension over your Money Purchase Pension (to bring your total retirement income up to the Minimum Guaranteed Pension amount)

An **annuity** is a stream of monthly payments.

**Pensionable service** is the completed years and months of continuous service with the University during which you are a contributor to the plan, or the former plan, since July 1, 1964. Part-time service is prorated.







## Money Purchase Pension

Your Money Purchase Account holds the University's and your required money purchase contributions, along with the investment returns on those contributions. The amount you build in your account is directly affected by the investment performance of the pension plan's assets over the course of your years of membership in the pension plan.

At pension commencement, your total balance in the account is converted to a variable pension and transferred to the Variable Annuity Fund. It is called "variable" because of annual increases or decreases to pensions, which are based on investment and mortality experience of the Variable Annuity Fund. Your Money Purchase Pension is paid out of the Variable Annuity Fund and the starting amount is based on actuarial factors in effect at the time of pension commencement.

Your Money Purchase Pension is determined as follows:

*Money Purchase Account balance at pension commencement ÷ Annuity factor*

Unlike most DC pension plans, the Brock University Pension Plan does not transfer your Money Purchase Account balance to an insurance company at retirement for the purchase of an annuity. If you choose to remain in the plan, the plan converts your account balance to a variable pension and you continue participating in the experience of the plan.

When your Money Purchase Account is converted to a variable pension, the amount of your pension will be adjusted annually to take into account the investment returns of the plan and mortality experience of pensioners. For more information on these annual adjustments, see "Annual adjustments to your pension" on page 24.

## Minimum Guaranteed Pension

Your Minimum Guaranteed Pension is determined as follows:

*1.7% × your best average earnings × pensionable service*

*minus*

*1/35 × 25% × lesser of best average earnings and final average YMPE × pensionable service (maximum 35 years)*

This pension is paid for your lifetime with a five-year guarantee and is actuarially reduced if your pension commences before age 65. At your pension commencement, you can choose to receive your pension in a different form, in which case the pension amount is actuarially adjusted according to the form selected. For example, the automatic form if you have an eligible spouse provides a 60% survivor pension for your spouse and the amount of this pension is less than that of the normal form. Please see "Forms of pension payments" starting on page 21 for more information.

The Minimum Guaranteed Pension is adjusted annually based on the rate of change in the Consumer Price Index (CPI). Again, for more information on adjustments, see "Annual adjustments to your pension" on page 24.

Here are three examples to show you how the pension calculations work. All examples assume that the member has elected to receive the pension in the normal form, which is payable for the member's lifetime with a five-year guarantee.

**Example** Emma is age 65, has a Money Purchase Account balance of \$300,000, best average earnings of \$40,000, and 35 years of pensionable service. The final average YMPE is \$52,440.

### Money Purchase Pension

Money Purchase Account balance at pension commencement ÷ annuity factor  
 $\$300,000 \div 12.3 = \$24,390$  \$24,390

### Minimum Guaranteed Pension

$(1.7\% \times \text{best average earnings} \times \text{pensionable service}) - (1/35 \times 25\% \times \text{lesser of best average earnings and final average YMPE} \times \text{pensionable service (capped at 35 years)})$   
 $(1.7\% \times \$40,000 \times 35) - (1/35 \times 25\% \times \$40,000 \times 35) =$   
 $\$23,800 - \$10,000 = \$13,800$  \$13,800

### Emma's annual pension

In Emma's case, the higher pension is provided by the Money Purchase Pension and there is no top-up from the Minimum Guarantee Fund.  
 $\$24,390 + \$0 = \$24,390$  \$24,390

**Example** Jakob is age 65, has a Money Purchase Account balance of \$150,000, best average earnings of \$60,000 and 25 years of pensionable service. The final average YMPE is \$52,440.

### Money Purchase Pension

Money Purchase Account balance at pension commencement ÷ annuity factor  
 $\$150,000 \div 12.3 = \$12,195$  \$12,195

### Minimum Guaranteed Pension

$(1.7\% \times \text{best average earnings} \times \text{pensionable service}) - (1/35 \times 25\% \times \text{lesser of best average earnings and final average YMPE} \times \text{pensionable service (capped at 35 years)})$   
 $(1.7\% \times \$60,000 \times 25) - (1/35 \times 25\% \times \$52,440 \times 25) =$   
 $\$25,500 - \$9,364 = \$16,136$  \$16,136

### Jakob's annual pension

In Jakob's case, the higher pension is provided by the Minimum Guaranteed Pension and there is a top-up from the Minimum Guarantee Fund to the Money Purchase Pension.  
 $\$12,195 + (\$16,136 - \$12,195) = \$16,136$  \$16,136

An **annuity factor** is a factor used to convert the Money Purchase Account to a monthly retirement benefit. The factor takes into account expected mortality rates, your age, form of pension selected, and the assumed rate of return that the fund will earn going forward. For example, if you retire at age 55, a different annuity factor will be used to calculate your pension than if you retire at age 65, to account for the fact that your pension may be paid for a longer period of time.

The term **best average earnings** refers to the average of your pensionable earnings during your five highest-paid years of pensionable service. If you have fewer than five years of pensionable service, the average of your total pensionable earnings is used.

**Final average YMPE** is the average of the YMPE during the last five years before termination or retirement.





**Example** Cynthia is age 65, has a Money Purchase Account balance of \$650,000, best average earnings of \$120,000 and 30 years of pensionable service. The final average YMPE is \$52,440.

### Money Purchase Pension

Money Purchase Account balance at pension commencement ÷ annuity factor

$$\$650,000 \div 12.3 = \$52,846 \quad \$52,846$$

### Minimum Guaranteed Pension

$(1.7\% \times \text{best average earnings} \times \text{pensionable service}) - (1/35 \times 25\% \times \text{lesser of best average earnings and final average YMPE} \times \text{pensionable service (capped at 35 years)})$

$$(1.7\% \times \$120,000 \times 30) - (1/35 \times 25\% \times \$52,440 \times 30) = \$61,200 - \$11,237 = \$49,963 \quad \$49,963$$

### Cynthia's annual pension

In Cynthia's case, the higher pension is provided by the Money Purchase Pension and there is no top-up from the Minimum Guarantee Fund.

$$\$52,846 + \$0 = \$52,846 \quad \$52,846$$

As with the contributions to your Money Purchase Account, the *Income Tax Act* (Canada) places certain limits on the level of the Minimum Guaranteed Pension that can be provided by the plan. Additional details regarding the defined benefit limit can be found on page 24.

## Frequently asked questions

**Q:** I am an active plan member. How can I find out for myself what my pension might be?

**A:** The Brock Pension Estimator allows you to estimate your projected monthly pension. You can use the Estimator to estimate the benefits you would be entitled to from the Money Purchase Account and the Minimum Guarantee Fund. The Estimator's calculations are based on the assumption that you will remain employed by the University until you retire. To complete its calculations, the Estimator uses the information on your most recent annual statement as well as your assumptions of future rates of return and salary increases.

Features of the Estimator include:

- your up-to-date personal data (employee number, date of birth, salary, etc.);
- account balances;
- projected pension; and
- how the optional form of pension you choose would impact your pension and the benefit that would go to your surviving spouse or beneficiary.

You can access the Estimator from your "My Work" tab in the "my.brocku.ca" portal. Detailed login instructions are available on the website.

If you have a Short Term Account, or if you require pension projections beyond age 65, you should contact the Human Resources Department to request estimates.

## Part 6: Leaving the University before age 55

*If you leave employment with the University before you reach age 55, the plan provides a termination benefit that allows you some flexibility.*

You can choose:

- a deferred pension; or
- to transfer your Money Purchase Account balance together with the commuted value, if any, of the excess of your Minimum Guaranteed Pension over your projected Money Purchase Pension to:
  - your new employer's pension plan, if allowed; or
  - a locked-in retirement account (LIRA).

If you contributed to the plan before 1987, you can take 25% of your pre-1987 Money Purchase Account balance in cash (less withholding taxes) and transfer the remainder to a locked-in retirement account.

If your pension benefit is considered to be a "small benefit" under pension legislation, you can take your Money Purchase Account balance together with the commuted value, if any, of the excess of your Minimum Guaranteed Pension over your projected Money Purchase Pension:

- in cash, less withholding taxes; or
- transfer it to a non-locked-in RRSP.

The options available if you leave employment with the University at age 55 or older are described in "Part 7: Leaving the University at age 55 or older."

### Additional voluntary contributions

Additional voluntary contributions (along with investment income on them) can be:

- taken as cash, less withholding taxes;
- transferred to your new employer's pension plan, if allowed; or
- transferred to a non-locked-in RRSP.

The amount of investment income generated is dependent on investment earnings or losses.

### Special transfers from other registered pension plans

What you can do with amounts transferred from other pension plans (along with investment income on those amounts) will depend on whether or not these amounts were transferred to the Brock University Pension Plan on a locked-in basis.

The amount of investment income generated is dependent on investment earnings or losses.

Amounts transferred on a locked-in basis can be transferred:

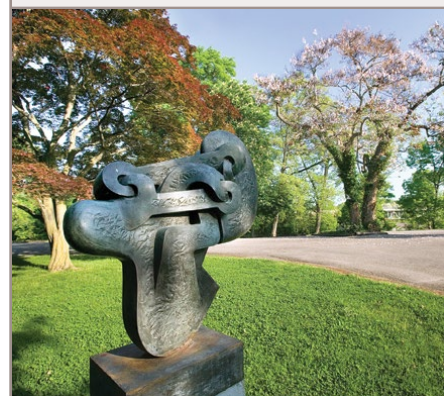
- to your new employer's pension plan, if allowed; or
- to a LIRA.

Amounts transferred on a non-locked-in basis can be:

- taken as cash, less withholding taxes;
- transferred to your new employer's pension plan, if allowed; or
- transferred to a non-locked-in RRSP.

A **deferred pension** means pension payments that start at a future date, as opposed to being paid as of the day you stop working for the University.

A **locked-in retirement account (LIRA)** is similar to a RRSP for income tax purposes, but is set up with locked-in funds that are transferred out of a pension plan. Financial institutions accepting locked-in funds must agree to administer them as set out in the *Pension Benefits Act (Ontario)*. The range of investments offered in a LIRA depends on your financial institution, but is often the same range as for RRSPs.







## Frequently asked questions

**Q:** When do I find out what my benefits are if I leave employment with the University?

**A:** The University will provide you with a *Statement and Election of Benefits on Termination of Employment* form that will detail all of your pension benefits, their value, and your options. The forms are normally sent within 30 days of your termination date. It's important that you complete the required paperwork, and return it to the Human Resources Department so that your benefits can be paid to you according to your wishes.

**Q:** Can I transfer my Brock University pension to my new employer?

**A:** Yes, you can transfer your Brock University pension to another registered pension plan so long as the plan is registered in Canada, accepts such transfers, and the plan administrators agree to the terms of the transfer.

**Q:** What does "locked-in" mean?

**A:** Locked-in refers to funds that cannot be taken as cash. You must use these funds to provide yourself with retirement income. Pension legislation and the terms of the plan text determine when your pension benefits become locked-in.

Financial institutions accepting locked-in funds must agree to administer them in accordance with applicable pension regulations. Locked-in money does not have to stay in the same account until retirement. You may transfer it to other permitted locked-in arrangements or use it to buy an annuity at any time.

**Q:** What are withholding taxes and how much are they?

**A:** Withholding taxes are set rates of tax deducted at the source from any lump-sum cash payment you receive from a registered pension plan. Cash refunds are taxable because you received a tax deduction when you made contributions to the plan.

Since January 1, 2005, the withholding tax rates are those shown in the table. These are set by the Canada Revenue Agency (CRA) and are subject to change.

In addition to withholding taxes, the amount of your cash refund will be added to your income. Depending on your personal situation, you may be required to pay additional income tax when you file your return or you could get a refund.

You are not subject to withholding taxes if you transfer amounts directly from a registered pension plan to another registered plan, such as a RRSP.

Lump-sum amount	Percentage of withholding tax
Up to and including \$5,000	10%
\$5,000.01 to \$15,000	20%
More than \$15,000	30%



## Part 7: Leaving the University at age 55 or older

*Your Brock University Pension Plan helps provide you with a foundation for retirement.*

### Active plan members

You can retire and begin receiving your pension:

- at age 65 (the normal retirement date);
- as early as age 55 with a pension that is actuarially reduced for early retirement; or
- as late as December 1 of the calendar year in which you reach age 71.

### Your two main choices for retirement income

The Brock University Pension Plan offers you flexibility. At normal, early, or postponed retirement, you have two choices. You can:

- stay within the plan and take a pension; or
- transfer your Money Purchase Account balance together with the commuted value, if any, of the excess of your Minimum Guaranteed Pension over your projected Money Purchase Pension to:
  - a locked-in retirement account (LIRA); or
  - a life income fund (LIF).

All amounts payable from the plan are subject to limits under the *Income Tax Act* (Canada).

If you choose a pension within the plan, in each year after pension commencement, you will receive the greater of your Money Purchase Pension or your Minimum Guaranteed Pension. This was described in more detail earlier in this booklet in “Part 5: Calculating your pension.”

Instead of choosing a pension within the plan, you can choose to take the value of your pension out of the plan to a locked-in retirement account. This value is made up of your Money Purchase Account and, if applicable, the commuted value of any excess of your Minimum Guaranteed Pension over your projected Money Purchase Pension.

The **normal retirement date** in the plan is the first of the month following your 65th birthday, or on your birthday should the dates coincide. (While this is the normal retirement date under the plan, faculty members typically retire on June 30th, which is aligned with the academic year.)

**LIF (life income fund)** is an arrangement that provides retirement income from funds that originated from a registered pension plan or LIRA. A LIF is regulated by the *Income Tax Act* (Canada) and by provincial pension benefits legislation.





## Deferred plan members

You can begin receiving your pension:

- at age 65 (the normal retirement date);
- as early as age 55 with a pension that is actuarially reduced for early retirement; or
- as late as December 1 of the calendar year in which you reach age 71.

### Normal or early retirement

The Brock University Pension Plan offers you flexibility. At normal or early retirement, you have two choices. You can:

- stay within the plan and take a pension; or
- transfer your Money Purchase Account balance together with the commuted value, if any, of the excess of your Minimum Guaranteed Pension over your projected Money Purchase Pension to:
  - a locked-in retirement account (LIRA); or
  - a life income fund (LIF).

All amounts payable from the plan are subject to limits under the *Income Tax Act* (Canada).

If you choose a pension within the plan, in each year after pension commencement, you will receive the greater of your Money Purchase Pension or your Minimum Guaranteed Pension. This was described in more detail earlier in this booklet in “Part 5: Calculating your pension.”

At normal or early retirement, you can choose to take the value of your pension out of the plan to a locked-in retirement account. This value is made up of your Money Purchase Account and, if applicable, the commuted value of any excess of your Minimum Guaranteed Pension over your projected Money Purchase Pension.

### Postponed retirement (after age 65)

At postponed retirement (after age 65), you will receive a pension from the Plan. You must begin receiving a pension by December 1 of the calendar year in which you reach age 71.

All amounts payable from the plan are subject to limits under the *Income Tax Act* (Canada).

Each year after pension commencement, you will receive the greater of your Money Purchase Pension or your Minimum Guaranteed Pension. This was described in more detail earlier in this booklet in “Part 5: Calculating your pension.”

## Making your decision

There are many reasons why some people choose to remain in the plan, while others choose to transfer their benefits out of the plan.

Some people choose to remain in the plan because:

- they like the security provided by the Minimum Guaranteed Pension; or
- they do not want the responsibility of investing their assets and creating retirement income.

Some transfer the value of their pension out of the plan because:

- they want to maintain control over their retirement savings;
- they are confident they can gain a higher return using their own investment strategy; or
- they believe they do not have a long life expectancy.

Whatever you decide, you should consider speaking with a qualified independent financial advisor before making your choice. An independent advisor can give you unbiased advice on what option is best based on your personal circumstances. Brock University cannot give you financial advice.

### If you choose to remain in the plan

If you choose to receive your pension from the plan, your Money Purchase Account balance will be transferred to the Variable Annuity Fund and converted to a variable pension (your Money Purchase Pension) based on the actuarial factors in effect at the time of your retirement.

Your Minimum Guaranteed Pension will be calculated based on the plan formula. If you are leaving before your normal retirement date, this pension is actuarially reduced to reflect the expected longer payment period.

If your Money Purchase Pension is lower than your Minimum Guaranteed Pension, the difference between the two amounts will be paid to you as a top-up pension from the Minimum Guarantee Fund.

For more information on how your pension is calculated, see “Part 5: Calculating your pension” earlier in this booklet.

### Additional voluntary contributions

In the case of retirement, additional voluntary contributions can be:

- taken as cash, less withholding taxes;
- transferred to a non-locked-in RRSP;
- transferred to an insurance company to purchase a life annuity; or
- used to provide an additional pension from the Variable Annuity Fund. The additional amount of pension would be calculated using the same actuarial factors that were used to calculate your Money Purchase Pension, and be subject to the same annual adjustments, but with no minimum guarantee.



**Actuarially reduced** means that your pension will be reduced based on actuarial factors to account for the fact that you would be receiving the pension for a longer period of time.





## Special transfers from other registered pension plans

In the case of retirement, what you can do with amounts transferred from other pension plans (along with investment income on those amounts) will depend on whether or not these amounts were transferred on a locked-in basis.

Amounts transferred on a locked-in basis can be transferred:

- to a LIRA or LIF; or
- to an insurance company to purchase a life annuity.

Amounts transferred on a non-locked-in basis can be:

- taken as cash, less withholding taxes;
- transferred to a registered retirement savings plan; or
- transferred to an insurance company to purchase a life annuity.

Alternatively – whether locked-in or not – the transferred amounts can be used to provide an additional pension from the Variable Annuity Fund. The additional amount of pension would be calculated using the same actuarial factors that were used to calculate your Money Purchase Pension, and be subject to the same annual adjustments, but with no minimum guarantee.

## Postponed retirement

Retirement at age 65 is not mandatory. If you decide to continue working at the University after age 65, you will continue contributing to the plan and accruing service. However, according to *Income Tax Act* (Canada) regulations, you must begin your pension no later than December 1 of the calendar year in which you reach age 71.

## Forms of pension payments

Once you are ready to apply for your pension, and you have decided to remain in the plan, you will have to choose a form of pension. The plan promises you the normal form of pension. It also gives you the flexibility to choose a pension option that best reflects your needs at retirement.

The available options – or the way your pension will be paid out – will depend on whether or not you have an eligible spouse at the time your pension payments start. How much the various options pay depends on your age and the age of your eligible spouse (if there is one). Once your pension starts, the form of pension cannot be changed.

### Normal form of pension

The normal form of pension is a pension paid for your lifetime (called a single-life pension) with a five-year guarantee. Under this form, payments will end on your death. If you die before the end of the five-year guarantee period, payments in the same amount as were payable during your lifetime will continue to be paid to your beneficiary for the balance of the guarantee period. Alternatively, your beneficiary could choose to receive the value of the remaining guaranteed payments in a lump sum.

### Automatic form of pension

Under the Ontario pension legislation, if you have an eligible spouse at pension commencement, you must provide at least a 60% survivor pension for your eligible spouse (called a 60% joint-and-survivor pension), unless he or she waives the right to this benefit by signing a *Waiver of Joint-and-Survivor Pension* form. The waiver takes effect provided the University receives it before your retirement date. The waiver may be cancelled by written notice received before your pension starts.

As a result, if you have an eligible spouse at pension commencement, the automatic form for paying your benefits is one that pays you a pension for your lifetime and a 60% pension on your death to your eligible spouse, until your spouse's death. The pension amount that you receive under this form will be actuarially adjusted to reflect the additional cost of providing the survivor pension to your spouse.

### Optional forms of pension

*If you do not have a spouse or you have filed a spousal waiver*

If you do not have an eligible spouse, or you have filed a spousal waiver, instead of the normal form, you can choose to receive your pension as a single-life pension with:

- no guarantee;
- a 10-year guarantee; or
- a 15-year guarantee.

If you die before the end of any guarantee period, pension payments in the same amount as were payable during your lifetime will be paid to your beneficiary for the balance of the guarantee period. Alternatively, your beneficiary will have a choice of choosing to receive the value of the remaining guaranteed payments in a lump sum.

*If you have a spouse*

If you have an eligible spouse, instead of the automatic form, you can choose to receive your pension as a joint-and-survivor pension at:

- 60% with a guarantee of 5, 10, or 15 years;
- 75% with no guarantee or a guarantee of 5, 10, or 15 years; or
- 100% with no guarantee or a guarantee of 5, 10, or 15 years.

These pensions are payable for as long as you live. On your death, the joint-and-survivor percentage of pension that was payable to you will continue to your spouse for as long as he or she lives. If you and your spouse both die before the end of the guarantee period, the estate of the last pension recipient will receive the commuted value of the payments remaining in the guarantee period.

Each option differs in two fundamental ways – how much you receive for your lifetime, and how much your eligible spouse or beneficiary receives on your death.

**Joint-and-survivor percentage** is a percentage of your pension that continues to your eligible spouse, for the spouse's lifetime, if you die during retirement. In Ontario, the law requires that your spouse's pension be at least 60% of the pension that was being paid to you (unless a waiver was signed by your spouse).







A lowered pension amount is paid for your lifetime when the guarantee period is longer or when the percentage of the survivor pension provided to your eligible spouse is higher.

The following charts show examples of amounts of reductions on \$100 worth of pension for different forms of pension for a person beginning his or her pension at age 65 (the normal retirement date) and has a spouse who is age 61 at that time.

#### Single-life pension

Years guaranteed	Amount of member's pension
0	\$100.55
5 (normal form)	\$100.00
10	\$98.51
15	\$96.29

#### Joint-and-survivor percentage

Percentage of member's pension paid to eligible spouse upon member's death	Years guaranteed	Amount of member's pension
60%	0	\$91.74
60%	5	\$91.74
60%	10	\$91.72
60%	15	\$91.63
75%	0	\$89.78
75%	5	\$89.78
75%	10	\$89.75
75%	15	\$89.64
100%	0	\$86.68
100%	5	\$86.68
100%	10	\$86.64
100%	15	\$86.51

The Brock Pension Estimator provides estimates for active members of how the optional form of pension you choose would impact your pension and the benefit that would go to their surviving spouse or beneficiary.

You can access the Estimator from your "My Work" tab in the "my.brocku.ca" portal.

## Annual adjustments to your pension

After pension commencement, both your Money Purchase Pension and your Minimum Guaranteed Pension will be adjusted annually effective July 1.

### Adjustment to Minimum Guaranteed Pension

Your Minimum Guaranteed Pension will be adjusted effective each July 1 to reflect changes in the Consumer Price Index during the preceding 12 months, cumulative from pension commencement. The increase in the Minimum Guaranteed Pension in any given year is limited to 2% and your Minimum Guaranteed Pension will not decrease as a result of this adjustment.

### Adjustment to Money Purchase Pension

Your Money Purchase Pension, on the other hand, can go up or down in a given year.

When you first retire, the actuarial factors used to convert your Money Purchase Account balance to a Money Purchase Pension are based on assumptions regarding the rate of return that the plan assets will earn in the future and future mortality rates.

To the extent that the actual investment and mortality experience is different from these assumptions, or expectations of future experience change, your Money Purchase Pensions will be positively or negatively adjusted on an annual basis.

Current calculations assume that the plan assets will earn a rate of return of 6% annually throughout your retirement. Therefore, before taking into account any mortality gains or losses, the investments from the Money Purchase Account must earn 6% to maintain a constant pension. For example, if the plan's rate of return in a given plan year is 9%, with no mortality gains or losses, your Money Purchase Pension amount would increase by 3% (9% minus 6% = 3%). If the plan's rate of return was 3% in a given year, with no mortality gains or losses, your Money Purchase Pension amount would decrease by 3% (3% minus 6% = -3%).

Throughout your retirement, the pension you receive each year will be equal to the greater of your Money Purchase Pension for that year or your Minimum Guaranteed Pension for that year. In the years that your Minimum Guaranteed Pension exceeds your Money Purchase Pension, the excess will be paid as a top-up from the Minimum Guarantee Fund.

While effective July 1 each year, the annual adjustment may not appear on your pension payment until October 1. The adjustments are made retroactively, as it takes some time to calculate, confirm, and administer the adjustments.





## Pension amounts based on additional voluntary contributions or special transfers

Pensions based on your additional voluntary contributions or special transfers are adjusted on July 1 in the same manner as your Money Purchase Pension; however, there is no minimum guarantee amount associated with either of these.

### Maximum pension amount

The *Income Tax Act* (Canada) limits the amount of pension benefit you may earn under the Minimum Guaranteed Pension component of the plan. The limit changes from time to time. The current limit in 2016 is \$2,890.00 per year of service for a pension that starts at the normal retirement date.

#### *Example*

Jim retires in 2016 and has 35 years of service. The maximum limit placed by the *Income Tax Act* (Canada) on Jim's annual pension would be \$101,150.00.

$$35 \times \$2,890.00 = \$101,150.00.$$

If you are starting your pension before your normal retirement date, this maximum is reduced according to the rules prescribed by the *Income Tax Act* (Canada).

### Notice of retirement

You should contact the Human Resources Department 12 months before your retirement date to receive estimated pension values.

Your written notice of retirement should be provided to the Human Resources Department at least three months before your retirement date. The notice should include the retirement date and your signature.

Once the University receives your notice, you will be mailed a *Statement and Election of Benefits on Retirement*. It will include:

- your personal information on record (including the names of your eligible spouse and beneficiary);
- the total contributions;
- your estimated account balances in the Money Purchase Account, Short Term Account, Additional Voluntary Contributions Account, Locked-in Transfer Account, and Non-Locked-in Transfer Account;
- the estimated pension you have earned as of your retirement date; and
- a benefit options form.

You will also receive other forms required for transferring your pension benefit to a locked-in retirement account (LIRA) or life income fund (LIF).

You will be asked to provide proof of your age as well as your spouse's age.

You will also receive a *Declaration of Marital Status Form* that must be completed regardless of whether you choose to stay in the plan or transfer your pension out of the plan.

Completed pension paperwork should be provided to the Human Resources Department at least two months before your retirement date.



## Receiving your pension payments

Pensions are paid on the first business day of the month. Your very first payment will be delayed a week or two as your payment calculation takes place, the University prepares instruction for the plan's custodian to make payment to you, and the custodian updates their systems for the new payment.

Payment is made by direct deposit to a Canadian bank account of your choice. A void cheque must be provided to the Human Resources Department before your pension payments begin. If you will be living outside of Canada during your retirement, you should contact the Human Resources Department to discuss a method of payment.

All pension payments from the plan are made in Canadian funds.

## Frequently asked questions

Q: Does my pension amount change if my spouse dies before me?

A: No, your pension amount does not change after a spouse's death. All the same, you should notify the Human Resources Department of your spouse's death if you retired with a joint-and-survivor pension, as it is important to ensure that your records are up to date.

Q: What happens if I remarry after pension commencement?

A: Only the spouse you have on pension commencement, if any, is eligible to receive a spousal pension. If you remarry or enter into a common-law relationship after the date your pension payments begin, your new spouse will not be eligible to receive a spousal benefit.

Q: If I retire, do I have to start drawing my Brock University pension immediately?

A: No, you can elect a deferred pension from the Brock University Pension Plan. Regulations under the *Income Tax Act* (Canada) require that you start to draw your pension no later than December 1 of the calendar year in which you turn age 71.

Q: What is the latest date that I can start receiving my pension?

A: You must begin receiving your pension no later than December 1 of the calendar year in which you reach age 71.

Q: If I resign from the University and go to work for another employer, can I leave my pension with Brock University?

A: Yes. Choosing to defer your pension means that the pension is payable from the Brock University Pension Plan at a later date.

Under Ontario pension legislation, a spouse is a person to whom you are:

- legally married, provided you are not living separate and apart from that person;
- not legally married, but you and that person have cohabited continuously in a conjugal relationship for at least three years; or
- not legally married, but you and that person are cohabiting in a conjugal relationship of some permanence, and are jointly the natural or adoptive parents of a child, as defined in the *Family Law Act* (Ontario).





Q: How soon can I have my money after I retire?

A: If Brock University receives your paperwork in a timely fashion – that is, at least two months before pension commencement – your first pension payment will be processed to be deposited to your account within two weeks of the pension commencement date. Thereafter, the payment will be deposited into your account on the first business day of the month.

If you chose a lump-sum transfer rather than a pension, the transfer typically will be processed within three weeks of your retirement date.

Q: If I die while collecting a pension, does my spouse, family, or estate receive a survivor benefit?

A: If you die while collecting a pension, the survivor benefit depends on the form of pension you chose at pension commencement. For example, if you chose a joint-and-survivor 60% with a 15-year guarantee, after your death your spouse would receive 60% of your pension amount for the rest of your spouse's life. Both Money Purchase and Minimum Guaranteed Pension amounts are reduced by 60% and both amounts continue to be adjusted on an annual basis. For more information on the adjustment process, see page 23.

If both you and your spouse die before the end of the 15-year guarantee period, the value of any remaining payments would be paid to the estate of the last living pension recipient. If you and/or your spouse live beyond the 15-year guarantee period, pension payments will end after the death of the last pension recipient. No payment would be made to the estate.



## Part 8: Providing for your survivors

*On your death, the plan provides your survivors with benefits, whether you die before or after your pension begins.*

### Death before pension commencement

#### Options for an eligible spouse or beneficiary

If you die before pension commencement, your eligible spouse or beneficiary will receive a survivor benefit based on your Money Purchase Account balance together with the commuted value, if any, of the excess of your Minimum Guaranteed Pension over your projected Money Purchase Pension.

**Note:** If you have an eligible spouse, and unless your spouse has waived his or her entitlement to the survivor benefit, your spouse will receive the survivor benefit even if he or she is not your designated beneficiary.

#### Options for an eligible spouse

Instead of a lump-sum benefit, a surviving spouse may transfer the lump-sum benefit amount to a registered retirement savings plan or to an insurance company to purchase a life annuity.

Alternatively, a surviving spouse may choose to take an annual pension. The Human Resources Department will provide the surviving spouse with documentation outlining his or her options.

### Death after pension commencement

If you die after pension commencement, any survivor benefits provided will depend on the form of pension payment that you chose at pension commencement (for example, for your life only, for your life with a guaranteed period, or a joint-and-survivor pension that continues to your spouse after you die).





**RRSP (registered retirement savings plan) is a tax-deferred vehicle for retirement savings.**

RRSPs were established to encourage Canadians to save for retirement by permitting tax-deductible contributions and tax-deferred growth of investments.

## Part 9: Taking care of administrative issues

### Annual pension statements

As an active member of the plan, each year before December 31, the University will provide *Your Personal Pension Statement* to you.

The statement will include:

- your personal information on record (including the names of your spouse, if applicable, and beneficiary);
- total contributions over the past year;
- the account balances in the Money Purchase Account, Short Term Account, Additional Voluntary Contributions Account, Locked-in Transfer Account and Non-Locked-in Transfer Account; and
- the pension you have earned as of the statement date and the projected pension on your normal retirement date.

If you leave the University, the University will continue to send you an annual statement. This statement will include your personal information on record and the balances of any accounts you hold.

You should review the information on this statement and report any inaccuracies as soon as possible.

Your statement is an important estate-planning document. Review it carefully and file it for future reference.

### Governance

The plan is a registered pension plan, sponsored and administered by Brock University. The plan is registered with the Financial Services Commission of Ontario under registration number 0327767. It is also registered with the CRA.

The Brock University Pension Plan became effective January 1, 1972, replacing the original plan that was established July 1, 1964. Amendments have been made from time to time to clarify wording or to reflect changes in regulations pertaining to registered pension plans. The pension plan text was most recently restated July 1, 2009.

A Pension Committee, appointed by the University, acts in an advisory capacity regarding the administration of the plan and includes representatives from various employee groups and retirees.

### Plan assets

The plan's assets are held separate from the remaining assets of Brock University. That means the assets of the plan are protected if Brock University should cease to exist.

The plan's assets are invested so that the investment earnings can help to meet the cost of the promised pensions. The plan's assets are managed in accordance with the terms of the plan, the *Statement of Investment Policies and Procedures*, and applicable legislation. Investment-related information is available on the pension website.

## Frequently asked questions

Q: What happens to my pension if my marriage breaks down?

A: A pension is considered marital property under Ontario law. You may assign up to 50% of the pension benefit earned during the marriage to your former spouse in the case of marriage breakdown.

The Financial Services Commission of Ontario (FSCO) introduced changes to the family law provisions of the *Pension Benefits Act* (Ontario) as of January 1, 2012. The process enacted requires the Plan Administrator (Brock University) to calculate the value of the pension (the “Family Law Value”) and provide for immediate division of assets as prescribed by FSCO, using the FSCO approved forms throughout the process.

Below is a link to the FSCO website with more information on the Valuation and Division of Pension Assets on Breakdown of a Spousal Relationship on and after January 1, 2012:

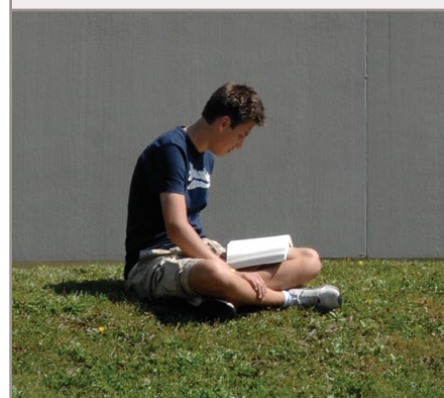
[http://www.fSCO.gov.on.ca/en/pensions/Family-Law/Pages/marriage\\_breakdown.aspx](http://www.fSCO.gov.on.ca/en/pensions/Family-Law/Pages/marriage_breakdown.aspx)

For more information on next steps, see the link below and click marriage breakdown:

<http://www.brocku.ca/hr-ehs/pension-new/member-pension>

All Family Law Value pension requests are kept in confidence.

A pension adjustment (PA) is the value assigned to the benefit earned per year in a pension plan. A PA reduces the amount you can contribute to a RRSP in the following year.





## Part 10: Other sources of retirement income

Your Brock University Pension Plan is a key part of your retirement income. However, it is not intended to be your only source of retirement income. Two other sources of retirement income – government benefits and personal savings – are necessary to ensure a comfortable retirement.

### Canada Pension Plan

When you work in outside of Quebec, you and your employer contribute to the Canada Pension Plan (CPP). The retirement benefit you receive is based on several factors: your years in the workforce, the CPP contributions you made while you were working and your earnings during those years. If your salary is below the year's maximum pensionable earnings (YMPE), you do not get a maximum CPP benefit. The maximum monthly benefit in 2016 is \$1,092.50.

You can start your CPP benefit as early as age 60, or as late as age 70. Your pension will be adjusted to reflect the earlier or later payment starting date. After you begin receiving your CPP pension, adjustments are made each year to reflect increases in the cost of living.

If you die, your survivors can apply for CPP survivor benefits. If you and your spouse meet certain eligibility requirements, your spouse could receive a monthly benefit after your death. Your dependent children may also receive a monthly benefit, and a one-time lump sum equal to six months of your payments or \$2,500 to cover the cost of funeral expenses, whichever is less.

### Old Age Security

If your income in retirement is below a certain amount, you may be eligible to receive a monthly payment from Old Age Security (OAS) at age 65. Adjustments are made to OAS payments to reflect increases in the cost of living.

Above a certain income, OAS payments will begin to be reduced. This reduction begins to apply when your individual income is above a certain level (\$72,809 in 2015). Payments will no longer be made when your individual income is at or above a certain level (\$118,055 in 2015).

Up-to-date CPP and OAS benefit amounts, as well as complete descriptions of these plans, are available on the Government of Canada website at:  
<http://www.esdc.gc.ca/en/cpp/index.page>

The website also allows you to view your personal CPP benefits statement online.



## Personal savings

Your own savings will play an important part in ensuring an adequate retirement income. For most Canadians, accumulating personal savings for retirement means contributing to registered retirement savings plans (RRSPs). You can put money into a personal or spousal RRSP and save on income tax, up to certain limits.

The *Income Tax Act* (Canada) sets out how much you can contribute to your RRSP. The total you can contribute – your contribution room – for the year depends on your earned income and the deemed value of pension benefits you earned under the Brock University Pension Plan the previous year.

The CRA indicates your RRSP contribution room on the *Notice of Assessment* you receive when you file your income tax return. You can carry forward unused contribution room to later years.

### RRSP contribution considerations

The *Income Tax Act* (Canada) limits how much you can contribute to your RRSP. Your participation in the Brock University Pension Plan affects the amount you can contribute to your personal RRSP.

A formula prescribed under the *Income Tax Act* (Canada) determines the deemed value of the benefit you earn under the pension plan for each year. The end result of this formula is a pension adjustment (PA). Your PA is reported on the T4 slip you receive from the University and reduces the amount of RRSP contribution room you have available in the next year.

In the case of the Brock University Pension Plan, the PA is equal to the total of plan member and University's annual contributions to the Money Purchase Account, as well as any additional voluntary contributions made by the plan member.

The following example explains how the PA effects RRSP contribution room.

This year, Astrid earns \$60,000. Her PA is the sum of her and the University's contributions to her Money Purchase Account. Astrid had no additional voluntary contributions. \$7,489.60.

Astrid's overall tax-sheltered amount is \$10,800, or 18% of her earnings.  $\$60,000 \times 18\% = \$10,800$

The next year, Astrid can contribute \$3,310.40 to a RRSP, plus any unused RRSP room she carried forward from previous years.  $\$10,800 - \$7,489.60 = \$3,310.40$

## Frequently asked questions

Q: When should I apply for my CPP pension?

A: Although you are not required to do so, it is best to apply at least six months before you want your CPP pension to begin. Please note that there are legislative restrictions on retroactive payments. A delay in applying could result in lost benefits. For information, contact Service Canada.

Q: How does CPP affect my Brock University pension?

A: Your Brock University pension does not change when you begin to receive CPP.

Q: When should I apply for OAS?

A: An application for OAS should be completed and submitted six months before your 65th birthday.



## Part 11: Covering all the bases

As the time nears when you will leave employment with the University and your pension will begin, consider taking the following steps:

- Review your annual pension statement to see how much pension you have earned to date and the estimated amount you will receive when your pension begins.
- Use the Brock Pension Estimator to produce estimates to begin your planning process.
- If you are age 62 or older, consider whether or not you want to transfer annually a portion of your Money Purchase Account to the Short Term Account in each of the years before retirement. The Human Resources Department provides more information on this option to eligible members.
- Visit a qualified financial advisor to review your options and your retirement income.
- Check dates and procedures for applications to receive government retirement benefits.
- Review your beneficiary designation and make sure all of your personal information is up to date.
- Around 12 months before the date you wish to retire, contact the Human Resources Department to request an estimate of your pension amount.
- Arrange a meeting with staff in the Human Resources Department to discuss your pension options and other retirement items. If you have a spouse, it is also beneficial for your spouse to attend this meeting.
- At least three months before your retirement date, provide the Human Resources Department with written notice of your retirement.
- Carefully consider and then choose your pension option. Remember that once your pension payments begin or your funds are transferred, you will not be able to change your option. All completed paperwork should be returned to the Human Resources Department two months before your retirement date.



## Frequently asked questions

Q: How do I provide notice of my retirement?

A: Written notice of your retirement should be provided to the Human Resources Department at least three months before your retirement date. The notice must include the date of retirement and your signature.

Q: Do I pay taxes on my pension benefits?

A: Yes. You will pay taxes on your pension as well as benefits from CPP and OAS. However, you may benefit from being in a lower tax bracket during retirement than the bracket that currently applies to you. The plan's custodian will deduct applicable taxes and provide you with the appropriate tax form required for you to use when preparing your income tax return.

Q: Is it possible for me to have more taxes deducted from my pension?

A: Yes. If you provide the custodian with written instruction, the amount of taxes deducted can be increased. The written instruction should include the dollar amount of extra taxes that you would like deducted and the month that you would like the increase to begin.

Q: When I retire, can I split my pension income with my spouse for income tax purposes?

A: Since the 2007 tax year, under CRA rules, Canadian residents may split certain pension income with their resident spouse. You may be able to jointly elect with your spouse to split your eligible pension income if you meet all of the requirements.

To split pension income, you and your spouse will need to make a joint election on Form T1032, *Joint Election to Split Pension Income*, and submit it with your and your spouse's income tax returns for the year by your filing due date. For more information, visit the CRA website at: [www.cra-arc.gc.ca/tx/ndvdl/tpcs/pnsn-splt/](http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/pnsn-splt/)

The decision to split your pension income does not in any way affect the pension payable from the plan or the income taxes withheld at the time of payment. It is simply an election that you and your spouse make when you file your personal income tax returns with the CRA and only affects the amount of tax that you owe or the tax refund owed you.



## Part 12: Glossary

**Actuarially reduced** – refers to a reduction based on actuarial factors to account for the fact that you will be receiving the pension for a longer period of time.

**Annuity** – is a stream of monthly payments. When buying an annuity from an insurance company, you are buying a promise of future monthly payments. The amount of these payments will depend on many factors, including the size of the lump-sum amount that you start with and the annuity purchase rates at the time of the purchase. The form of annuity you choose will also affect the amount of your monthly payment.

**Annuity factor** – is a factor used to convert the Money Purchase Account to a monthly retirement benefit. The factor takes into account expected mortality rates, your age, marital status, form of pension selected, and the assumed rate of return that the fund will earn going forward. For example, if you retire at age 55, a different annuity factor will be used to calculate your pension than if you retire at age 65, to account for the fact that your pension may be paid for a longer period of time.

**Beneficiary** – can be any person of your choice. If you wish to name a child as your beneficiary, it is advisable to consult a lawyer prior to doing so. Pension laws require that, if you have a spouse, he or she will automatically take priority over any named beneficiary to receive your pension benefits.

**Best average earnings** – refers to the average of your pensionable earnings during your five highest-paid years of pensionable service. If you have been employed for less than five years, the average of your actual pensionable earnings is used.

**Commuted value** – refers to the lump-sum present value of your pension. In other words, the commuted value of your pension is an estimate of what you would need to invest right now to give you the pension you would receive if you were to leave your benefits in the plan. The calculation is based on a number of factors, such as interest rates and mortality rates, and is carried out according to established actuarial principles and methods.

**Deferred pension** – is a pension in which payments start at a future date, as opposed to being paid as of the first of the month following the day you stop working for the University.

**Final average YMPE (year's maximum pensionable earnings)** – is the average of the YMPE during the last five years before termination or retirement.

**Joint-and-survivor percentage** – is a percentage of your pension that continues to your eligible spouse, for the spouse's lifetime, if you die during retirement. In Ontario, the law requires that your spouse's pension be at least 60% of the pension that was being paid to you (unless a waiver was signed by you and your spouse).





**LIF (life income fund)** – is an arrangement that provides retirement income for life from funds that originate from a registered pension plan or LIRA. A LIF is regulated by the *Income Tax Act* (Canada) and governed by provincial or federal pension benefits legislation.

**LIRA (locked-in retirement account)** – A locked-in retirement account (LIRA) is similar to a RRSP for income tax purposes, but is set up with locked-in funds that are transferred out of a pension plan. Financial institutions accepting locked-in funds must agree to administer them as set out in the *Pension Benefits Act* (Ontario). The range of investments offered in a LIRA depends on your financial institution, but is often the same range as for RRSPs.

**Locked-in** – refers to funds that cannot be taken as cash. You must use the funds to provide yourself with retirement income. Pension legislation and the terms of the plan text determine when your pension benefits become locked-in.

Financial institutions accepting locked-in funds must agree to administer them in accordance with applicable pension regulations. Locked-in money does not have to stay in the same account until retirement. You may transfer it to other permitted locked-in arrangements or use it to buy an annuity at any time.

In certain situations, pension legislation allows locked-in funds to be “unlocked.” Additional information about this may be available from your financial institution or the Financial Services Commission of Ontario at: <http://www.fSCO.gov.on.ca/english/pensions/>

**Non-locked-in** – refers to funds that can be taken in cash. If you have non-locked-in assets and choose to take a cash refund when you leave the plan, income taxes will be deducted.

**Normal retirement date** – is the first of the month following your 65th birthday, or on the actual date of your 65th birthday if your birthday falls on the first of a month.

**Pension adjustment (PA)** – is the value assigned to the benefit earned per year in a pension plan. A PA reduces the amount you can contribute to a RRSP in the following year.

**Pensionable earnings** – are your regular annual earnings received from the University.

**Pensionable service** – is the completed years and months of continuous service with the University during which you are a contributor to the plan, or the former plan, since July 1, 1964. Part-time service is prorated.

**RRSP (registered retirement savings plan)** – is a tax-deferred vehicle for retirement savings. RRSPs were established to encourage Canadians to save for retirement by permitting tax-deductible contributions and tax-deferred growth of investments.



**Spouse** — is a person to whom you are:

- legally married, provided you are not living separate and apart from that person;
- not legally married, but you and that person have cohabited continuously in a conjugal relationship for at least three years; or
- not legally married, but you and that person have cohabited in a conjugal relationship of some permanence, and are jointly the natural or adoptive parents of a child, as defined in the *Family Law Act* (Ontario).

**Statement of Investment Policies and Procedures** — is a document required by legislation for all pension plans. It describes the objectives and operation of the plan. The statement outlines investment-related policies and procedures, including asset allocation guidelines.

**Variable Annuity Fund** — the fund within the plan's trust fund into which assets from your Money Purchase Account, Additional Voluntary Contribution Account and/or Special Transfer Account are transferred, if you elect a pension from one or more of these accounts. The assets are invested according to the plan's investment policies and are used to provide pensions to pensioners and their eligible survivors, according to the form of pension elected at pension commencement. The value of this fund can change because of factors such as investment performance and mortality. As such, the amount of money available to pay pensions varies from year to year and this results in the annual increases or decreases to pension amounts.

**YMPE (year's maximum pensionable earnings)** — is the maximum earnings used to determine contributions and benefits under the Canada Pension Plan. The YMPE is adjusted each year. In 2016, it is \$54,900.



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