

Brock University Plan Active Member Q & A

Q: I am a casual or part-time employee. Am I eligible to enroll in the pension plan?

A: Part time Brock employees have the option to join the Brock University Pension Plan if they have been employed for two consecutive years or more and: (a) have earned 35% of the YMPE (\$48,300 for 2011) or more in each of the two preceding calendar years or (b) have worked a minimum of 700 hours in each of the two preceding calendar years. Please contact Janice Facey (jfacey@brocku.ca or ext. 3186) if you have questions regarding your eligibility.

Q: How much am I required to contribute to the Plan?

A: Active members are required to contribute to their Money Purchase Account (the Defined Contribution portion of the Plan). Required contributions to the Money Purchase Account are as follows:

Required contributions by active members:

- 4.4% of earnings up to YMPE
- 6.0% on earnings above YMPE

Required contributions by University:

- 7.4% of earnings up to YMPE
- 9.0% of earnings above YMPE

Note: YMPE (Yearly Maximum Pensionable Earnings) represents the earnings base on which the employee earns benefits under the Canada Pension Plan. In 2011 the YMPE is \$48,300.

The maximum contribution in total to a Defined Contribution pension plan is governed by the Income Tax Act. The maximum contribution is the lesser of 18% of the member's earnings and the dollar maximum imposed by the Income Tax Act. The dollar maximum normally changes on an annual basis. The dollar maximum for 2011 is \$22,970.

Example:

2011 earnings: \$60,000
2011 YMPE: \$48,300

2011 earnings in excess of YMPE: $=\$60,000 - \$48,300$
 $=\$11,700$

Employee contribution for 2011: $=.044 \times \$48,300 + .060 \times \$11,700$
 $= \$2,125.20 + \702.00
 $= \$2,827.20$

University contribution for 2011: $=.074 \times \$48,300 + .090 \times \$11,700$
 $= \$3,574.20 + \$1,053.00$
 $= \$4,627.20$

Total required contribution to the member's Money Purchase Account in 2011:
= \$2,827.20+ \$4,627.20
= **\$7,454.40**

Q: Can I make additional contributions to the Plan?

A: Members can contribute additional voluntary contributions (AVC) to the Defined Contribution portion of the Plan using payroll deduction. The University does not make any contributions related to the AVC. Additional Voluntary Contributions cannot be removed from the Plan until the earlier of termination of employment or retirement. Upon retirement Additional Voluntary Contributions can be used to increase the member's Brock Pension, transferred to an RRSP or taken as cash less withholding taxes.

If a member elects to make Additional Voluntary Contributions, it is up to the member to ensure that they do not exceed the government prescribed limit. Brock will ensure that the employer and employee required contributions do not exceed government limits. If a member does go over the government limit due to the Additional Voluntary Contributions, the member is responsible for paying all penalties and costs associated with any tax obligation due to the over contribution. As well, any over contribution will have to be refunded to the member out of the Brock Pension Plan.

The Income Tax Act (ITA) imposes a limit on total contributions to the Defined Contribution component of the Plan. This limit changes every calendar year.

The maximum Additional Voluntary Contributions that can go into the Brock Pension Plan for a member in 2011 (January 1st to December 31st) is:

The lesser of: 18% of Brock pensionable earnings or \$22,970

Minus

The sum of employee and employer required contributions

Example:

Required Contributions for 2009 are calculated as follows:

Employee required Contributions = 4.4% of earnings up to \$48,300 and 6% on earnings over \$48,300

University required Contributions = 7.4% of earnings up to \$48,300 and 9% on earnings over \$48,300

2011 earnings: \$60,000
2011 YMPE: \$48,300

2011 earnings in excess of YMPE: = \$60,000 - \$48,300
= \$11,700

Employee contribution for 2011: = .044 x \$48,300 + .060 x \$11,700
= \$2,125.20 + \$702.00
= \$2,827.20

University contribution for 2011: = .074 x \$48,300 + .090 x \$11,700
= \$3,574.20 + \$1,053.00

= \$4,627.20

Total required contribution to the member's Money Purchase Account in 2011:
= \$2,827.20+ \$4,627.20
= **\$7,454.40**

Additional voluntary contribution limit for 2011:

18% of earnings: = .18 x \$60,000
= \$10,800

ITA maximum limit for 2009: Lesser of 18% of earnings or \$22,970
= \$10,800

AVC limit for 2009: = \$10,800 - \$7,454.40
= **\$3,345.60**

Please contact Janice Facey (jfacey@brocku.ca or ext. 3186) if you have questions regarding AVC's or wish to begin making AVC's to the Plan.

Q: Can I transfer pension funds from a previous employer into the Brock Plan?

A: Active members can transfer a lump sum amount from the registered pension plan of a previous employer, with no service or minimum pension attached to the funds, into the Brock Pension Plan. The funds are accounted for in a separate Special Transfer Account and are invested in the same manner as the funds in the Money Purchase Account, thus the rate of return applied to the funds can be positive or negative. Once transferred into the Brock Plan, the funds must remain in the Plan until the earlier of termination of employment or retirement. The funds are administered on a locked in or non-locked in basis, according to instruction from the previous plan's administrator. Please contact Janice Facey (jfacey@brocku.ca or ext. 3186) if you have questions regarding a transfer of funds into the Brock Plan from another registered pension plan.

Q: How do I change the beneficiary for my Pension benefit?

A: A revised Spouse and Beneficiary Designation form must be completed and returned to the Human Resources department. The Spouse and Beneficiary Designation form can be found on the pension web site under the "Pension Forms" heading.

Q: My spouse and I have separated and my lawyer has requested information related to my Brock pension benefit. What should I provide?

A: A written request for relevant pension information as at a specified marriage breakdown date must be given to Human Resources. You will be provided with information for your lawyer's reference. It is strongly recommended that both parties have independent legal counsel when considering the valuation or assignment of pension assets. Please contact Wanda Fast (wfast@brocku.ca or ext. 4898) if you have any questions concerning this.

Q: How is my pension calculated at pension commencement?

A: The Brock University Pension Plan is a hybrid pension plan, composed of both a Defined Contribution component (Money Purchase Pension) and a Defined Benefit component (Minimum Guaranteed Pension). At pension commencement, the Money Purchase Pension and Minimum Guaranteed Pension are calculated and the pensioner receives the greater of the two pension amounts. Both pension amounts are adjusted effective July 1st of every year and pensioners will receive the greater of the two amounts for the next 12 months. The letter that pensioners receive in September of every year provides the new Money Purchase Pension amount and the new Minimum Guaranteed Pension amount for that pension year.

Money Purchase Pension

Calculation at pension commencement

At pension commencement the starting Money Purchase Pension is calculated as the amount of pension that a member's Money Purchase Account (MPA) can purchase.

It is calculated as follows:

$$\frac{\text{Total Money Purchase Account Balance at Pension Commencement}}{\text{Annuity cost of \$1 annual lifetime pension}}$$

Example:

Member's age at pension commencement date:	65
MPA Balance at pension commencement date:	\$450,000
Annuity cost of \$1 annual lifetime pension:	10.8035
Annual pension	= \$450,000/10.8035
	= \$41,653.17 per year

The above pension is payable for the life of the member, with a guarantee that the pension payments will continue to be made for at least 5 years. If a member elects a different form of pension, the pension amount is actuarially adjusted according to the pension form elected by the member. (i.e. the amount of a Joint & Survivor Pension is less than that of a Life Pension, guaranteed 5 years). This pension, together with other money purchase pensions is paid from the variable annuity fund which must be self sustaining in total.

Minimum Guaranteed Pension

Calculation at pension commencement

At pension commencement the starting Minimum Guaranteed Pension is calculated as 1.7% of a member's 5 years of best average earnings multiplied by years of pensionable service, reduced by 1/35th of the CPP benefit for each year of pensionable service (service capped at 35 years), subject to Income Tax Act maximum pension limits in the year of pension commencement.

Example:

Age at retirement:	65
Date of retirement:	June 30, 2008
Best Average Earnings:	\$60,000
Pensionable Service:	30 years
Final Average YMPE:	\$42,460

Estimated CPP Pension: = 25% x \$42,460 = \$10,615

Annual pension = (.017 x \$60,000 x 30) – (\$10,615 x 30 x (1/35))
= \$21,501.43 per year

The above pension is payable for the life of the member, with a guarantee that the pension payments will continue to be made for at least 5 years. If a member elects a different form of pension, the pension amount is actuarially adjusted according to the pension form elected by the member. (i.e. the amount of a Joint & Survivor Pension is less than that of a Life Pension, guaranteed 5 years).

Q: How will my pension be adjusted after pension commencement?

A:

Money Purchase Pension - Annual adjustment

The Money Purchase Pension is adjusted annually, starting with the July 1st pension payment following pension commencement. The adjustment is based on the difference between the actual investment and mortality experience of the pension fund during the preceding Plan Year and the rate of return and mortality assumed in determining the monthly pension. The current fund rate of return assumption is 6%. As such, before taking into account any mortality gains or losses, the pension fund must earn 6% to maintain a constant pension. As a result of this adjustment, the Money Purchase Pension can increase or decrease in a given year.

Below is a chart showing fund rates of return and Money Purchase Pension adjustments for the last 15 Plan years:

Pension Plan Year Ending	Fund Rate of Return for Plan Year %	Adjustment to Pensioner's Money Purchase Pension %
June 30, 1997	18.34	5.23
June 30, 1998	13.57	5.31
June 30, 1999	4.07	-1.90
June 30, 2000	22.83	16.80
June 30, 2001	-9.85	-15.57
June 30, 2002	-1.77	-8.20
June 30, 2003	2.54	-4.97
June 30, 2004	13.58	7.32
June 30, 2005	10.90	4.41
June 30, 2006	5.37	-1.34
June 30, 2007	14.88	7.31
June 30, 2008	-1.76	-7.41
June 30, 2009	-15.21	-21.79
June 30, 2010	7.51	-1.05
June 30, 2011	12.59	3.27

Minimum Guaranteed Pension - Annual adjustment

The Minimum Guaranteed pension is adjusted annually, starting with the July 1st pension payment following pension commencement by the Consumer Price Index to a maximum of 2.0%, cumulative from retirement date.

Below is a chart showing Consumer Price Index values for the last 15 Plan years:

Pension Plan Year Ending	Consumer Price Index %
June 30,1997	1.69
June 30,1998	1.02
June 30,1999	1.83
June 30, 2000	2.97
June 30, 2001	3.04
June 30, 2002	1.66
June 30, 2003	3.35
June 30, 2004	1.71
June 30, 2005	2.07
June 30, 2006	2.47
June 30, 2007	1.76
June 30, 2008	2.16
June 30, 2009	1.65
June 30, 2010	0.75
June 30, 2011	2.51

Q: What is the current investment structure of the fund and who are the fund managers?

A: As communicated to all Plan members in June of 2008 the Pension Committee concluded a thorough review of the Plan's investment structure, which resulted in the Pension Committee recommending, and the Board of Trustees approving, the following investment structure:

Asset Class	Percentage	Fund Manager
Fixed Income	40	AllianceBernstein (New York)
Canadian Equity	12	Mawer (Calgary)
Global Equity	48	(1/3) Aberdeen Asset Management (Edinburgh) (1/3) Acadian Asset Management (Boston) (1/3) Walter Scott & Partners (Edinburgh)

The fund is well diversified and invested according to the Plan's Statement of Investment Policies and Procedures by professional fund managers. Through the market turmoil, the managers are committed to "staying the course" with their investment strategies and

processes. The portfolios are positioned for the long-term and pulling out of investments would mean realizing losses.

Q: Who monitors the performance of the fund?

A: The Pension Committee, as part of its mandate, has responsibility to monitor fund performance. Pension Committee members are very diligent on behalf of pension plan members in their governance responsibilities regarding the Pension Plan. The Pension Committee regularly monitors the performance of the Plan against benchmarks. They will examine reasons why managers do not meet benchmarks and take steps to understand how the fund managers are positioning themselves for the future. This includes reviewing and analyzing fund reports and meeting with fund managers as necessary. The Plan's investment consultant prepares a very detailed performance analysis bi-annually and a performance brief for quarters in-between the bi-annual reports. The Financial Planning, Audit and Human Resources Committee of the University's Board of Trustees is also kept apprised of the fund's performance, briefed on the impact of market conditions and receive reports as necessary. A performance report is also presented to Plan members at the annual pension meeting each year.