

# Pension Plan summary

## Introduction

The Memorial University Pension Plan was established under the Revised Statutes of Newfoundland, 1950, Chapter 110, and is governed by the [Memorial University Pensions Act](#). The Plan is a defined-benefit plan for which the Board of Regents is Trustee. The Plan is administered by the Department of Human Resources.

The majority of employees at the University are participants in the Memorial University Pension Plan. Currently, there are approximately 3,900 employees participating in the Plan and just over 2,060 retirees and survivor beneficiaries receiving monthly pension benefits.

Retirement pensions are based on employees' years of pensionable service and their best five-year average pensionable salary. The Plan is integrated with the Canada Pension Plan (CPP) and pensions include an additional "bridge benefit" payable to age 65, the age at which CPP pensions normally start. At age 65, the bridge benefit ends and the remaining lifetime retirement pension is indexed annually.

Contributions to the Plan are lower on earnings considered to be contributory earnings under the CPP. Contributions deducted from employees, together with amounts contributed by the University, are paid into the Memorial University Pension Fund for investment.

The following is a summary of the main provisions of the Plan and is not intended to create or confer any rights to benefits. The information which follows is subject to the provisions of the *Memorial University Pensions Act*, and other applicable legislation.

## Definitions

**Actuarial Reduction** means a reduction in a pension benefit that is applied to offset the cost of certain early retirements.

**Average Pensionable Salary** means the average of the best 5 years annual salary calculated as at the date of retirement. The average is determined by comparing the basic annual salary in effect on the day and month of retirement with the salaries in effect on the same day in each of the previous years of employment and choosing the highest five.

**Average CPP Contributory Earnings** means the average of contributory earnings under the Canada Pension Plan calculated with reference to the same 5 year period used to calculate average pensionable salary.

**Cohabiting Partner**

- i) in relation to an employee who has a spouse, means a person who is not the spouse who has cohabited continuously with the employee in a conjugal relationship for not less than 3 years;
- ii) in relation to an employee who does not have a spouse, means a person who has cohabited continuously with the employee in a conjugal relationship for not less than one year, and is cohabiting or has cohabited with the employee within the preceding year.

**Commuted Value** means the present value of a future retirement pension.

**Consumer Price Index (CPI)** is an indicator of changes in consumer prices experienced by Canadians. It is obtained by comparing through time, the cost of a fixed basket of commodities purchased by consumers.

**Indexation** is an annual process in which pensions may increase in accordance with some part of the previous year's increase in the Consumer Price Index (CPI).

**Locked-in** means that a pension benefit cannot be refunded as a lump sum cash payment but rather must be used to provide a retirement income payable for life. This does not mean that the funds must remain in the pension plan. They may, in certain circumstances, be transferred to a locked-in retirement account; an insurance company to purchase a deferred life annuity or to another pension plan if that plan is willing to accept the transfer.

**Locked-in Retirement Account** means a registered retirement savings account (RRSP) that is designed to accept locked-in pension funds.

**Normal Retirement Age** means sixty-five years of age, however, this does not mean that employees must retire. Memorial University does not impose mandatory retirement.

**Pensionable Service** means service which may be taken into account in determining an employee's pension benefit.

**Principal Beneficiary** means the spouse of an employee, or where the employee has a cohabiting partner, the employee's cohabiting partner.

**Spouse** means a person who

- i) is married to the employee;
- ii) is married to the employee by a marriage that is voidable and has not been voided by a judgment of nullity, or
- iii) has gone through a form of a marriage with the employee, in good faith, that is void and is cohabiting or has cohabited with the employee within the preceding year.

**Vesting** means that an employee's right to receive a pension benefit upon reaching retirement age is no longer dependent upon remaining in the service of Memorial University.

**YMPE** is the year's maximum pensionable earnings under the Canada Pension Plan. The YMPE is the ceiling upon which CPP benefits are based. It changes annually and is set at the beginning of each calendar year.

**YBE** is the year's basic exemption under the Canada Pension Plan. The YBE is the portion of earnings upon which no CPP contributions are required.

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## Plan provisions

### Plan membership

Participation is compulsory for all full-time permanent employees of Memorial University of Newfoundland and the Memorial University Recreation Complex. Contractual employees are required to participate in the pension plan on the earlier of the effective date of appointment to a contractual position of at least six months duration to work at least 20 hours per week or, the effective date of completion of six months continuous employment of at least 20 hours per week. Further information regarding contractual employees' participation in the pension plan may be found in the [Policy and Conditions Governing Participation of Contractual Employees in the Memorial University of Newfoundland Pension Plan](#)

### Contributions

Contributions to the Plan are integrated with contributions made to the Canada Pension Plan. Employees are required to contribute according to the following schedule:

- 11.4% of earnings up to the Year's Basic Exemption (YBE) as defined under the Canada Pension Plan.
- 9.6% of earnings in excess of the YBE up to and including the Year's Maximum Pensionable Earnings (YMPE) as defined under the Canada Pension Plan.
- 11.4% of earnings in excess of the YMPE.

These amounts are currently matched by the University.

Employee contributions are limited to the annual maximum permitted under the Income Tax Act (Canada).

### Eligible service

The Memorial University Pensions Act specifies the periods of service which are considered eligible for pension purposes. The following is a brief summary of the types of eligible service:

- service performed as an employee of the University
- periods of eligible prior contractual service for which no contributions were previously made
- periods of up to two years while an employee is on an approved leave of absence
- periods while an employee is on disability leave

- prior pensionable service with any of the following public service pension plans may be transferred to the University Pension Plan under a portability arrangement, provided the employee has not received a refund of premiums from that plan
  - Public Service Pension Plan (PSPP)
  - Teacher's Pension Plan (TPP)
  - Uniformed Services Pension Plan (USPP)
  - Members of the House of Assembly Pension Plan (MHAPP)
- certain prior pensionable service with the Government of Newfoundland and Labrador which was previously refunded and for which an employee retains no benefit from Government
- periods of service transferred to the University from another employer with whom the University has a reciprocal transfer agreement
- war service in Her Majesty's Forces accredited by the Department of Veterans Affairs
- periods of service transferred to the University from another Registered Pension Plan

## Vesting and locking-in

### Benefits earned prior to January 1, 1997

Employees are vested with respect to benefits earned prior to January 1, 1997 upon completion of 5 years of pensionable service.

Locking-in occurs, in respect of service performed from January 1, 1987 to December 31, 1996, upon attainment of 45 years of age and completion of 10 years continuous employment or plan membership. There are no locking-in restrictions imposed for pre-1987 service.

### Benefits earned after December 31, 1996

Benefits earned after December 31, 1996 are vested and locked-in upon completion of two years continuous plan membership.

## Retirement dates

Normal retirement under the pension plan is at age 65, however this does not mean that employees must retire. Memorial University does not impose mandatory retirement.

Early retirement is permitted at any time following attainment of age 55, provided that minimum vesting requirements are met.

Unreduced early retirement:

- anytime after age 60 provided minimum vesting requirements are met
- between the ages of 55 and 60 with at least 30 years of credited service

Reduced early retirement

- between the ages of 55 and 60 with fewer than 30 years of credited service. The retirement pension is subject to an actuarial reduction of 0.5% per month times the number of months from the pension commencement date to first of the month following age 60.

Advanced retirement is permitted between the ages of 50 and 55 with at least 30 years of credited service. The retirement pension is subject to an actuarial reduction of 0.5% per month times the number of months from the pension commencement date to first of the month following age 55.

**Pension calculation**

Pensions are calculated as 2% of the best 5-year average pensionable salary times number of years of pensionable service. This calculation includes a "bridge benefit" payable to age 65, the age at which pensions from the Canada Pension Plan (CPP) would normally start.

The bridge benefit is calculated as 0.6% times average contributory earnings under CPP, times the number of years of pensionable service credited while also a member of the Canada Pension Plan. Average contributory earnings under CPP are based upon the same 5 years as the best 5-year average pensionable salary.

At age 65, the bridge benefit ends and the remaining lifetime retirement pension is indexed annually. The amount of indexing will be calculated as 60% of the annual change in the Consumer Price Index (CPI) as measured by Statistics Canada, to a maximum pension increase of 1.2% annually. Indexing adjustments will occur in July of each year and will apply only to the benefits of retirees and survivor beneficiaries who have reached the age of 65, on or before July 1 of that year.

**Formula:**

$$\begin{aligned} & 2\% \times \text{best 5-year average pensionable salary} \\ & \times \\ & \text{number of years of pensionable service} \\ & \text{(includes bridge benefit to age 65)} \end{aligned}$$

**Less, at age 65**

Bridge benefit

$$\begin{aligned} & 0.6\% \text{ times average contributory earnings under CPP} \\ & \times \\ & \text{number of years of pensionable service credited while a member of CPP} \end{aligned}$$

(See [Memorial Pension Plan FAQ's](#))

## Maximum pension

Pensions payable from the Memorial University Pension Plan are subject to the maximum pension limits provided under the Income Tax Act (Canada). For 2017, the maximum lifetime retirement pension is limited to \$2,914.44 per year of pensionable service. To address situations where the defined benefit pension formula results in a lifetime retirement pension greater than this maximum, the University has established a Supplemental Retirement Income Plan to pay the difference. The supplemental plan is a separate non-contributory, non-funded and non-indexed arrangement designed to ensure that the overall pensions of Memorial University employees are not limited by the maximum pension rule. This is consistent with other Public Sector Pension Plans within the Province of Newfoundland and Labrador

## Survivor benefits

### Pre-retirement death benefit

Where an employee, who is not vested, dies, a refund of his or her contributions plus interest will be paid to his or her surviving principal beneficiary. If there is no surviving principal beneficiary, the refund will be paid to the guardian of any dependent children under the age of 18 years. If there is no surviving principal beneficiary and no dependent children, the funds will be paid to the deceased employee's estate.

Where an employee, who is vested, dies, the following will apply:

- i) If vested in respect of service performed after December 31, 1996 but not vested in respect of pre-1997 service, a refund of pre-1997 contributions plus interest will be paid as described above. For service performed after December 31, 1996, the Plan provides a 60% survivor's allowance payable to the surviving principal beneficiary.
- ii) If vested in respect of all service a survivor's allowance equal to 60% of the pension earned by the employee may be paid to the surviving principal beneficiary. Upon the death of a surviving principal beneficiary, the survivor's allowance may be paid to the guardian of any dependent children under the age of 18. If there is no surviving principal beneficiary, the pension plan will pay to the deceased employee's estate a death benefit equal to the commuted value of post 1996 service plus contributions and interest in respect of a pre-1997 service.

### Post-Retirement Death Benefit

Where an employee dies while in receipt of a pension, a survivor's allowance equal to 60% of the pension that was being paid to the employee at the date of his or her death will be paid to the surviving principal beneficiary or dependent children, if applicable.

The age limit for dependent children is increased to 24 while the child is in full-time attendance at a school or post-secondary institution.

### Termination benefits

Employees who leave the University before retirement may:

- i) where vested, elect to receive a deferred pension, payable at age 55 with at least 30 years of credited service, or at age 60 with less than 30 years of credited service;
- ii) elect to receive a lump sum refund of non-locked funds and a transfer out of the plan in respect of locked-in funds; or
- iii) elect to transfer, on a locked-in basis, the commuted value of the entire benefit to a locked-in retirement account, an insurance company to purchase a deferred life annuity or another pension plan, if that plan permits.

For additional information, please contact:

**Benefits and Pensions Office**  
**Memorial University of Newfoundland**  
**Department of Human Resources**  
**4th Floor Arts and Administration Building**  
**St. John's, Newfoundland**  
**A1C 5S7**  
**Tel: (709) 864-2745**