Memorial University Pension Plan
Plan Summary

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 Pension Services, Office of the AVP (Finance) and CFO.

The majority of employees at the University are participants in the Memorial University Pension Plan. Currently, there are over 3,600 employees participating in the Plan and almost 2,900 retirees and beneficiaries receiving monthly pension benefits.

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 pension is indexed annually.

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

Average Pensionable Salary means the average of the best five 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 and month 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 five-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 lump sum present value of a future retirement pension.

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

Early Retirement Reduction means a reduction in a pension benefit that is applied to offset the cost of starting a pension early (i.e., prior to the unreduced retirement date).

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. As required under the provincial *Pension Benefits Act, 1997*, 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 (LIRA) means a registered retirement savings account (RRSP) that is designed to accept Locked-in pension funds in accordance with the provincial *Pension Benefits Act, 1997*.

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 considered 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.

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 Directive Number 2012-5 – Participation of Contractual Employees in the Pension Plan.

Contributions

Contributions deducted from employees, together with amounts contributed by the University, are paid into the Memorial University Pension Fund for investment.

Contributions to the pension plan are integrated with contributions made to the Canada Pension Plan (CPP). Contributions to the pension plan are lower on earnings considered to be contributory earnings under the CPP.

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 Pensionable Service:

- service performed as an employee of the University
- periods of eligible prior contractual service for which no contributions were previously made
- prior service refunded from the Pension Plan
- periods while an employee is on an approved leave of absence, subject to certain limits
- periods of sabbatical leave
- periods while in receipt of benefits from the University's long-term disability plan
- prior pensionable service with certain public sector pension plans may be transferred to the Pension Plan under a portability arrangement, provided the employee has not received a refund of premiums from that plan
    - Uniformed Services Pension Plan (USPP)
    - Members of the House of Assembly Pension Plan (MHAPP)
- periods of service may be transferred to the Pension Plan directly from another Registered Pension Plan, including other public sector pension plans such as the
    - Public Service Pension Plan (PSPP)
    - Teacher's Pension Plan (TPP)
    - Provincial Court Judges' Pension Plan (PCJPP)
- 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

Vesting and Locking-in

<u>Benefits earned prior to January 1, 1997</u>
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.

<u>Benefits earned after December 31, 1996</u>
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.

<u>Unreduced early retirement means:</u>

- anytime after age 60 provided minimum vesting requirements are met; or
- between the ages of 55 and 60 with at least 30 years of Pensionable Service.

<u>Reduced early retirement means:</u>

- between the ages of 55 and 60 with at least 2 years but fewer than 30 years of Pensionable Service. The retirement pension is subject to an Early Retirement Reduction of 0.5% per month times the number of months from the pension commencement date to first of the month following, or coincident with, age 60.

<u>Advanced retirement means:</u>

- between the ages of 50 and 55 with at least 30 years of Pensionable Service. The retirement pension is subject to an Early retirement Reduction of 0.5% per month times the number of months from the pension commencement date to first of the month following, or coincident with, age 55.

Pension calculation

Pensions are calculated as 2% of the Average Pensionable Salary times the 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 per the formula below with the Average CPP Contributory Earnings being based upon the same 5 years as the Average Pensionable Salary.

At age 65, the bridge benefit ends and the remaining lifetime pension receives annual Indexation. The amount of Indexation is calculated as 60% of the annual change in the Consumer Price Index (CPI), to a maximum increase of 1.2% annually. Indexation will occur in July of each year and will apply only to the benefits of retirees and surviving Principal Beneficiaries who have reached the age of 65, on or before July 1 of that year.

<u>Pension Formula</u>		**<u>Bridge Benefit</u>**
2%* X Average Pensionable Salary X Years of Pensionable Service	**Less, at age 65** →	0.6% X Average CPP Contributory Earnings X Years of Pensionable Service

* Accrual rate is reduced to 1.2% for 1993/94 unless purchased.

Maximum pension

Pensions payable from the Pension Plan are subject to the maximum pension limits provided under the *Income Tax Act (Canada)*. For 2025, the maximum lifetime retirement pension is limited to $3,756.67 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 Retirement Income 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 Income Tax Act maximum pension limits. This is consistent with other public sector pension plans within the Province of Newfoundland and Labrador.

Principal Beneficiary Benefits

<u>Pre-retirement death benefit</u>

Where an employee, who is not vested, dies, a refund of his or her contributions plus interest will be paid to his or her Principal Beneficiary. If there is no Principal Beneficiary, the refund will be paid to the guardian of any dependent children under the age of 18 years. If there is no 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 Pension Plan provides a 60% allowance payable to the Principal Beneficiary.

ii. If vested in respect of all service an allowance equal to 60% of the pension earned by the employee may be paid to the Principal Beneficiary. Upon the death of a Principal Beneficiary, the allowance may be paid to the guardian of any dependent children under the age of 18. If there is no 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 pre-1997 service.

<u>Post-retirement death benefit</u>

Where an employee dies while in receipt of a pension, an allowance equal to 60% of the pension that was being paid to the employee at the date of their death will be paid to the 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 being vested (i.e., before becoming entitled to a pension) may withdraw their own contributions to the Pension Plan plus interest. This can be either paid as a lump-sum cash payment, with applicable tax deducted at source, or as a transfer – on a tax-sheltered basis – to a personal Registered Retirement Savings Plan (RRSP).

Employees who are vested (i.e., entitled to a pension) and who leave the University before retirement may:

i elect to receive a deferred pension payable on or after their earliest eligible retirement date; or

ii **if less than age 55**, elect to transfer, on a Locked-in basis*, the Commuted Value of their 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.

* Subject to the Locking-in rules under provincial pension legislation, all, or a portion, of the Commuted Value may be eligible for unlocking in which case the unlocked portion can also be paid as a cash, with applicable tax deducted at source, or transferred – on a tax-sheltered basis – to a personal RRSP.

For further information click here: https://www.mun.ca/finance/pension-services/

All inquiries should be directed to pensions@mun.ca