

## **Under what authority does the Memorial University Pension Plan operate?**

The Memorial University Pension Plan is a legislated public sector pension plan that operates under the authority of the *Memorial University Pensions Act*. It is also subject to the *Pension Benefits Act, 1997*, (Newfoundland) which governs pension plans registered in this province, and provisions of the *Income Tax Act* (Canada) governing registered pension plans. The Board of Regents is trustee of the Plan and it is administered by the Department of Human Resources.

## **What type of pension plan is it?**

It is a "defined benefit" plan which means that employees' retirement pensions are calculated according to a pre-determined pension formula specified in the Plan provisions. This type of plan differs from a "defined contribution or money purchase" pension plan whereby an individual's retirement benefits are dependent on the amount of contributions and investment income accumulated in the individual's account at the time of retirement.

## **Who participates in the pension plan?**

Employees appointed to full-time University positions are required to become members of the Memorial University Pension Plan. 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.

## **How can I obtain information relating to my pension investment?**

Employees can access information relating to their pension by logging onto [my.mun.ca](http://my.mun.ca). Under the "Employees" tab in the "Employee Self Service" box you will find a link to Memorial Pension Information and Tools. From this site you can access your annual pension statement, which provides a summary of your personal situation in the Pension Plan on December 31 of each year. The site also provides a link to a pension projection tool, which allows you to estimate your pension payable from the Plan at various retirement ages.

## My spouse is not listed on my pension statement, how can I change this?

You may update your marital information by completing the form found at the link below and sending via internal mail to Pensions and Benefits, Department of Human Resources or via email to myhr@mun.ca.

[https://www.mun.ca/hr/media/production/memorial/administrative/human-resources/media-library/services/benefits/Adjustment\\_Form.pdf](https://www.mun.ca/hr/media/production/memorial/administrative/human-resources/media-library/services/benefits/Adjustment_Form.pdf)

Identifying a spouse at this stage is optional and will not impact your pension entitlement or that of your principal beneficiary upon your death. Benefits payable to principal beneficiaries are determined at the date of death and will be payable to the principal beneficiary at that time, if there is one.

## How is my best five-year average pensionable salary calculated?

An employee's best five-year average pensionable salary is determined by comparing the basic annual salary in effect on the day and month of retirement (the "spot date") with the salaries in effect on the same day in each of the previous years of employment and choosing the highest five.

Example: Jayne has decided to retire on August 31, 2024. Her best five year-average pensionable salary is keyed off her retirement date and is arrived at by comparing her basic annual pensionable salary in effect on the spot date in each year of her career at Memorial, as follows:

Year/Month/Day "Spot Date"	Basic Annual Salary (including admin stipend/temp assign >1 yr/supervisory diff/market) (\$)	Included in Average
August 31, 2024	62,000	Yes
August 31, 2023	61,500	Yes
August 31, 2022	60,800	Yes
August 31, 2021	57,800	
August 31, 2020	56,500	
August 31, 2019	56,500	
August 31, 2018	54,300	
August 31, 2017	54,000	
August 31, 2016	60,900	Yes
August 31, 2015	59,800	Yes
August 31, 2014	53,300	
Etc.		

And, Jayne's five-year average salary for pension purposes is:  
(62,000 + 61,500 + 60,800 + 60,900 + 59,800) divided by 5 = \$61,000

## How much are employees required to contribute to the pension plan?

Employees' contributions to the Memorial University Pension Plan are integrated with contributions to the Canada Pension Plan (CPP) according to the following schedule:

- 11.4% of earnings up to and including the Year's Basic Exemption (YBE) as defined under the CPP. The YBE is the portion of earnings upon which no CPP contributions are required. The YBE for 2024 is \$3,500.
- 9.6% of earnings in excess of the YBE up to and including the Year's Maximum Pensionable Earnings (YMPE) under the CPP. The YMPE is the ceiling upon which CPP contributions and benefits are based. The YMPE for 2024 is \$68,500.
- 11.4% of earnings in excess of the YMPE.

Example: Annual salary \$75,000

		11.4% x \$ 3,500	\$ 399.00
YMPE	\$68,500	9.6% x \$65,000	6,240.00
YBE	\$3,500	11.4% x \$ 6,500	<u>741.00</u>
		MUN Pension	<u>\$ 7,380.00</u>

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

You may not contribute additional funds in excess of your required contributions.

## Is there a maximum number of years' pensionable service?

No, as long as people continue to be employed in a pensionable position at the University, they are required to contribute to the pension plan, subject to the pension commencement rules set out in the Income Tax Act (Canada). These rules stipulate that active pension plan participation cease and pension payments commence no later than December 31 of the year that a plan member reaches the age of 71. For Memorial employees, active pension plan participation will end on November 30 of the calendar year in which they reach the age of 71 and the first pension payment will be paid effective December 1 of that same calendar year. Pension payments are made on or about the 15th of every month. The pension commencement rules do not mean that you must stop working when your pension starts. They simply mean that your pension must start and that active participation as a contributing member must end.

Prior to January 1997 pensionable service accrual was limited to 35 years.

## **Does the University also contribute to the Memorial University Pension Plan?**

Yes, the University matches employee contributions. In addition, the University is required to contribute additional amounts under pension standards legislation to pay off unfunded liabilities in respect of pension benefits already earned by plan members. Employee contributions and those made by the University are paid into the Memorial University Pension Fund for investment.

## **What qualifies as eligible pensionable service under the Memorial University Pension Plan?**

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:

- Current service performed as a permanent employee;
- current contractual service where the initial contract is for a minimum duration of six months to work a minimum of 20 hours per week;
- current contractual service, on a go-forward basis, upon reaching six months of continuous employment of at least 20 hours per week;
- prior refunded university service;
- periods of eligible prior contractual service for which no contributions were previously made;
- periods of up to five years while on an approved leave of absence or period of reduced pay, plus an additional three years in respect of periods of parenting;
- periods of sabbatical leave;
- periods while in receipt of benefits from the university's long term disability plan;
- prior pensionable service transferred under the Portability of Pensions Act from any of the following Newfoundland public sector plans:
  - Public Service Pension Plan
  - Teachers' Pension Plan
  - Uniformed Services Pension Plan
  - Members of the House of Assembly Pension Plan
- certain prior refunded pensionable service performed with an employer participating in the Public Service Pension Plan or the Teachers' Pension Plan;
- periods of service transferred under a reciprocal transfer agreement with the Government of Canada;
- eligible war service during World War I, World War II, or the Korean Conflict;
- prior service transferred directly from another employer's registered pension plan.

## What do the terms vesting and locking-in mean?

The terms vesting and locking-in go hand in hand with respect to entitlement to pension benefits. 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.

Locking-in means that the accrued pension benefit cannot be refunded as a lump sum cash payment upon termination of employment -- it must be used to provide a retirement income payable for life. This does not necessarily mean, however, that locked-in funds have to remain in the Memorial University Pension Plan. Subject to certain restrictions, locked-in funds may be transferred -- upon termination of employment -- to a locked-in retirement account (locked-in RRSP), another employer willing to accept the transfer or to an insurance company to purchase a deferred life annuity.

## When do vesting and locking-in occur?

Employees are vested with respect to benefits earned prior to 1 January 1997 upon completion of five years of pensionable service. Locking-in occurs in respect of service performed between January 1, 1987 to December 31, 1996, upon attainment of 45 years of age and completion of ten years continuous employment or plan membership. There are no locking-in restrictions imposed for lump sum cash payments in respect of pre-1987 employee contributions. Benefits earned after December 31, 1996 are vested and locked-in upon completion of two years continuous plan membership.

### Example:

Current Date:	31 March 2024
Plan Entry:	1 January 2021
Total Service:	3 years, 3 months
	vested and locked-in service - 2 years, 3 months (post-1996)

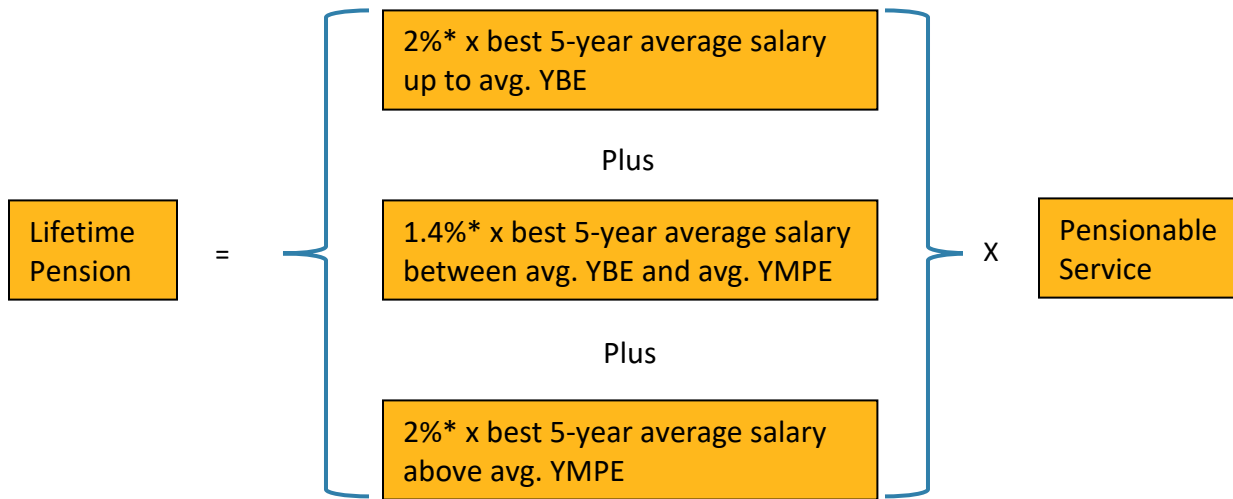
## What is the normal retirement age under the Memorial University Pension Plan?

The normal retirement age is defined to be age 65. This does not mean that employees must retire upon reaching their normal retirement age; mandatory retirement ended at Memorial University in 2007. Employees must, however, begin their pensions by December 31 of the calendar year in which they reach the age of 71, in accordance with the Income Tax Act (Canada).

## How will my retirement pension be calculated?

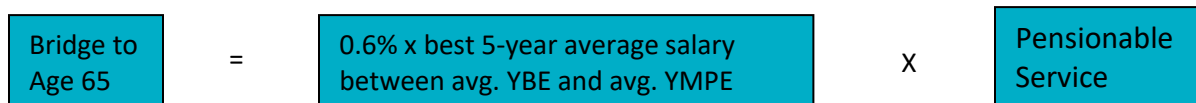
Retirement benefits are calculated in accordance with a pre-determined formula, based upon pensionable salary and years of pensionable service. Pensions are integrated with benefits received under the Canada Pension Plan (CPP) and as such include a bridge benefit, payable to age 65.

### Pension Calculation



\*accrual rate reduced by 0.8% to 1.2% /0.6% for 1993/94 (unless purchased)

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- Pension subject to Canada Revenue Agency maximum (2024: \$3,610.00 per year of service)
- Indexed from age 65 (60% of CPI to max. of 1.2% annually)

**YMPE** the ceiling upon which CPP contributions and benefits are based.  
The YMPE for 2024 is \$68,500

**YBE** the portion of earnings upon which no CPP contributions are required.  
The YBE for 2024 is \$3,500

## What are the options for early retirement?

Advanced Retirement	>between the ages of 50 and 55 with at least 30 years of pensionable service. The pension is subject to a lifetime actuarial reduction of 0.5% per months times the number of months between pension commencement and age 55.
Unreduced Early Retirement	>between the ages of 55 and 60 with at least 30 years of pensionable service or any time after age 60 with at least two years of pensionable service.
Reduced Early Retirement	>between the ages of 55 and 60 with a minimum of two years but less than 30 years of pensionable service. The pension is subject to a lifetime actuarial reduction of 0.5% per months times the number of months between pension commencement and age 60.

## How is my pension calculated if I retire early?

A further factor in the pension calculation is an actuarial reduction which is applied when employees choose **early retirement** between the ages of 55 and 60 with fewer than 30 years of pensionable service. In such cases, the pension calculation is subject to a lifetime actuarial reduction of 0.5% per month times the number of months between pension commencement and age 60. There is no actuarial reduction in respect of retirements which occur at age 60 or later or between the ages of 55 and 60 with 30 or more years of pensionable service.

For employees who choose **advanced retirement** available between the ages of 50 and 55, with at least 30 years of pensionable service, a lifetime actuarial reduction of 0.5% per month times the number of months between pension commencement and age 55 is applied.

### Example 1: Unreduced Early Retirement

Jayne decides to retire at age 60 on August 31, 2024, with 32 years of pensionable service at Memorial University. Her best five-year average salary is \$51,975 and her average CPP contributory earnings for the same five-year period is \$48,439. She purchased the accrual top-up in respect of the 1993/94 fiscal year when the University reduced its contributions to the pension plan (so all years of service are at a 2% accrual rate). Jayne's retirement pension under the Memorial University Pension Plan would be:

Annual pension at age 60:

2.0% x 3,500 x 32	\$ 2,240	
1.4% x 48,439 x 32	21,700	
2.0% x (51,975 – 48,439 – 3,500) x 32	<u>3,536</u>	
	27,476	
Plus bridge to 65: 0.6% x 48,439 x 32	<u>9,300</u>	
Annual lifetime pension at age 60		36,776
Less Bridge at age 65	<u>- 9,300</u>	
Net lifetime pension from age 65		<u>\$ 27,476</u>

### Example 2: Reduced Early Retirement

Michael chooses to retire early at age 56 on December 31, 2024 with 26 years and 9 months of pensionable service. His best five-year average salary is \$72,984 and his average CPP contributory earnings for the same five-year period is \$49,632. Michael did not purchase the accrual top-up in respect of the 1993/94 fiscal year and his pension will be subject to a 0.8% reduction in the accrual rate for that year. Michael's retirement pension under the Memorial University Pension Plan would be:

2.0% x 3,500 x 25.75	\$ 1,803	
1.4% x 49,632 x 25.75	17,795	
2.0% x (72,984 – 49,632 - 3,500) x 25.75	10,223	
1.2% x 3,500 x 1	42	
0.6% x 49,632 x 1	297	
1.2% x (72,984 – 49,632 – 3,500) x 1	<u>238</u>	
	30,398	
Plus bridge to 65: 0.6% x 49,632 x 26.75	<u>7,965</u>	
	38,363	
Less early retirement reduction		
0.5% x 48 months x 38,363	<u>- 9,207</u>	
Annual lifetime pension at age 56		29,156
Less Bridge at age 65	<u>- 7,965</u>	
Net lifetime pension from age 65		<u>\$ 21,191</u>

(figures rounded for illustration purposes)



## How is Indexation calculated?

The amount of the indexing benefit 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 principal beneficiaries who have reached the age of 65, on or before July 1 of that year. If the cost of living, as reflected by the CPI, decreases in any particular year, pension amounts will remain the same - they will not decrease.

### Indexing Example:

Current annual pension / principal beneficiary benefit	\$ 25,500
Plus indexing adjustment (1.2% increase – July 1, 2023)	<u>306</u>
Revised annual pension / principal beneficiary benefit	<u>\$ 25,806</u>

## If I leave the University before retirement, what happens to my pension?

That depends on your entitlement to pension benefits at the time of your termination of employment -- that is, your vesting and locking-in status. If you were to leave the University before becoming entitled to a pension from the Memorial University Pension Plan, you would be entitled to withdraw your own contributions to the Plan plus interest. You may choose to receive your refund as either a lump-sum cash payment, with applicable tax deducted at source, or as a transfer -- on a tax-sheltered basis -- to your personal registered retirement savings plan (RRSP). If, however, you were to terminate employment with the University after becoming entitled to a pension, you may elect either of the following options:

- i) a deferred pension payable at your earliest eligible retirement date;
- ii) subject to the locking-in provisions of applicable pension legislation, a cash refund/transfer of non-locked funds plus a transfer of the locked-in portion to an approved retirement savings arrangement; or
- iii) a transfer, on a locked-in basis, of the commuted value of the entire pension benefit to an approved retirement savings arrangement.

Approved retirement savings arrangements include locked-in retirement accounts (locked-in RRSPs), deferred life annuities offered by insurance companies and other employer's registered pension plans that are willing to accept commuted value transfers on a locked-in basis.

## What does the term "commuted value" mean?

The **commuted value** of an employee's pension benefit is an actuarially-determined amount that represents the present value of their future retirement pension. Calculations are only performed following a particular service event such as a retirement, termination of employment or death and in the event of marriage breakdown. Commuted values are very sensitive to the interest rates in effect at the time of calculation and will vary from one employee to another as they are calculated with reference to such individual characteristics as age, sex, amount of pension benefit earned and expected retirement date.

For further information click here: <https://www.mun.ca/hr/services/benefits/pension.php>

All other inquiries should be directed to [myhr@mun.ca](mailto:myhr@mun.ca)