Pension Plan for the Eligible Employees at the University of Saskatchewan (Research Pension Plan)

Contents

Introduction

A Defined Contribution Pension Plan works much like an investment account. You and the employer contribute equally to the account – then these contributions are invested. Your account value may fluctuate up or down, based on investment earnings.

The University of Saskatchewan Research Pension Plan is a Defined Contribution Pension Plan and is a key component of your retirement income. Government benefits and your personal savings will build on this foundation.

Personal savings:

- Personal Registered Retirement Savings Plans (RRSP)
- Additional savings (non-registered savings)

Government benefits:

- Canada Pension Plan
- Old Age Security

Eligibility

If you are a salaried full-time or part-time (50% of full time or greater) member of a Participating Employer and whose appointment is greater than six months, you are eligible to participate in the Plan provided that you are not an active participant in any other formal plan in effect at the University. You are required to join the Plan immediately once you become eligible.

If you are a Less than Full-time Continuous Employment employee in an eligible position (CUPE, ASPA, Faculty), you are eligible to participate in the Plan provided you have been employed for 24 continuous months and, in each of the two previous calendar years, have earned at least 35% of the Year's Maximum Pensionable Earnings. If you become eligible, your enrolment in the Plan is voluntary.

Enrolling in the Plan

To join the Plan, complete and sign the enrolment form and return it to either Human Resources or the Pensions Office (Financial Services). This will authorize the University to deduct contributions from your pay. Once you have enrolled, your contributions will continue as long as the Plan is in effect and you remain a member.

Contributions

- Academic equivalent:

  Both you and the University contribute to your Pension account. Each year, the total contribution is 17.0% of your Pensionable Earnings. The total contribution is shared equally by you and the University. You are required to pay your share of this cost, 8.5%, through payroll deductions.

Earnings are subject to a maximum of $154,294 in 2017 ($153,000 in 2016). The maximum earnings amount changes annually.

- Canadian Light Source Employees who are members of Communication, Energy and Paper Worker's Union, Local 609:

  Both you and the University contribute to your Pension account. Each year, the total contribution is 16.0% of your Pensionable Earnings. The total contribution is shared equally by you and the University. You are required to pay your share of this cost, 8.0%, through payroll deductions.

- Administrative equivalent:

  Both you and the University contribute to your Pension account. Each year, the total contribution is 13.64% of your Pensionable Earnings. The total contribution is shared equally by you and the University. You are required to pay your share of this cost, 6.82%, through payroll deductions.

- Support Research and Less than Full Time Employees:

  Both you and the University contribute to your Pension account. Each year, the total contribution is 13.64% of your Pensionable Earnings. The total contribution is shared equally by you and the University. You are required to pay your share of this cost, 6.82%, through payroll deductions.

Earnings are subject to a maximum of $145,722 in 2017 ($144,500 in 2016). The maximum earnings amount changes annually.

Other Contributions

You may also transfer your pension funds from your previous employer. If you choose a lump sum settlement upon leaving your previous employer's plan, you could transfer that sum to the transferred voluntary portion of the Research Pension Plan.

Investment Earnings

You may select how to allocate your Pension account amongst several fund choices as described below:

- Conservative Life Cycle Fund
- Balanced Life Cycle Fund
- Aggressive Life Cycle Fund
- Canadian Equity Fund
- U.S. Equity Fund
- International Equity Fund
- Fixed Income/Bond Fund
- Money Market Fund

Your Pension account will reflect the actual investment performance of the funds you choose.

Retirement Benefits

Three retirement dates are available to you:

1. **Normal Retirement**

- Academic and Administrative equivalent members – the June 30 on or following your 67th birthday.

- Support staff equivalent members, Canadian Light Source Employees who are members of Communication, Energy and Paper Worker's Union, Local 609, and Less than Full-time Continuous Employment members – the end of the month following your 65^{th} birthday.

2. **Early Retirement**

- Academic and Administrative equivalent members – the June 30 on or following your 55th birthday.

- Support staff equivalent members, Canadian Light Source Employees who are members of Communication, Energy and Paper Worker's Union, Local 609, and Less than Full-time Continuous Employment members – the end of the month following your 55^{th} birthday.

3. **Postponed Retirement**

- You are able to postpone your retirement and continue in regular employment after your normal retirement date. Your pension must commence by December 31 of the year in which you reach age 71.

The amount of retirement income you receive will depend on when you retire and how much you have accumulated in your Pension account.

Your account balance may comprise of:

- contributions made by you and the employer;
- investment income; and
- any lump sum transfer from another pension plan.

The accumulated amount in your Pension account will be used to provide an income when you retire.

Retirement Options

Using the balance in your Pension account, you can

- transfer to a <u>Prescribed Registered Retirement Income Fund</u> (RRIF) (to the U of S Group Retirement Fund or to a financial institution);
- transfer to a <u>Locked-in Retirement Account</u> (LIRA);
- buy a monthly lifetime pension (<u>Life Annuity</u>) from an insurance company; or
- leave your balance in the Plan to be transferred at a later date.

You must transfer your balance to a <u>Prescribed Registered Retirement Income Fund</u> or use it to purchase a <u>Life Annuity</u> before December 31 of the year in which you turn age 71.

Transfer to a Prescribed Registered Retirement Income Fund (RRIF)

Rather than using your Pension account balance to purchase an annuity, you can transfer your benefits to a <u>Prescribed RRIF</u>. A Prescribed RRIF allows you to keep your money invested and create your own payment schedule, but there is a minimum amount that must be withdrawn each year. There is no maximum withdrawal amount. Your <u>Spouse</u>, if you have one, must sign a release in order for you to transfer your benefits to a Prescribed RRIF.

Transfer to a Locked-In Retirement Account (LIRA)

You may transfer your pension plan benefit to a LIRA. A LIRA is an investment account in which you can keep your money invested. You cannot make withdrawals from your LIRA. You must transfer your LIRA to a Prescribed RRIF, or use it to purchase a <u>Life Annuity</u> before December 31 of the year in which you turn 71.

Buying a Life Annuity

A <u>Life Annuity</u> is a lifetime pension purchased through a contract with an insurance company. You receive monthly payments, the amount of which will depend on the type of annuity you select, the interest rates in effect when you sign the contract, and your age and your <u>Spouse</u>'s age when the annuity payments begin. The higher the interest rates and the older you are when payments begin, the higher the pension you will receive.

Leave Your Balance in the Plan

You may leave your balance in the Plan to be transferred at a later date. You must transfer your balance to a <u>Prescribed RRIF</u>, or use it to purchase a <u>Life Annuity</u> before December 31 of the year in which you turn 71.

Death Benefits

Before You Retire

In the event of your death before retirement, your designated beneficiary or your estate will receive a death benefit, which is the total value of your Pension account (employee and member contributions, plus investment earnings to the date of your death).

If You Do Not Have a Spouse

If you do not have a Spouse when you die, your designated Beneficiary or your estate will receive the death benefit as a lump sum payment, less applicable withholding taxes. Any tax resulting from an adjustment to the tax rate when income taxes are filed will be owed.

If You Have a Spouse

If you have a Spouse when you die, your Spouse is entitled to your death benefit, unless he or she has waived this right by completing a prescribed waiver form. Your Spouse can choose:

- a lump sum payment (less applicable withholding taxes);
- a transfer to a Registered Retirement Savings Plan (RRSP);
- a transfer to a Locked-in Retirement Account (LIRA);
- a transfer to a Prescribed Registered Retirement Income Fund (RRIF),if your spouse is over age 55;
- a transfer to an insurance company for the purchase of an immediate or deferred Life Annuity; or
- a transfer to another registered pension plan, provided the other plan permits such a transfer.

If your Spouse does not elect one of the above options within 365 days of receiving their option forms, the University may pay the amount as a lump sum payment to the Spouse.

After You Retire

In the event of your death after retirement, your Spouse or Beneficiary will receive the benefits based on the pension option you chose at retirement.

Termination Benefits

If you leave your employer before you are eligible to retire, you are entitled to the entire balance in your Pension account (member and employer contributions, plus investment earnings to the date you leave your employment). You can transfer your Pension account balance to:

- an insurance company to buy a monthly lifetime pension (Life Annuity) commencing anytime after age 55;
- a Locked-in Retirement Account (LIRA);

- ➢ the pension plan of your new employer if that plan permits such transfers; or
- ➢ leave your balance in the plan to be transferred at a later date.

Plan Factors

Authorized Leaves of Absence

Your membership in the Plan continues while you are on an authorized leave of absence. If you are on a paid leave, you must continue to make your required contributions, based on your equivalent full-time Pensionable Earnings at the time you left. If you are on an unpaid leave, you must make both your required contributions and the employer contributions should you choose to continue pension.

Contributions while Disabled

You are not required to contribute to the Plan if you are receiving Long-Term Disability (LTD) benefits from the University LTD Income Plan. While you are receiving LTD benefits, your contributions and the employer's will be continued by the employer up to the amounts that you and the employer would have made had you not been disabled, based on the salary level in effect when you became disabled and increased in accordance with the increases under the University's LTD Income Plan.

Tax Facts

Contributions	**Tax Implications**
Your Contributions	Tax-deductible. You get immediate tax savings each year.
Employer's Contributions	Tax-sheltered.
Interest Earned on Contributions	Tax-sheltered. You do not pay tax on the growth of your investment until you withdraw funds at retirement.
Transferred Contributions	Tax-sheltered.

Pension Payments	**Tax Implications**
Individual monthly payments	Taxable. Taxed when paid out of a Life Annuity.

RRSP	**Tax Implications**
RRSP Contributions	Tax-deferred. You get immediate tax savings.
RRSP Earnings	Tax-deferred. You do not pay tax on the growth of your investment until you withdraw funds at retirement.

RRSP Contribution Room	. . . .	Compared to a Defined Benefit plan, you will have greater RRSP room in an MPP.

Government Benefits		**Tax Implications**
CPP Benefits	. . . .	Taxable.
OAS Benefits	. . . .	If your taxable income exceeds a threshold level, you may be required to repay all or part of your OAS benefit when you file your income taxes.

Personal Savings

When planning a financial strategy, you need to consider all your sources of retirement income.

The University of Saskatchewan Research Pension Plan

➢ The foundation on which to build your retirement income – provides a pension based on contributions made by you and the employer and the investment income earned by these contributions.

Personal savings

➢ Personal Registered Retirement Savings Plans (RRSP)
➢ Additional savings (non-registered savings)
➢ Your home

Government benefits

➢ Canada Pension Plan
➢ Old Age Security

Your personal savings are a very important part of your financial program. Your savings can help make up the difference between what government benefits you will receive, what you will receive from the Plan and what you will need to meet your retirement income goals.

Your Registered Retirement Savings Plan (RRSP)

A personal Registered Retirement Savings Plan (RRSP) is one of the most popular ways to save for retirement. Even small amounts will go a long way toward creating a reserve of retirement funds.

Reasons for Contributing to an RRSP

Your RRSP contributions earn money on a tax-sheltered basis. This means you do not pay taxes until you take the funds out. If your contributions were in a bank account or an investment outside an RRSP (a non-registered investment), you would have to pay income taxes on any investment or dividend income and any capital appreciation you realize.

RRSPs provide you flexibility. Your personal RRSP has no withdrawal restrictions. You can withdraw your money at any time, but you will have to pay a withholding tax at the time you make the withdrawal. When you file your income tax, you will have to add the amount you have withdrawn from your RRSP to your income.

You can leave your money in your RRSP until December 31 of the year in which you turn age 71; you must then buy a Life Annuity or a Prescribed Registered Retirement Income Fund (RRIF). Your financial institution can help you with this purchase.

RRSP Contribution Limit

The amount you can contribute to your RRSP each year is affected by your membership in the Plan.

Pension Adjustment (PA)

Your Pension Adjustment (PA) is the deemed value of your pension based on Canada Revenue Agency rules. It affects how much personal Registered Retirement Savings Plan (RRSP) room you have. In each calendar year, your RRSP contribution room is 18% of your earned income in the previous year minus your PA up to the annual contribution limit.

Your PA is the total of the contributions made by you and the employer to the Research Pension Plan.

RRSP Contribution Room

For example, in 2017 your maximum allowable RRSP contribution room is equal to

unused contribution room you may have
PLUS
18% of your earned income in 2016 to a maximum of $25,370
LESS
your 2016 PA

RRSP Contribution Limits

The maximum amount you may contribute to an RRSP each year, as permitted by the *Income Tax Act*, is

2013	$23,820
2014	$24,270
2015	$24,930
2016	$25,370

Notice of Assessment

Your RRSP contribution room is shown on the Notice of Assessment that Canada Revenue Agency sends you every year. It shows

- the amount of your PA;
- your RRSP contribution room;
- any over-contributions you may have made; and
- any unused contribution room.

If you need more information about the RRSP contribution room you currently have, call your District Taxation Office or the T.I.P.S. 1–800 number in your area.

Government Benefits

Your benefits from the government are a third source of retirement income. You may be eligible to receive payments from two government-sponsored programs – the Canada Pension Plan (CPP) and Old Age Security (OAS).

You must apply to the government at least six months before you would like your benefits to begin. They do not start automatically.

Canada Pension Plan (CPP)

You will receive the maximum CPP payment if you worked a number of years and earned at least the Year's Maximum Pensionable Earnings (YMPE).

These are the current CPP rules:

If you start your pension between 60 and 65: The CPP reduces your pension amount by a set percentage for each month before age 65, calculated from the time you begin receiving your pension. In 2011, this percentage was equal to 0.5% per month, and will gradually increase to 0.6% per month in 2016. If you start receiving your pension in 2016, the maximum reduction is 36%, which applies if you start receiving your CPP pension on your 60th birthday. This adjustment is permanent–if you choose to start your pension before age 65, your reduced pension amount does not increase when you reach 65.

If you start your CPP retirement pension at age 65: You will get the full pension amount you are eligible to receive.

If you start your pension between 65 and 70: The CPP increases your pension amount by a set percentage for each month after age 65 and before age 70, calculated from the time you begin receiving your pension. In 2010, this percentage was equal to 0.5% per month, and will gradually increase to 0.7% per month in 2013. If you start receiving your pension in 2013, the maximum increase is 42%, which applies if you start receiving your CPP pension at age 70.

If you start your pension after age 70: If you delay starting your pension until after you turn 70, you will only receive the pension amount you would have received at age 70. There is no financial benefit in delaying receiving your pension after the age of 70.

If you die, your Spouse and children may be eligible for benefits. These benefits depend on their ages and the amount of contributions you have made.

Survivors' benefits include lump sum death benefits, a surviving Spouse pension, and orphan pensions.

CPP pensions are adjusted each year based on the change in the Consumer Price Index.

CPP benefits are taxable.

Old Age Security (OAS)

If you meet certain residence requirements, you will receive a monthly benefit from the Old Age Security (OAS) program.

These are the current OAS rules:

- Any person aged 65 years or older is entitled to the full OAS benefit after 40 years of residence in Canada.
- A partial benefit is payable after a minimum of 10 years of residence in Canada.
- The OAS benefit is adjusted quarterly to keep pace with changes in the Consumer Price Index.
- The OAS benefit is taxable.

If your annual net income is more than the established limit, you may be required to repay all or part of your OAS benefit when you file your income taxes.

Glossary

Beneficiary

The person you designate to receive death benefits from the Plan after you die.

Canada Revenue Agency Limits

The University of Saskatchewan Research Pension Plan is a Registered Pension Plan, governed by pension legislation and subject to the rules of *The Federal Income Tax Act*. As a result, there are limits to the amount you can contribute to the Plan. These limits are:

2013	$24,270
2014	$24,930
2015	$25,370
2016	$26,010
2017	$26,230

Canada Pension Plan (CPP)
The Canada Pension Plan is a federal government program based on earnings-related contributions. It is indexed annually based on the change in the Consumer Price Index. Benefits start when you reach age 65 but may begin as early as age 60. CPP also includes other benefits: a death benefit, a survivors' pension, and disability benefits before you retire. For more information about the Canada Pension Plan please visit:

Service Canada at: **www.servicecanada.gc.ca/**

Guarantee Period
Pension payments may be guaranteed for a specific period of time. If you die within this time, your pension payments are guaranteed to continue to your Spouse, beneficiary, or estate until the end of this specific period.

Life Annuity
A lifetime pension purchased through a contract with an insurance company. You receive monthly payments, the amount of which will vary depending on the type of annuity you select, the interest rates in effect when you sign the contract, and your age and your Spouse's age when the annuity payments begin. The higher the interest rates and the older you are when payments begin, the higher the pension you will receive.

Locked-in Retirement Account (LIRA)
Upon termination, you can transfer your pension plan benefits to a Locked-in Retirement Account (LIRA). A LIRA is an investment account in which you can keep your money invested. You cannot make withdrawals from your LIRA. When you reach the age of 55, and any time thereafter until you turn 71, you can use your LIRA to purchase a Prescribed Registered Retirement Income Fund (RRIF) or a Life Annuity. You must transfer your LIRA to a Prescribed RIF, or use it to purchase a Life Annuity before December 31 of the year in which you turn 71.

Old Age Security (OAS)
A government benefit that any person 65 or older is entitled to receive after meeting certain minimum residency requirements.

Participating Employer
Participating Employer means any research account and any affiliated body associated with the University of Saskatchewan who has elected to participate in the Plan.

Pension Adjustment (PA)
The value Canada Revenue Agency assigns to your benefit under the Pension Plan. Your PA will reduce your RRSP contribution room.

Pensionable Earnings
Pensionable Earnings refers to your regular salary. It excludes any other earnings such as honorariums, fees, and summer session payments, and is subject to a yearly maximum.

Prescribed Registered Retirement Income Fund (RRIF)

If you are 55 years of age or older upon retirement, you can transfer your pension plan benefits to a Prescribed Registered Retirement Income Fund (RRIF). A Prescribed RRIF allows you to keep your money invested but there is a minimum amount that must be withdrawn each year. There is no maximum withdrawal amount. Your spouse, if you have one, must sign a release in order for you to transfer your benefits to a Prescribed RRIF.

Registered Amount
Money is viewed as registered if the amount falls within Income Tax Regulations. It can be transferred on a tax-deferred basis to a registered savings vehicle. Investment income is tax-sheltered. Any withdrawals are taxable.

Registered Retirement Savings Plan (RRSP)
A tax-deferred retirement savings vehicle. Contributions are tax-deferred up to Canada Revenue Agency limits. Investment income is tax-deferred. Any withdrawals are taxable.

Spouse
A person who is either:

- Married to a member, or
- If a Member is not married, a person with whom the member is cohabiting in a conjugal relationship at the relevant time and who has been cohabiting in a conjugal relationship continuously with the member as his or her spouse for at least one year prior to the relevant time.

Year's Maximum Pensionable Earnings (YMPE)
The earnings base used to determine Canada Pension Plan contributions and benefits. The level adjusts annually to keep pace with average wage increases in Canada.

This booklet briefly describes the University of Saskatchewan Research Pension Plan. It is intended as a summary only. Full details are set out in the relevant legal Plan documents. You can review these documents by contacting the Pensions Office (Financial Services). In the event of any discrepancy, benefits will be paid according to the terms of these legal documents and government regulations.