what's the plan?

USASK **PENSION**

WHAT YOU NEED TO KNOW

Overview of the **Non Academic Pension Plan**

University of Saskatchewan

Retirement is an important **milestone**

We want you to enjoy your retirement years to the fullest. That's why we offer a pension plan that works together with government benefits and your personal savings to provide the income you'll need to make the most of this special time of your life.

You participate in a defined benefit (or "DB") pension plan. When you retire, the plan pays you a set, monthly pension for the rest of your life. Your pension will be calculated using a formula that includes the number of years you participate in the plan and how much you earn during those years.

We encourage you to read through this booklet to help you understand the plan and the role you play within it. **This booklet summarizes the key features of the plan, including:**

- How contributions are made
- How your pension is calculated
- When you can start your pension
- What happens to your pension at different stages in your career — e.g., if you take a leave of absence or transfer to another plan

See a **word** you're not familiar with?

Check out the "Defining key terms" section on **page 17** for a list of pension definitions.

A SNAPSHOT OF YOUR PENSION PLAN

WHILE YOU ARE **WORKING**

You contribute

+

The **University** contributes

To the **pension fund**

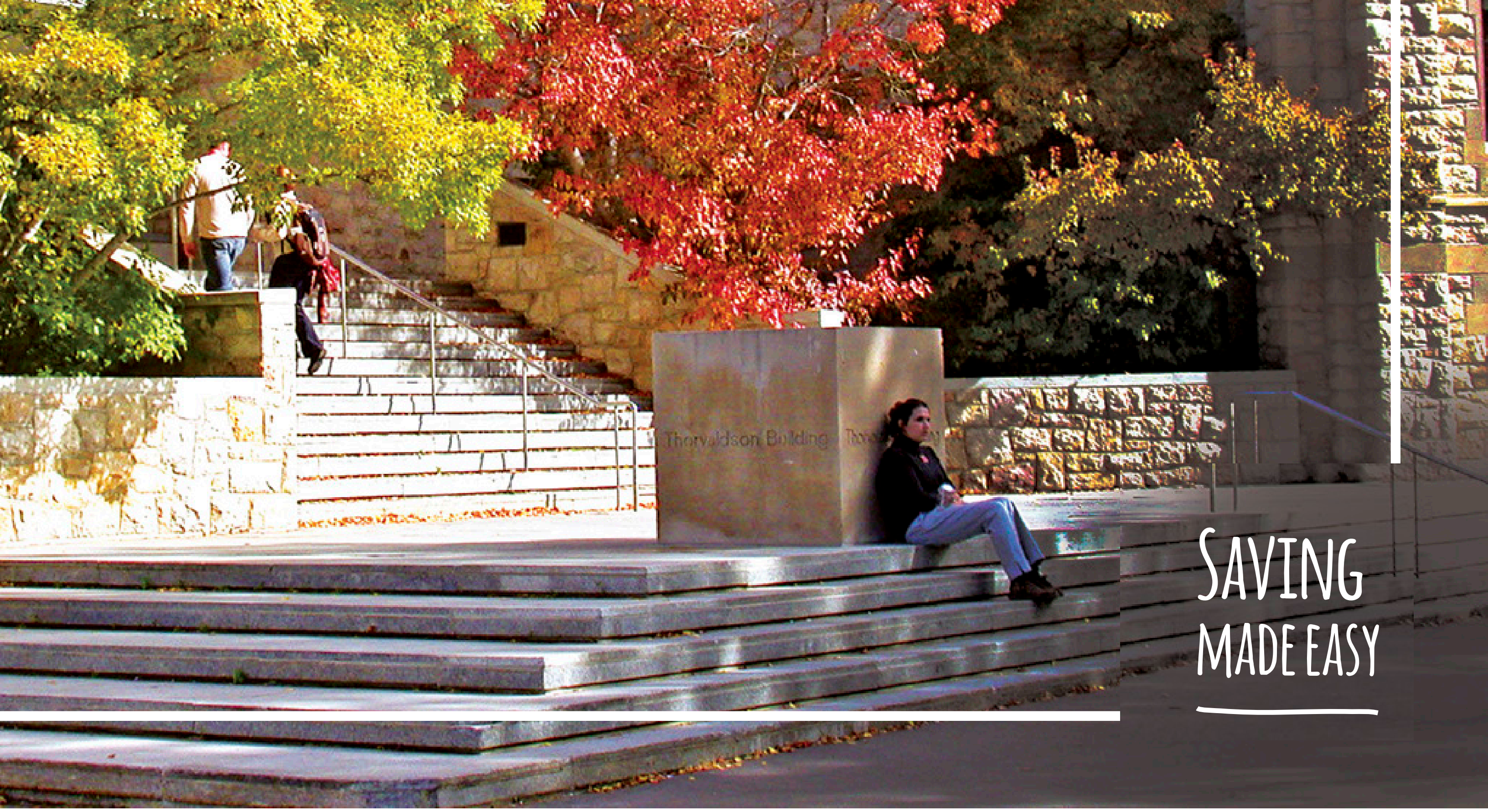
WHEN YOU **RETIRE**

You receive a **monthly pension**

How **much**?

It's based on how long you participated in the plan and how much you earned.

Your pension is paid for your lifetime. Plus — there's an option for your spouse. If you die first, your spouse will receive your pension benefit.



You are eligible to join the plan if you work at least half-time, plus you are:

A member of **CUPE Local 1975** who is a:

• **Permanent or seasonal employee**

Hire date → One year waiting period → **First year** anniversary: join the plan!

• **Term employee** who has been employed continuously in the same position for more than one year and who has worked a total of two consecutive years

Hire date → Temporary work status → **First year** anniversary → One year waiting period → **Second year** anniversary: join the plan!

The **plan** has its **advantages**

- Easy contributions through payroll
- The University puts money in for you
- Guaranteed pension based on a formula — you can calculate it at any time
- No investment risk — ups and downs in the market do not affect your pension
- A steady, monthly pension paid for your lifetime

A Secure Benefit

The pension plan is one of the best deals around when it comes to tax savings. Your contributions are tax deductible — you receive an immediate tax deduction when you contribute to the plan.

Tax tip!

Participating in a DB pension plan will reduce the amount that you can contribute to your personal RRSP in the following year. See **page 15** for more details!

All contributions go into a common pension fund — the same fund that is used to pay out pensions to each of our retired plan members. This fund is invested by professional investment managers.

Your Contributions

The pension plan makes it simple to contribute toward your retirement. Your contributions are automatically deducted from your pay and are deposited into the pension fund.

Each month, you contribute:

8.5% of your **pensionable earnings***

The same as your **University salary**

**Up to a limit set by Canada Revenue Agency*

***Pensionable earnings do not include overtime pay, cost of living bonuses, additional earnings for part-time employees who are employed beyond their agreed to hiring status, unsociable hours differential or any other type of income.*

The **University's** Contributions

You also get the benefit of contributions from the University. Just how much will the University put in to the pension fund?

The University will match your contributions:

8.5% of your **pensionable earnings****

The University also makes its contributions based on advice from the plan actuary.

The actuary looks at all of the pensions promised to plan members…

…And measures that against the amount of money that's required to pay those pensions.

The plan actuary advises the University how much money needs to be put in to make sure the pension fund has enough money to meet these financial obligations. This amount can be more than 8.5% of your pensionable earnings.

One of the greatest advantages of a defined benefit pension plan is that you can calculate how much pension you will receive. That's because your pension is based on a formula — simply plug in your numbers to see what you'll get when you retire!

Your **pension** is calculated as:

2% × Highest **average** earnings × Pensionable **service**

Highest average earnings: Average of your highest pensionable earnings in 48 consecutive months of participation.

Pensionable service: Years and months that you participate in the plan.

The **big picture**

For most plan members, your University pension will be just one part of your retirement income. The rest will come from government benefits, like the Canada Pension Plan (CPP) and Old Age Security (OAS), and personal savings. **Learn more about CPP and OAS on pages 14 and 15.**

Want to see some **examples**?

Turn to the pension scenarios on **page 8.**

The Income Tax Act sets a limit on the maximum pension you can be paid from a defined benefit plan. Contact the Pensions Office to find out if this limit impacts you.

You've earned your retirement, now it's time to enjoy it! When you retire, you receive a pension payment every month, for as long as you live. Much like your regular paycheque, it's income you can depend on.

When you can **retire**

The plan offers three retirement scenarios — in all cases, your retirement will take effect on the first of the month:

EARLY		NORMAL		POSTPONED
The first of the month after your **55th** birthday	→	The first of the month after your **65th** birthday	→	The end of the year you turn **71**

You can retire at any point along the way; different rules will apply depending on the date you choose.

Early retirement

You can retire as early as age 55 and any time before age 65 — this is considered "early retirement." Depending on when you retire, you may receive a reduced or an unreduced pension.

Reduced pension unless you meet **special criteria**

Unreduced pension starting at age **60**

55	56	57	58	59	60	61	62	63	64

To retire before age 60 with no reduction, you must:

- Have 30 years of pensionable service, or
- Your age + pensionable service must total at least 80

If you retire early (and don't meet the special criteria), how much will your pension be reduced?

0.25% for each month

… that you retire before being eligible for an unreduced pension (that adds up to a total of 3% per year) This reduction applies for all the years you receive your lifetime pension.

Normal retirement

If you retire at age 65, this is considered "normal retirement" age and you will receive a full (unreduced) pension from the plan.

Postponed retirement

If approved, you can retire between age 66 and 71. This is considered "postponed retirement." By law, you must begin your pension by the end of the year you turn 71.

As you work beyond age 65, you will continue to make contributions to the pension fund. During this time, you will also continue to earn pensionable service. Since pensionable service is one factor in how your pension is calculated, you can expect a larger monthly amount than if you retired at age 65.

When to **notify us** of your retirement

If you are considering retirement, you should contact your department or unit and the Pensions Office at least three months in advance of your planned retirement date.

Pension **scenarios**

George wants to retire from the University after a 25-year career. Here are his stats:

Age: 57

Highest average earnings: $55,800

Pensionable service: 25 years

Early retirement: Yes

Early retirement reduction: No
George's age + pensionable service total **82**

Calculating **George's Pension**

Highest **average** earnings

Pensionable **service**

2% × **$55,800** × **25** = **$27,900** a year **or** **$2,325** a month

George's pension would be **$27,900** a year or **$2,325** a month for his lifetime

Elyse wants to retire from the University after a 15-year career. Here are her stats:

Age: 59

Highest average earnings: $45,000

Pensionable service: 15 years

Early retirement: Yes

Early retirement reduction: Yes
Elyse is retiring one year (or 12 months) before age 60

Calculating **Elyse's Pension**

Highest **average** earnings | Pensionable **service** | Elyse's pension before the **reduction**

2% × **$45,000** × **15** = **$13,500** a year **or** **$1,125** a month

Formula to calculate Elyse's reduction:

Number of **months** | Annual **pension**

0.25% × **12** × **$13,500** = **$405** a year

Elyse's pension before the **reduction** | **Reduction**

$13,500 a year **less** **$405** a year

= **$13,095** a year **or** **$1,091** a month

Elyse's pension would be **$13,095** a year or **$1,091** a month for her lifetime, including the reduction

YOUR PENSION, YOUR WAY

You have the option of increasing your guaranteed pension payments to 15 years (i.e., 180 months). If you choose to receive your pension for a guaranteed 15 year period, your monthly pension amount will be less than the guaranteed 10 year period. This is to account for the extra payments that you may receive as a result of receiving your pension over a longer period of time.

There are different ways you can choose to receive your pension — the plan has a default or "normal form," or you can choose the "joint and survivor form."

Normal form

If you're single

- You get the "normal form" pension paid from the time you retire for the rest of your lifetime.
- The normal form is a single life guaranteed 10 pension.
- That means if you die before receiving 10 years (i.e., 120 months) of pension payments, your remaining pension will be paid out to your beneficiary or estate.

Joint and **Survivor** form

If you're married

- You get a pension paid from the time you retire for the rest of your lifetime.
- If you die before your spouse, he or she will continue to receive a percentage of your pension for the rest of his or her lifetime.
- You can choose the percentage paid to your spouse — 100%, 75% or 60% of the pension amount paid to you.
- When you choose the joint and survivor form, your monthly pension will be less than if you were single. This is to account for the extra payments that may continue to your spouse.

The **choice** is **yours**

You can also choose the joint and survivor form — guaranteed 5, 10 or 15 years. If you die before receiving your guaranteed pension payments, your pension will be paid to your spouse (or your beneficiary or estate if your spouse has predeceased you). At the end of the guarantee period, your spouse will continue to receive a percentage of your pension for the rest of his or her lifetime. The monthly amount continuing to your spouse can be 100%, 75% or 60% of the pension amount paid to you.

Another pension scenario

George's **Joint** and **Survivor** Pension

George is married and wants to ensure that his wife Joan receives a portion of his pension if he dies before her. George decides to choose the 60% joint and survivor—guaranteed 10.

Here's what his pension would look like:

2016 — George retires at 57

George receives a reduced pension to account for the extra payments that would continue to Joan if she survives him.

At age 57, George's joint and survivor pension amounts to **$24,800** a year, or **$2,067** a month, for his lifetime.

2021 — George passes away

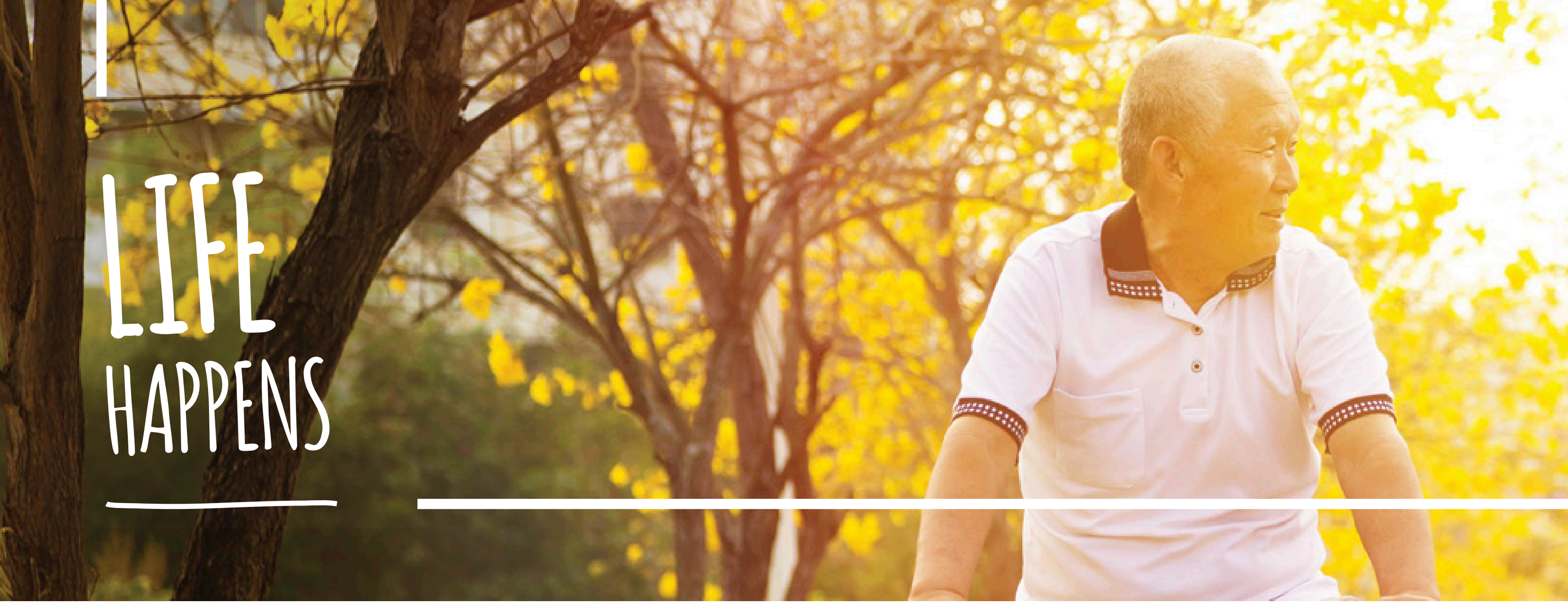
George passes away during his **fifth year of retirement**, so Joan will continue to receive $24,800 a year or $2,067 a month for the remainder of the guarantee period.

2026 — Guaranteed period ends

When the guarantee period ends, Joan would receive 60% of George's monthly pension for the rest of her lifetime.

That means Joan would receive **$14,880** a year, or **$1,240** a month, for her lifetime.

The pension benefit amount for the joint and survivor form is based on a number of key factors, such as your age and your spouse's age at retirement, interest rates in effect, and other assumptions. For your personalized estimate, contact the Pensions Office.



LIFE HAPPENS

There are certain scenarios during your career that can affect how you participate in the pension plan. Read on to see what happens to your pension if you…

Go on a **disability leave**

If you receive Sick Leave pay, you will continue to make contributions to the pension plan. However, if you receive benefits from the University's Short or Long Term Disability Plans, you are not required to make contributions. During your leave, you will continue to earn pensionable service.

Experience a **marriage breakdown**

Your pension may be divided between yourself and your former spouse as part of a legal divorce. If you are required to transfer a portion of your pension to your former spouse, you will need to provide the Pensions Office with a written request and a copy of the court order or interspousal contract. This will reduce your pension when you retire.

Leave the University

If you are eligible for early retirement when you leave…

If you leave the University and are eligible to start your pension, you will go through the normal process as if you were retiring from the plan (see **pages 6** and **10** for details).

If you are not eligible for early retirement when you leave…

If you have less than two years of continuous service when you end your employment, you will receive a refund of your contributions, with interest. You can take this refund as a cash payment, less withholding taxes, or as a tax-deferred transfer to an RRSP.

If you have more than two years of continuous service, you have several options:

- Keep your pension in the plan and defer starting it until a later date — any time between age 55 and 65 (however, you may receive a reduced pension if you retire before age 60).
- Transfer your pension to another registered pension plan or a locked-in retirement account (LIRA).

If you choose a transfer, you will receive the greater of:

- The commuted (or "lump sum") value of the pension you earned up to your last day as a plan member, or
- Two times your contributions, with interest.

If you are re-hired within six months in an eligible position, you can re-join the plan immediately and not serve your waiting period.

Die **before** retirement

If you die before retirement, your beneficiary or estate will receive the greater of:

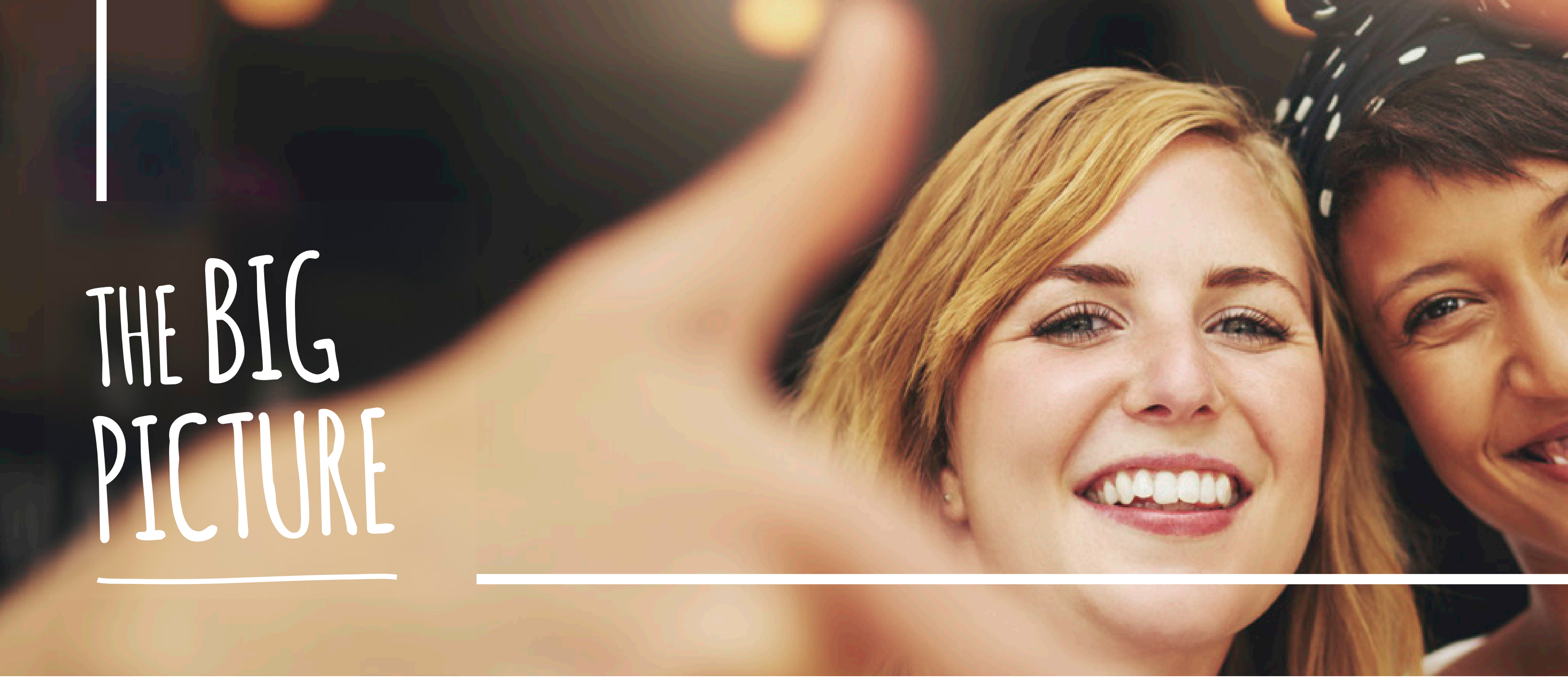
- The commuted (or "lump sum") value of the pension you earned up to your death, or
- Two times your contributions, with interest.

If your beneficiary is your spouse, he or she can choose a:

- Lump sum payment, less withholding taxes
- Transfer to a Registered Retirement Savings Plan (RRSP)
- Transfer to a Locked-In Retirement Account (LIRA)
- Transfer to a Prescribed Registered Retirement Income Fund (PRRIF) — if he or she is older than 55
- Transfer to an insurance company to purchase an annuity
- Transfer to another registered pension plan

If your beneficiary is not a spouse, he or she will receive a lump sum payment, less withholding taxes.

By law, your spouse must be the beneficiary of your pension, unless your spouse has waived this option by completing a waiver form. If you do not have a spouse, you can name anyone as your beneficiary.



THE BIG PICTURE

Whether you're planning to travel the world or live a simpler life during retirement, your retirement income will come from more than just one place. The pension you receive from the University is a great start — but you'll also receive government benefits to finance your retirement.

Canada Pension Plan (CPP)

Each pay, you contribute a percentage of your earnings* to the CPP. The University also contributes the same amount on your behalf.

When you retire, you receive a pension from the CPP based on the number of years you contributed and how much you earned during those years.

The rules around CPP are subject to change; however, as of 2017:

Ages 60 to 65	You can start an "early" pension	Your pension is reduced by 0.6% for each month you begin before age 65	This reduction is permanent
At 65	This is the "normal" age to begin your pension	You get a full pension	
Ages 65 to 70	You can "postpone" your pension	Your pension is increased by 0.7% for each month you begin after age 65	This increase is permanent

Once you begin your CPP, your payments will be adjusted each year based on the change in the Consumer Price Index.

**Up to the Year's Maximum Pensionable Earnings (YMPE)*

Apply!

You need to apply for CPP and OAS at least six months before you would like your benefits to begin — they do not start automatically.

Get more information about government benefits online — www.canada.ca

Old Age Security (OAS)

You do not make contributions to OAS; it is a benefit provided to all Canadian residents, regardless of employment status.

The rules around OAS are subject to change; however, as of 2017:

- OAS begins at age 65; however, you can delay it up to age 70 and receive a 0.6% increase for every month you delay starting it, up to a maximum of 36%
- You must be a resident of Canada for 10 years to receive the benefit
- If you are a resident of Canada for 40 years, you will receive the full benefit

When you file your income taxes each year, if your income is above a certain threshold, part of or all of your OAS benefit may be taken back (this is called a "clawback").

Personal savings — **registered**

One of the most tax-effective ways to save for retirement is through a registered retirement savings plan (RRSP).

- Contributions are tax-deductible — you get an immediate tax savings
- Investment earnings are tax-sheltered
- You don't pay tax until you withdraw the money for retirement — and generally, retirees are in a lower tax bracket than during their "earning" years

There is a maximum you can contribute to an RRSP each year. You will see this amount on the Notice of Assessment you receive after filing your income taxes. You can leave your money in your RRSP until December 31 of the year in which you turn 71.

Pension adjustment reversal (PAR)

If you end your employment and decide to take your pension with you (i.e., transfer it to another plan or to a LIRA), you may be entitled to restore some RRSP contribution room that you lost in previous years — known as a PAR. If you are entitled to a PAR, the University will send you a T10 form advising you of the amount.

Pension adjustment (PA)

Your pension adjustment is calculated each year and reported on your T4 form. It is the value Canada Revenue Agency assigns to the benefit you've earned through the pension plan. Your PA decreases the amount of RRSP contribution room you will have for the following year.

The **University's** checklist

The University is responsible for overseeing, managing, and administering the Non Academic Pension Plan to make sure the fiduciary and other obligations of the plan are met. It also makes sure the plan operates in compliance with the Pension Benefits Act and the Income Tax Act.

Planning for retirement is important no matter what age you are. This checklist can help ensure that you're taking care of your pension plan responsibilities.

Review the **enrolment package** and submit your **enrolment form**

Once you become eligible, you'll receive an enrolment package. Read the information so you understand how the plan works and how it fits into your overall retirement plan. Then, complete and submit the enclosed enrolment form. (Note: If you have a spouse, your spouse must be named your beneficiary).

Review your **annual pension statement**

Your annual pension statement is available on the PAWS portal. It contains information about:

- Your pension contributions and years of pensionable service
- How much pension you have earned so far
- How much pension you can expect to receive if you retire from the University
- Your beneficiary information on file

Your pension statement is a great tool to assist with your overall retirement planning.

Create a well-rounded **retirement plan**

You should consider the type of lifestyle you'll want to lead when you retire and then use one of the many online tools (the Canadian Retirement Income Calculator, for example) to figure out how much you will need to save. The Non Academic Pension Plan is one source of retirement income; you should also consider how government benefits will play a role and also how much you'll need to save outside of the plan. A financial planner can also be a great asset to help you establish and meet your savings goals!

Defining **key terms**

BENEFICIARY

The person you name to receive your benefit from the pension plan if you die. *If you have a spouse, he or she must be your beneficiary (see **page 13**).*

COMMUTED VALUE

The lump sum value of the pension you have earned, based on a set of assumptions including: how many estimated monthly pension payments you would likely receive, the average mortality rate, and interest rates. *The commuted value of your pension will be calculated for the following circumstances:*

- *Before you are eligible to retire and if you leave the University, or*
- *If you die before retiring and a benefit must be paid to your beneficiary (see **page 13**).*

CONTINUOUS EMPLOYMENT

Your most recent uninterrupted employment with the University or affiliated employer. The following types of "approved absence" do not affect your continuous employment: jury duty, vacations, statutory holidays, authorized absence, qualified disability, break of less than six months when you become re-employed (see **page 13**). *Your continuous employment is used to determine your eligibility to join the plan (see **page 3**). It is also used to determine your vested status.*

DEFINED BENEFIT

Also known as "DB," it's a type of pension plan where the benefit you receive at retirement is *defined* by a formula.

HIGHEST AVERAGE EARNINGS

The average of your highest pensionable earnings in 48 consecutive months of plan participation. *Highest average earnings are used to calculate your pension (see **page 5**).*

Defining **key terms**

LIFETIME ANNUITY

A lifetime annuity pension can be 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, your age and your spouse's age when the annuity payments begin *(see **page 13**)*.

LOCKED-IN RETIREMENT ACCOUNT (LIRA)

A LIRA is an investment account to which you can transfer "locked in" retirement savings. You can invest the money in your LIRA to further grow it for retirement. *You must transfer your money out of a LIRA — to a PRRIF or to purchase an annuity — prior to retirement.*

PENSIONABLE EARNINGS

Your University salary. *Pensionable earnings are used to calculate your pension (see **page 5**).*

PENSIONABLE SERVICE

Your years and months of employment when you participate in the plan. *If you are a part-time employee, your pensionable service is based on the ratio of hours worked to the hours that a full-time employee would have worked.*

PRESCRIBED REGISTERED RETIREMENT INCOME FUND (PRRIF)

A PRRIF is an account to which you can transfer "locked in" retirement savings. You must withdraw money from it each year, but you can also continue to invest the balance.

REGISTERED RETIREMENT SAVINGS PLAN (RRSP)

An RRSP is a savings vehicle primarily used for retirement. The money you deposit to an RRSP is tax deductible, and the investment income you earn is tax-deferred. You only pay tax when you withdraw money from the RRSP to fund your retirement. *Learn more on Canada Revenue Agency's website – www.canada.ca.*

SPOUSE

The person who is either:

- Married to you, or
- Living with you in a conjugal relationship for at least one year

According to law, your spouse must be your beneficiary unless your spouse signs a spousal waiver form *(see **page 13**).*

YEAR'S MAXIMUM PENSIONABLE EARNINGS (YMPE)

The YMPE is set each year by Canada Revenue Agency — it's the maximum amount of earnings on which Canada Pension Plan contributions are made and benefits are determined. *Find this year's YMPE on Canada Revenue Agency's website – www.cra-arc.gc.ca.*

Questions?

Pensions Office 306-966-6633 pensions.inquiries@usask.ca www.usask.ca/fsd/faculty_staff/pension_plans/details.php	**Contact the Pensions Office for:** • Plan documents • Retirement information • Beneficiary changes • General pension questions
Connection Point 306-966-2000 connectionpoint@usask.ca	**Contact Connection Point for:** • Help with completing your enrolment form

This booklet describes the University of Saskatchewan Non Academic Pension Plan. It is intended as a summary of the key plan features; however, full details are set out in the relevant legal plan documents. You can review these documents by contacting the Pensions Office. In the event of any discrepancy, benefits will be paid according to the terms of the legal documents and government regulations.

2019

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PENSION

University of Saskatchewan