York University Pension Plan at a Glance

Introducing the York University Pension Plan

The York University Pension Plan is a key component of your total compensation package and represents a partnership between you and the University. Both you and the University contribute to the cost of your pension. The Plan is designed to help provide you with a solid foundation (along with government retirement benefits and your personal savings), for building your retirement security. Retirement may be the last thing on your mind. However, in time, your pension could become your most valuable asset. And that's why it's worth your attention, at any stage of your career.

What kind of pension plan is it?

The York University Pension Plan is a hybrid pension plan which provides you with a money purchase pension, with a defined benefit minimum guarantee. This allows you the opportunity to benefit from the investment performance of the Trust Fund, while ensuring that your pension is protected against market downturns through the guarantee of a minimum pension.

Who qualifies to join?

Full-time Continuing Employees:

- *If you're at least age 30* when you're hired, you will join the Plan on the first day of the month following your month of employment.
- *If you're between the ages of 25 and 30*, you may join the Plan on the first day of the month following your first month of employment.
- *If you're under age 25*, you may join the Plan after you have two consecutive years of employment.
- *If you're employed before age 30*, you must join the first of the month following the month you reach age 30.

Part-time Employees:

You may join the Plan if you qualify. To qualify, you must complete 24 months of continuous service in each of two consecutive years by:

- Earning 35% of the year's maximum pensionable earnings (**YMPE**); or
- Working at least 700 hours.

The **YMPE** is an annual figure used to determine contributions to the Canada Pension Plan (CPP) and is reported on the Human Resources Development Canada Web site at www.hrdc-drhc.gc.ca.

<u>How much does it cost?</u>

You and the University share the cost of providing your pension. Your required contributions to the York University Pension Plan are based on the following formula:

4.5% of your earnings up to the YMPE for the pay period
PLUS
6% of your earnings above the YMPE for the pay period

York University matches your required contributions dollar for dollar. In addition, the University contributes an extra 3% of your required contributions to provide for the non-reduction of your pension after retirement. These contributions, along with your required contributions, are used to help fund your pension. The University may also make contributions, as determined by the Plan actuary and in accordance with the requirements of the Ontario *Pension Benefits Act*, to fund the pension provided by the minimum guaranteed benefit formula.

You're also allowed to make additional voluntary contributions (AVC's) to the York University Pension Plan, up to the limits set out in the *Income Tax Act*. These contributions are not matched by the University but are used to provide you with additional pension at retirement. Since AVC's are part of the York University Pension Fund (which is a tax-exempt registered pension plan) your AVC account balance is allowed to grow on a tax-deferred basis. Please note that AVC's may only be withdrawn when you terminate membership in the Plan or retire.

<u>Can I transfer-in funds?</u>

The Plan allows you to transfer pension benefits between registered pension plans within certain time limits and applicable legislation. You may transfer pension benefits from your former employer's pension plan provided you make the **transfer within 12 months** of joining the York University Pension Plan. The fact that not all pension plans are the same may affect your transfer of service as follows:

- ***Funds from a Defined Benefit Plan -*** You may transfer pension funds from your former employer's registered defined benefit pension plan and use the funds to buy credited service provided you make the transfer within **12 months** of joining the York University Pension Plan.

- ***Other transfers -*** You may also transfer into the Plan funds from another registered pension plan, RRSP or any cash refunds you receive from another tax-exempt pension plan, provided the transfer is allowed under the *Income Tax Act*.

How the Plan works

The York University Pension Plan is made up of the following components:

- ***A Money Purchase Component Account*** – provides you with a benefit based on the accumulated contributions and investment earnings of your account balance. This amount depends on how well the investments in the Pension Fund perform.

- ***A Minimum Guaranteed Benefit formula*** – provides you with a benefit based on a formula that takes into account your earnings and service. This amount is guaranteed and doesn't depend on how well the investments in the Pension Fund perform.

The York University Pension Plan provides you with the greater of:

The pension provided by converting your Money Purchase Component Account balance to an annuity**

OR

The pension provided by the Minimum Guaranteed Benefit formula

** This annuity is a 50% joint-and-survivor for married members and a life-only annuity for single members.

The **Minimum Guaranteed Benefit** is calculated as follows:

1.4% of your final average earnings at retirement up to the average YMPE for those years

PLUS

1.9% of your final average earnings at retirement above the average YMPE for those years

MULTIPLIED BY

your credited service in the Plan

As a member of the York University Pension Plan, you will receive an annual Pension Statement. This statement will show you the value of your Money Purchase Component Account as well as a projection of what your retirement benefit will be at your normal retirement date. If you would like to see an estimate based on other ages, you can use the Retirement Planner at http://www.yorku.ca/hr/services/employees/yurp.html (after you have received your first Pension Statement from us).

When can I retire?

The normal retirement date under the York University Pension Plan is the July 1 that coincides with or immediately follows your 65th birthday.

However, **you may retire as early as age 55**, although your pension will be subject to a reduction as follows:

- *If you retire between ages 60 and 65*, your Minimum Guaranteed Benefit will be reduced by 0.25% for each month between your actual retirement date and age 65.

- *If you retire between ages 55 and 60*, your Minimum Guaranteed Benefit will be reduced by an additional 0.5% per month between your actual retirement date and age 60.

The factors used to calculate your pension assumes that the Pension Fund will earn 6% annually throughout your retirement. If the moving four-year average fund return is above 6%, your retirement pension may be adjusted at the beginning of each calendar year. In the event the moving four-year average fund is below 6%, no reduction will be made to your pension; however, this deficit will be tracked and future adjustments (positive or negative) will be applied to the reduced amount. You wouldn't receive any further increments until the deficit is paid up.

Will it affect my RRSP contribution room?

As a member of the York University Pension Plan, you'll receive a pension adjustment (PA) for each year you participate in the Plan. Your PA represents the "deemed value" – according to the *Income Tax Act* – of the benefit you earn in the Plan each year.

In the York University Pension Plan, your PA will be based on the *greater of*

- your contributions, plus those of the University; or
- the benefit provided by the Minimum Guaranteed Benefit formula.

Your previous year's PA will reduce the amount your can contribute to a registered retirement savings plan (RRSP) the following year. Your PA is reported on your T4 slip and must be included on the income tax return you file each year.

What happens if I leave the University before I retire?

If you leave the University before you have two years of membership in the Plan, you may take a cash refund of your own contributions, plus credited interest, subject to withholding taxes. Alternatively, you may leave the funds in the Plan and receive a pension as early as age 55, based on the total of your contributions, the University's contributions, and credited interest.

If you leave the University after two years of membership in the Plan, your pension benefit will be fully vested and locked-in. This means that, while you are entitled to the full pension benefit you earned in the Plan to date, benefits must be taken as a retirement income rather than a lump-sum cash value.

When you terminate employment, you may

- leave your pension benefit in the York University Pension Plan,
- transfer it to your new employer's pension plan,
- transfer it to another locked-in retirement savings arrangement, or
- transfer it to an insurance company for the purchase of a life annuity.

The plan also provides benefits for your survivors in the event of your death before or after retirement.

Where can I find out more?

More detailed information is available in the *York University Pension Plan* booklet or at www.yorku.ca. If you require information about your personal entitlement, please contact the Pension and Benefits Office by telephone at **(416) 736-2100 ext 27572** or by email at **askpb@yorku.ca**

This document is intended to summarize, in plain language, the York University Pension Plan as at January 2012. For an exact and complete description of the Plan, consult the Plan text. In cases where the information in this document differs from that contained in the Plan text, the Plan text will govern.

Final average earnings, credited service, moving four-year average fund return and average YMPE are defined terms. For an exact definition, please refer to a copy of the York University Pension Plan booklet which is available on the York University Web site.