York University Pension Plan

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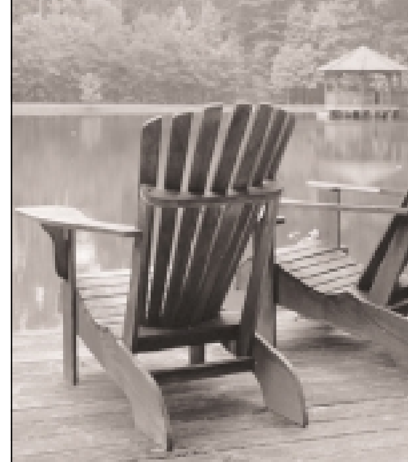
This booklet is intended to summarize, in plain language, the York University Pension Plan as at January 2002. For an exact and complete description of the Plan, consult the Plan text. In cases where the information provided in this booklet differs from that contained in the Plan text, the Plan text will govern.



Contents

Pension at York

Contents *cont'd*

Pension at York

The University is pleased to offer you the York University Pension Plan ("the Plan") as a key component of your total compensation package. The Plan is designed to help provide you with a solid foundation – along with government benefits and your personal savings – for building your retirement security (see page 32).

The Plan is a hybrid pension plan. This type of pension plan provides you with the opportunity to achieve superior investment performance, while protecting your pension from downturns in the capital markets.

As a contributory plan, the York University Pension Plan represents a partnership. You and the University share in the cost of funding your pension. At the same time, you can increase your retirement income by making additional voluntary contributions that benefit from the same investment performance as the Plan Trust Fund.

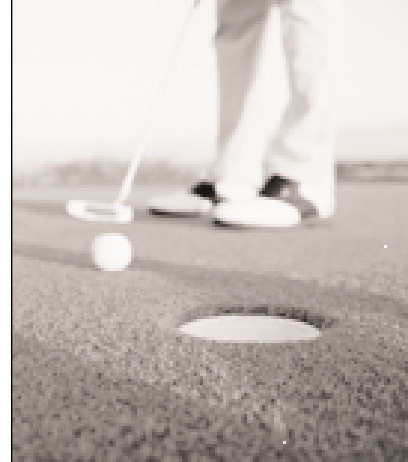
To take advantage of Canada's tax laws, the Plan is registered under the *Income Tax Act*.

The normal retirement date under the Plan is the July 1st coincident with or immediately following your 65th birthday. However, the Plan allows you to retire as early as age 55. To help protect your purchasing power in retirement, your pension payment is subject to an annual adjustment based on the average investment return on the Trust Fund.

York University recognizes that we live in a world of workforce mobility. If you leave the University before you retire, you have the option of transferring the value of your pension to your new employer's pension plan or another retirement savings arrangement. The Plan also provides benefits for your survivors in the event of your death.

York University is both the Plan sponsor and the legal Plan administrator. As a result, it acts as both employer and fiduciary, and is responsible for the overall Plan management (see "Pension Plan Governance" on page 30).

Your pension is an important part of your total compensation package. Please take the time to read through this booklet to develop an understanding of the Plan and be sure to keep it where you keep your other important papers.



Section 1

Joining the Pension Plan

Joining the York University Pension Plan is the first step towards building a secure retirement future.

Eligibility to Join the Plan

Full-Time Employees

If you're at least age 30 when you're hired by the University, your participation in the Plan is mandatory and you will join the Plan on the first day of the month following the month of your 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 are employed by the University prior to age 30 and don't join the Plan when you are first eligible, your participation is mandatory the first day of the month following the month you reach age 30.

Part-Time Employees

Part-time employees may join the Plan if they qualify. To qualify, you must complete 24 months of **continuous service** in each of two consecutive years either 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). In 2002, the YMPE is $39,100, and 35% of that amount is $13,685. You can determine the YMPE for past years by going to the CPP section of the Human Resources Development Canada Web site at www.hrdc.gc.ca/isp/studies/trends/infocard_e.shtml. Click on the applicable time period.

As a part-time member, your **credited service** will be pro-rated and calculated by dividing your earnings by the full-time equivalent of your earnings.

All defined terms appear in bold on the first reference and are defined in the margin. All definitions can also be found under "Key Terms" on page 36.

continuous service

Your unbroken service with the University, including vacation, authorized sick leave, and authorized leaves of absence.

year's maximum pensionable earnings (YMPE)

The limit set on earnings used to determine contributions to the Canada Pension Plan.

credited service

The total number of years of Plan membership. You can't obtain credit for a full year if contributions by either you or the University are not maintained at the full rate for that year. In that case, you would be credited with a fraction of a year. Your credited service, within the limits permitted under the *Income Tax Act*, is used in calculating the minimum guaranteed benefit. In some cases, credited service may include prior periods of employment with the University.

Designating a Beneficiary

When you join the Plan, you'll be required to complete a Declaration of Marital Status and Beneficiary Designation Form.

If you have an **eligible spouse**, as defined in the Ontario *Pension Benefits Act*, you must designate your spouse as your beneficiary for any pension benefits payable upon your death. However, you and your spouse may waive the right to a spousal benefit by completing the Spousal Waiver section of the Declaration of Marital Status and Beneficiary Designation Form.

If you don't have an eligible spouse, or if you and your spouse have waived the spousal benefit, you may designate anyone you want as your beneficiary. You may also change your beneficiary designation at any time without the consent of your former beneficiary.

In the event that your beneficiary dies before you and you haven't made a subsequent designation, any death benefits payable from the Plan would be paid to your estate.

You should note that you must also appoint a trustee for any beneficiary you designate who is under the age of 18.

eligible spouse

The person who:

- is married to you; or
- is not married to you, but has been living with you in a conjugal relationship for at least three years; or
- if together, you are the natural or adoptive parents of a child, as defined in the *Family Law Act*, 1986.

Frequently Asked Questions About Joining a Pension Plan

If I have a spouse, can I choose another person to be my beneficiary?

If you have an eligible spouse, he or she will receive any benefits payable from the Plan upon your death. Naming another individual as your beneficiary does not override your spouse as beneficiary. If you don't have an eligible spouse, or if you and your spouse have waived the right to a spousal benefit, you may designate anyone as your beneficiary. You may also designate several people, or even an organization, as your beneficiary. You may change your designation at any time, without the consent of your beneficiary.

What happens if I have a new spouse?

You must complete a new Declaration of Marital Status and Beneficiary Designation Form to keep the University's records up to date.

Can I opt out of the Plan after I have joined?

No. Once you have joined the York University Pension Plan, you cannot cease participating in the Plan until you terminate your employment or retire. If you're a member who works part time, even though you must qualify to join the Plan by working a certain number of hours or earning a certain minimum salary, your membership in the Plan does not cease if you don't maintain those hours or earnings.

Section 2

Contributing to the Plan

You and the University share in the cost of providing your pension.

Your Contributions

Your required contributions are based on a formula that takes into account your earnings and the year's maximum pensionable earnings (YMPE). Contributions are deducted from each pay.

Your contributions are as follows:

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

In 2002, the YMPE is $39,100. (The YMPE changes annually and is reported on the Human Resources Development Canada Web site at www.hrdc.gc.ca/isp/studies/trends/infocard_e.shtml. Click on the applicable time period.)

Here are two examples of annual contributions, based on two earnings levels, to show you how it works:

Example A **Earnings: $38,000**	
4.5% of earnings up to the YMPE ($38,000)	**$1,710.00**
6% of earnings above YMPE (earnings do not exceed YMPE)	**$0**
Total Annual Contributions	**$1,710.00**

Example B **Earnings: $82,000**	
4.5% of earnings up to YMPE ($39,100)	**$1,759.50**
6% of earnings above YMPE ($82,000 – $39,100) = $42,900 6% of $42,900	**$2,574.00**
Total Annual Contributions	**$4,333.50**

Your contributions are tax-deductible up to the annual money purchase limit set out in the *Income Tax Act*, divided by 2.03. In 2002, the money purchase limit is $13,500, so the contribution limit for 2002 is $6,650 ($13,500 ÷ 2.03).

Required contributions are credited monthly to the Money Purchase Component Account set up on your behalf.

Trust Fund

The fund established by the University for the purposes of investing the assets of the Plan. The Trust Fund consists of several parts:

- *Individual Accounts:* These accounts record, for each Plan member (before retirement), your required contributions, the University contributions made on your behalf, additional voluntary contributions, and any amounts transferred into the Plan, along with credited interest on these amounts. These individual accounts primarily consist of the Money Purchase Component Accounts, but also include Additional Voluntary Contributions and Special Transferred Contributions.
- *Variable Annuity Fund:* If you retire and choose to receive a pension from the Plan, the money from your individual accounts becomes part of this fund and your pension is paid from this fund. It is called "variable" because of the annual adjustments to pensions.
- *Minimum Guaranteed Fund:* This fund holds the contributions made by the University, along with credited interest, that pay the supplementary pension benefits as required by the minimum guaranteed benefit formula.

University Contributions

York University matches your contributions dollar for dollar. These contributions, along with your required contributions, are credited to your Money Purchase Component Account.

The University also contributes an additional 3% of your required contributions to your Money Purchase Component Account to fund the Non-Reduction Reserve. See "Adjustments to Your Pension" on page 26 for more information on this feature of the Plan.

The University may also make contributions to the Minimum Guaranteed Fund, as determined by the Plan actuary, in accordance with the requirements of the Ontario *Pension Benefits Act*. These contributions are also subject to the limits set out in the *Income Tax Act*.

Additional Voluntary Contributions

You are allowed to make additional voluntary contributions to the York University Pension Plan, up to the limits set out in the *Income Tax Act*. The University does not match these contributions. You may use these contributions to provide yourself with additional pension at retirement. Additional voluntary contributions may only be withdrawn when you terminate membership in the Plan or retire.

Credited Interest and Investment of the Trust Fund

Contributions are deposited to the **Trust Fund** monthly and **credited interest** is applied to all contributions at the beginning of the following calendar year.

The Trust Fund is invested according to a well-diversified investment strategy set by the Pension Fund Board of Trustees.

Registered pension plans, like the York University Pension Plan, are required to develop a Statement of Investment Policy and Procedures for the Pension Fund to guide investment activities. This statement outlines investment objectives and performance expectations. Like many pension plans, the University hires professional investment managers to invest the fund assets.

You can find out more about the Trust Fund's investment policies and performance by referring to your copy of the *Pension at York Newsletter.*

credited interest

The rate of return of the Trust Fund during the year, minus expenses associated with the investment of the Trust Fund. This rate of return is calculated annually at the beginning of each calendar year for the previous year.

Contributions Under Special Circumstances

total disability

A disability which is physically or mentally impairing so that you are prevented from doing your job and which:

- is certified, in writing, by a medical doctor; and
- qualifies you for long-term disability benefits from the University.

While Disabled

While you are **totally disabled** and receiving benefits under the York University long-term disability plan, you're not required to contribute to the Plan. Contributions will be made to the Money Purchase Component Account on your behalf by the University, based on your earnings at the time of your disability.

While on Irrevocable Reduced-Load Status

If you're a member of the York University Faculty Association (YUFA) and you are placed on irrevocable reduced-load status, as outlined in the YUFA Collective Agreement, the University will make contributions based on the difference between the actual contributions you make and the contributions you would have made had you not elected the reduced-load status.

While on Sabbatical Leave

If you're a member of YUFA and you take a sabbatical leave, you must make contributions to the Plan based on that portion of your salary which continues during your sabbatical; the University will match these contributions.

If you want to earn credited service at the full rate, you must:

- contribute based on 100% of your annual full-time salary; and
- contribute the University's portion for the difference between your full salary and the amount you are paid while on leave.

If you don't maintain contributions based on your annual full-time salary, your credited service will be pro-rated for the period of the leave.

While on Leave Without Pay or Reduced Pay – Extended Vacations or Leaves for Personal Reasons

In most cases, you won't be entitled to contribute to the Plan during a leave without pay or with reduced pay for an extended vacation or for personal reasons. Nor will you be allowed to make retroactive contributions upon your return to work.

If your Collective Agreement states that you may continue Plan contributions, you'll receive full credited service for the leave, provided you make contributions based on your unreduced level of earnings. In addition, you must also contribute the University's share for that period. Be aware that, according to the *Income Tax Act* limits, you may only contribute to, and receive credit for, up to five years of leaves without pay. This limit is increased by up to three additional years if the leaves are for pregnancy or the adoption of a child.

While on Special Leave

If you're on a leave of absence to take short-term employment with a government or government agency, you may contribute to the Plan in order to earn credited service for the period of your leave.

To receive credited service for the full period of your leave, you must make contributions based on the earnings you would have received from the University had you still been in active employment during that time. In addition, you must also contribute the University's share for that period. Before you go on leave, you will be asked to supply the Pension and Benefits Office in the Department of Human Resources ("Pension and Benefits Office") with a series of post-dated cheques to cover the contributions for this period.

Frequently Asked Questions About Contributions

Can I withdraw my contributions from the Plan?

No. You cannot withdraw any contributions – including your additional voluntary contributions – from the York University Pension Plan before you terminate membership in the Plan or retire.

Can I stop contributing to the Plan?

You cannot cease making required contributions until you reach your normal retirement date. If you take a postponed retirement, you may elect not to contribute past your normal retirement date. If you have elected to make additional voluntary contributions by payroll deduction, you may stop or suspend contributions at any time during the year.

Do my contributions earn interest?

Yes. Your contributions are invested and you are credited with interest – either positive or negative – based on the net investment return earned by the Trust Fund during the year. The amount of interest will be shown on your personalized annual Pension Statement.

Are my contributions tax-deductible?

Yes. Your contributions are tax-deductible up to the annual money purchase limit set out in the *Income Tax Act* divided by 2.03. Each year, the University will report your pension contributions, including any additional voluntary contributions, on your T4 slip.

Section 3

Calculating Your Pension

The York University Pension Plan is a hybrid pension plan. A hybrid plan is made up of two parts – a money purchase part and a defined benefit part. These parts are combined so that you receive the opportunity to benefit from the investment performance of the Trust Fund, but your pension is protected against market downturns through the guarantee of a minimum pension.

How the Plan Works

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

- a Money Purchase Component Account – the money purchase part; and
- a minimum guaranteed benefit formula – the defined benefit part.

Here are the main differences between money purchase and defined benefit plans:

- **A money purchase pension,** also known as a defined contribution pension, provides you with a benefit based on the accumulated contributions and investment earnings of your account balance. The amount of benefit you earn isn't guaranteed but depends on how well the investments in the fund perform.
- **A defined benefit pension** provides you with a benefit based on a formula that takes into account your earnings and service. The amount of benefit you earn is guaranteed and doesn't depend on how well the investments in the 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*

and

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.*

- **If the Money Purchase Component Account benefit is greater** than the pension provided by the minimum guaranteed benefit formula, you'll receive a pension based on the amount provided by your Money Purchase Component Account.
- **If your minimum guaranteed benefit is greater** than your Money Purchase Component Account pension, you'll receive a supplementary pension, paid from the Minimum Guaranteed Fund, to bring your retirement income up to the amount of the minimum guaranteed benefit.

Money Purchase Component Account

Your Money Purchase Component Account holds your required contributions, the University's contributions, and any amounts transferred into the Plan from a previous employer, together with credited interest. The amount you accumulate in your Money Purchase Component Account is directly affected by the investment performance of the Trust Fund over the course of your working years at the University.

At retirement, the total balance in the account is converted to an **annuity**, based on current **actuarial factors**. This annuity pays you a lifetime pension.

Unlike most money purchase plans, the York University Pension Plan does not transfer your money purchase account balance to an insurance company at retirement for the purchase of an annuity. Instead, your pension is paid from the Trust Fund. Paying your pension from the Trust Fund allows the University to make adjustments to your pension based on the net investment returns of the Trust Fund. For more information about these annual adjustments, see "Adjustments to Your Pension" on page 26.

Minimum Guaranteed Benefit Formula

The minimum guaranteed benefit is calculated as shown below:

1.4% of your **final average earnings** at retirement

up to the **average YMPE** for those years

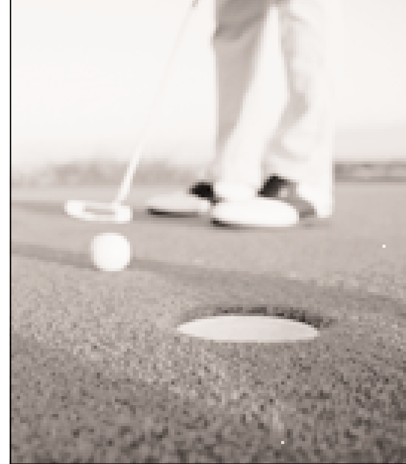
plus

1.9% of your final average earnings at retirement

above the average YMPE for those years

multiplied by

your credited service in the Plan



annuity

A stream of monthly payments.

actuarial factors

Used to convert your Money Purchase Component Account to a monthly retirement benefit. They include factors such as mortality rates, your age, marital status and the assumed interest rate that the fund will earn going forward. For example, if you retire at age 55, a different actuarial factor will be used to calculate your pension than if you retire at age 65, to account for the fact that your pension may be paid for a longer period of time.

final average earnings

The average of your highest five years of earnings before retirement.

average YMPE

The average of the YMPE during the five years used to determine your final average earnings.

Section 3 *cont'd*

Here are two examples to show you how it works.

Example A
Final Average Earnings: $38,000
Credited Service: 35 years
Average YMPE: $37,860

1.4% of final average earnings up to the average YMPE (1.4% x $37,860)	$530.04
1.9% of final average earnings above the average YMPE ($38,000 - $37,860) = $140 (1.9% x $140)	$2.66
Multiplied by 35 years	x35
Minimum guaranteed benefit	**$18,644.50**
Money Purchase Component Account balance = $250,000 Pension provided by Money Purchase Component Account	**$21,700.00**
The higher pension is provided by the Money Purchase Component Account	$21,700.00

Example B
Final Average Earnings: $82,000
Credited Service: 25 years
Average YMPE: $37,860

1.4% of final average earnings up to the average YMPE (1.4% x $37,860)	$530.04
1.9% of final average earnings above the average YMPE ($82,000 - $37,860) = $44,140 (1.9% x $44,140)	$838.66
Multiplied by 25 years	x25
Minimum guaranteed benefit	**$34,217.50**
Money Purchase Component Account balance = $300,000 Pension provided by Money Purchase Component Account	**$26,040.00**
The higher pension is provided by the minimum guaranteed benefit formula	$34,217.50*

* *The difference between this amount and the pension provided by the Money Purchase Component will be paid as a supplementary pension from the Minimum Guaranteed Fund.*

Frequently Asked Questions About Calculating Your Pension

How can I estimate how much my pension at retirement will be?

The personalized annual Pension Statement you receive from the York University Pension Plan will show the value of your Money Purchase Component Account as well as a projection of what your retirement benefit will be at ages 55, 60, and 65.

If you would like to see an estimate based on other ages, use the Pension Estimator, available at www.yorku.ca.

Section 4

Taking Care of Tax Issues

Your York University Pension Plan is registered under the *Income Tax Act*, which means that it complies with certain regulations in the Act.

The *Income Tax Act* limits the amount of retirement savings you can earn in a registered pension plan. Similarly, there are limits to what you can contribute to a registered retirement savings plan. As a plan member, you are able to deduct contributions from your taxable income, up to certain limits, and the pension plan assets are sheltered from taxes while they remain in the plan.

Income Tax Act Limits

Maximum Contributions

The *Income Tax Act* limits the amount you can contribute to a registered pension plan such as the York University Pension Plan. You may contribute up to the annual money purchase limit divided by 2.03. In 2002, the money purchase limit is $13,500, so the limit for 2002 is $6,650 ($13,500 ÷ 2.03).

Maximum Pension Amount

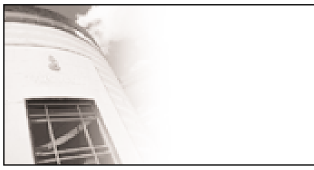
The *Income Tax Act* limits the amount of pension benefit you may earn under the minimum guaranteed provision of the Plan (not the Money Purchase Component Account pension) to a maximum of 35 years multiplied by the lesser of

- $1,722.22; and
- 2% of the average of your three highest years' earnings with the University, which may be subject to a reduction depending on your age, and continuous service.

Here's how it works. Let's say your final average earnings are $115,000 and you have 35 years of credited service.

Minimum Guaranteed Benefit	1,722.22 multiplied by 35 years	2% of $115,000 multiplied by 35 years
$69,632.50	$60,277.70	$80,500.00
Your minimum guaranteed benefit is capped at $60,277.70		

However, the pension provided by your Money Purchase Component Account pension may exceed the *Income Tax Act* limits.



If you have made any additional voluntary contributions, the amount of additional pension these contributions would purchase would not be included in this maximum. However, if you purchase additional service as a result of transferring an amount from another registered pension plan, this amount would be included in the calculation of the *Income Tax Act* maximum.

Maximum Transfer Value

Transfers between registered pension plans are subject to *Income Tax Act* limits. These limits may affect you either when you transfer pension benefits from a former employer's pension plan to the York University Pension Plan, or, alternatively, when you terminate from the Plan and transfer your pension benefit to your new employer's pension plan.

PAs, PSPAs, and PARs

In 1991, as part of a number of reforms made to the *Income Tax Act*, the federal government introduced a system for assigning a value to your participation in a registered pension plan in order to reduce your personal **registered retirement savings plan (RRSP)** contribution room. The aim of these reforms was to introduce more tax fairness into the retirement savings system – up until then, pension plan members received greater tax advantages than those who did not participate in a pension plan.

Pension Adjustments

As a result of these reforms, you receive a **pension adjustment (PA)** for each year you participate in a pension plan.

Your PA represents the "deemed value" – according to the *Income Tax Act* – of the benefit you earn in a plan each year.

In the University's Plan, your PA will be based on the *greater of*

- your contributions, plus those of the University; and
- the benefit provided by the minimum guaranteed formula.

registered retirement savings plan (RRSP)

A savings arrangement that allows tax-deductible contributions and tax-deferred growth of investments within the Plan.

pension adjustment (PA)

The "deemed value" assigned to the benefit earned per year in a pension plan. A PA reduces the amount you can contribute to an RRSP.

Here's how it works.

Earnings: $38,000 PA based on member contributions, plus those of the University	
Member contributions	$1,710.00
University contributions	$1,761.30
Total contributions	$3,471.30
2002 PA	$3,471

Earnings: $38,000 PA based on minimum guaranteed benefit formula	
1.4% of earnings up to the YMPE (1.4 x $38,000)	$532
1.9% of earnings above the YMPE (earnings do not exceed YMPE)	$0
Equals Benefit Entitlement	$532
9 times the Benefit Entitlement minus $600 (9 x $532) - $600	$4,188
2002 PA	$4,188

The greater of the two PA calculations is $4,188.

Your PA is reported on your T4 slip and must be included on the income tax return you file each year.

Past Service Pension Adjustments

Your PA reflects the benefit you earned in a pension plan in a given year. If you retroactively increase that benefit – most likely through a transfer of pension service between registered plans – you'll receive a **past service pension adjustment (PSPA)** to reflect that improvement. A PSPA is the difference between the PA you originally received, and the PA you should have received, based on the impact of the improvement. A PSPA reduces the amount you may contribute to an RRSP.

PSPAs must be certified by the Canada Customs and Revenue Agency before the transfer can take place. If your PSPA is greater than your available RRSP contribution room, your PSPA won't be certified unless you can withdraw sufficient funds from your RRSP.

Pension Adjustment Reversals

The PA calculation is based on the assumption that you'll remain in a pension plan until you retire. If you leave before retirement and transfer your pension benefit to another retirement savings arrangement, you may receive a **pension adjustment reversal (PAR)**.

A PAR increases your RRSP contribution room by the amount you lost while participating in a registered pension plan. You won't receive a PAR if you take a deferred pension or transfer your pension to an insurance company to purchase an annuity. PARs are only applicable for service after 1989.

past service pension adjustment (PSPA)

If your pension benefit is retroactively increased, you'll receive a PSPA to reflect that improvement. A PSPA is the difference between the PA you originally received, and the PA you should have received, based on the impact of the improvement.

pension adjustment reversal (PAR)

The difference between the total of your previous PAs for the pension plan you're leaving and the actual transfer value you receive when you terminate.

Section 4 *cont'd*

Calculating RRSP Contribution Room

Your RRSP contribution room is based on a formula. Basically, your maximum contribution limit is a percentage of your previous year's earned income, reduced by your previous year's PA.

18%

multiplied by

your previous year's earned income, to a maximum of $13,500*

minus

your previous year's PA

** The $13,500 limit is scheduled to increase after 2004.*

If you don't contribute to an RRSP, your unused contribution room is "carried forward" and can be used in later years.

Here's how to calculate your RRSP room for 2002.

Example A

Earnings: $38,000
Pension Adjustment: $4,188

18% of previous year's earned income to a maximum of $13,500 (18% x $38,000)	**$6,840**
Minus previous year's PA	**$4,188**
Total RRSP contribution room	**$2,652**

Example B

Earnings: $82,000
Pension Adjustment: $11,699

18% of previous year's earned income to a maximum of $13,500 (18% x 82,000)	**$14,760**
maximum	**$13,500**
Minus previous year's PA	**$11,699**
Total RRSP contribution room	**$1,801**

Frequently Asked Questions About Taxes

How will I know how much I can contribute to an RRSP?

You can easily calculate your RRSP contribution for the current year by using the formula shown on page 14, provided you know your previous year's annual earnings and PA.

If you're not sure how much unused RRSP contribution room you have, note that the Canada Customs and Revenue Agency keeps track of your RRSP contribution room from previous years. After you file your annual income tax return, you'll receive a Notice of Assessment. This notice will show your annual RRSP contribution room, and any PSPAs or PARs you received in the past year. In addition, it will show your total unused contribution room from previous years. You should review this notice and file it with your other important papers.

Section 5

Transferring from Another Plan

The Plan allows you to transfer pension benefits between registered pension plans within certain time limits and applicable legislation.

Pension Benefits Act Transfers

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:

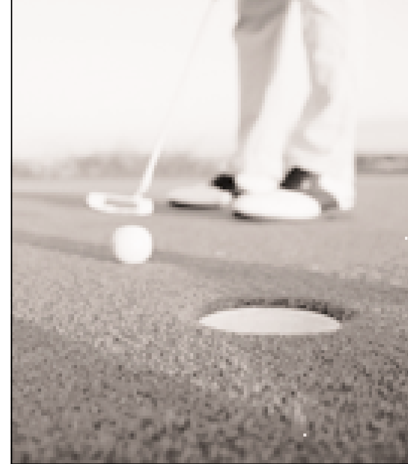
- **If the pension benefit in your former plan doesn't purchase the same amount of credited service in the York University Pension Plan**, you may contribute whatever amount is required, up to the *Income Tax Act* limits, to increase your credited service in the University Plan to make it equivalent. This can be done through a lump-sum contribution.

  Here's how it works. Let's say that in your former pension plan you had five years of credited service. The amount that is transferred to the York University Pension Plan is enough to credit you with four years of service. You would have the option to make a lump-sum contribution in order to be credited with the remaining one year of service.

- **If the pension benefit in your former plan purchases more than the same amount of credited service in the York University Pension Plan**, a proportionate amount of the transfer will be credited to your Money Purchase Component Account and the remainder will be credited to the Special Transferred Contributions Fund.

  Here's how it works. Let's say that in your former pension plan you had four years of credited service. The amount that is transferred to the York University Pension Plan is enough to credit you with five years of credited service. The amount needed to credit you with four years of credited service would be deposited into the Money Purchase Component Account and the remainder would be credited to the Special Transferred Contributions Fund.

If your transfer of service into the York University Pension Plan improves your pension benefit for earlier years (because of differences in pension plan benefit formulas), you may receive a past service pension adjustment (PSPA). A PSPA reduces the amount you may contribute to a registered retirement savings plan (RRSP). For more about PSPAs and RRSP contribution room, see “PAs, PSPAs and PARs” on page 12.



Other Transfers

If you have a locked-in termination benefit from another registered pension plan, you may transfer the funds into the York University Pension Plan. You may also transfer into the Plan any cash refunds you receive from another tax-exempt pension plan, provided the transfer is allowed under the *Income Tax Act*.

If you transfer locked-in funds, the University must administer these funds according to the locked-in regulations in the Ontario *Pension Benefits Act*. More information about these provisions is found in “Your Termination Options” on page 18.

These amounts are held in the Special Transferred Contributions Fund and receive credited interest. At retirement, the funds can be used to provide you with additional retirement income.

Frequently Asked Questions About Transfers

Can I still transfer funds into the Plan if I joined several years ago?

No. Funds must be transferred within 12 months of your joining the University.

Section 6

Leaving the Plan Before Retirement

What happens to your pension benefit when you leave the York University Pension Plan will depend on how long you have been a member of the Plan and, if you joined the Plan before January 1, 1987, your age when you terminate employment.

Your Termination Options

If you joined the York University Pension Plan after January 1, 1987, your pension benefit will be **locked-in** once you have two years of Plan membership. Locking-in requirements for service before 1987 depend on your age and years of membership.

Note that if you take your termination benefit out of the Plan, you will also receive the Non-Reduction Reserve amount attributed to your account. If you leave your benefit in the Plan, the Non-Reduction Reserve will be used to prevent a reduction in your pension if the moving four-year average fund return falls under 6%. For more information, see "Adjustments to Your Pension" on page 26.

locked-in

A legal requirement that pension contributions held to your credit cannot be withdrawn in cash. The money must be used to provide a pension as early as age 55, but no later than the end of the year in which you turn age 69.

commuted value

The value in today's dollars of the funds needed to provide you with a retirement benefit based on the value of any supplementary pension to which you may be entitled at the time of termination of employment.

The following chart shows the termination options available to you.

	Fewer than two years of Plan membership	Plan member before 1987, more than two years of membership but fewer than 10 years and under age 45		Plan member before 1987, at least 10 years membership and age 45
		Pre-1987 Contributions	Post 1986 Contributions	
Take a cash refund of your contributions, plus credited interest, subject to withholding taxes. No refund of the University's contributions.	Yes	Yes	No	No
Leave the funds in your account and receive pension as early as age 55 based on the total balance plus credited interest, in addition to any supplementary pension you may be entitled to receive.	Yes	Yes	Yes	Yes
Transfer your contributions plus those of the University, with credited interest, in addition to the commuted value of any supplementary pension you may be entitled to: • the registered pension plan of your new employer, provided that pension plan will accept the transfer; • a **locked-in retirement account (LIRA)**; or • an insurance company for the purchase of an immediate or deferred life annuity to start as early as age 55.	Yes	Yes	Yes	Yes
Receive a lump-sum payment equal to 25% of the balance of your Money Purchase Component Account and the **commuted value** of any supplementary pension to which you may be entitled for credited service before January 1, 1987. Payment subject to withholding taxes; the remainder could be transferred to a registered retirement arrangement.	No	No	No	Yes

locked-in retirement account (LIRA)

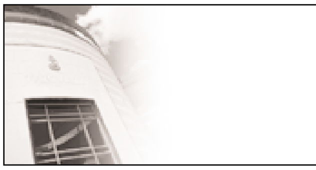
An RRSP that is locked-in according to provincial pension legislation requirements. A LIRA must be used to buy either an annuity or a life income fund (LIF) **as early as age 55 and no later than the end of the year in which you turn age 69.**

life income fund (LIF)

A pay-out option for funds from a LIRA. Like a registered retirement income fund (RRIF)**, a LIF is subject to withdrawal limits.**

registered retirement income fund (RRIF)

A pay-out option set up with the proceeds of an RRSP. Withdrawals are subject to annual limits.



Additional Voluntary Contributions

If you made additional voluntary contributions to the York University Pension Plan, you may take those contributions in one of the following ways:

1. **Transfer the contributions** with credited interest to the pension plan of your new employer, provided that pension plan will accept the transfer.
2. **Leave the funds in your account** to provide an additional pension based on the balance plus credited interest at the time of your retirement.
3. **Take a cash refund** of your contributions, plus credited interest, subject to withholding taxes.
4. **Make a direct transfer of the contributions** plus credited interest to your personal RRSP.

locked-in retirement income fund (LRIF)

A retirement pay-out option for locked-in funds.

Frequently Asked Questions About Termination

Will I receive a PAR when I terminate employment?

If you leave before retirement and transfer your pension benefit to a LIRA, you may receive a pension adjustment reversal (PAR). The PAR is the difference between the total of your previous PAs for the pension plan you're leaving and the actual transfer value you receive when you terminate. Transfer values depend in part on your age at termination. PARs are only available for pension service after 1989.

What's a LIRA?

A locked-in retirement account (LIRA) – also known as a locked-in RRSP in some provinces – is similar to an RRSP for income tax purposes, but is set up with the locked-in funds that are transferred out of a registered pension plan.

The financial institution accepting the funds must agree to administer the account according to the regulations set out in the Ontario *Pension Benefits Act*. That means you cannot withdraw the funds from the account; in addition, you must use the funds to purchase either a life income fund (LIF), a **locked-in retirement income fund (LRIF)**, or a life annuity sometime between age 55 and the end of the year in which you turn age 69.

You invest the funds in your LIRA to ensure they continue to grow. The range of investments offered depends on your financial institution, but is often the same range as for RRSPs.

What are withholding taxes and how much are they?

Withholding taxes are set rates of tax deducted at source from any lump-sum cash payment you receive from a registered pension plan. Cash refunds are taxable because you received a tax deduction when you made contributions to the plan. The current withholding rates are as follows:

Lump-sum amounts above $15,000	*30%*
Lump-sum amounts between $5,001 and $15,000	*20%*
Lump-sum amounts up to $5,000	*10%*

In addition to withholding taxes, the amount of your cash refund will be added to your income. Depending on your personal situation, you may be required to pay additional income tax when you file your return.

You are not subject to withholding taxes if you transfer amounts directly from a registered pension plan to another registered plan, such as an RRSP.

How will I know what my personal termination options are?

After you terminate employment, you'll receive a package from the Pension and Benefits Office at your home address. It will contain an up-to-date statement of your entitlement under the Plan as well as a benefit options form for you to make your selection. Depending on the option you select, there may be additional forms from the Canada Customs and Revenue Agency for you to complete.

Section 7

Retiring from York University

Your York University Pension Plan benefit helps provide you with the foundation you need for a financially secure retirement.

normal retirement

Retirement on the first day of July coincident with or immediately following attainment of age 65.

Normal Retirement

The **normal retirement** date under the York University Pension Plan is the July first coincident with or immediately following your 65th birthday.

Here's how it works. Let's say your 65th birthday was in August, 2001. Your normal retirement would be July 1, 2002. Or, let's say that your 65th birthday is on July 1, 2002. Your normal retirement date would be July 1, 2002.

For some members, there are no extensions of employment beyond the normal retirement date.

When you retire, you'll receive a pension based on the total value of your Money Purchase Component Account. The total value of your account, less the Non-Reduction Reserve contributions, will be converted to a life annuity using the actuarial factors in effect at the time of your retirement. Actuarial factors include things like mortality rates, your age at retirement, your marital status, and the assumed interest rate that will be earned by the Trust Fund.

If you have additional voluntary contributions, or contributions that were transferred in from another pension plan, you may receive a refund of these contributions at retirement, provided the funds are not locked-in, or you may use the value to provide an additional amount of pension. The additional amount of pension would be calculated using the same actuarial factors that were used to calculate your Money Purchase Component Account pension.

Your Money Purchase Component Account pension must be at least equal to the minimum provided by the minimum guaranteed benefit formula. If it's less than this minimum, the difference – known as your supplementary pension – will be paid from the Minimum Guaranteed Fund.

For more information on how your pension is calculated, see "Calculating Your Pension" on page 8.

Early Retirement

You may retire as early as age 55. Your Money Purchase Component Account pension will be calculated as for a normal retirement pension, using the applicable actuarial factor and based on your final average earnings and credited service as of your **early retirement**. This amount is then reduced 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.

Here are two examples to show you how it works.

Example A
Minimum guaranteed benefit: $18,644.50
Age at retirement: 60

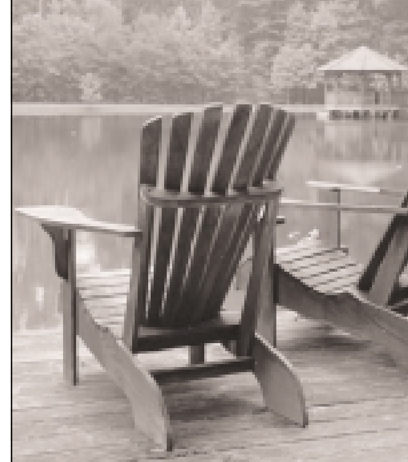
Reduction between ages 60 and 65 (0.25% x 60 months)	$18,644.50 x 15%
	$2,796.68
Early retirement minimum guaranteed benefit	**$15,847.82**

Example B
Minimum guaranteed benefit: $20,966.50
Age at retirement: 55

Reduction between ages 60 and 65 (0.25% x 60 months)	$20,966.50 x 15%
	$3,144.98
Reduction between ages 55 and 60 (0.5% x 60 months)	$20,966.50 x 30%
	$6,289.95
Early retirement minimum guaranteed benefit	**$11,531.57**

Note: If you have additional voluntary contributions, or contributions that were transferred in from another pension plan, you may receive a refund of these contributions at retirement, provided the funds are not locked-in, or you may use the value to provide an additional amount of pension. The additional amount of pension would be calculated using the same actuarial factors that were used to calculate your Money Purchase Component Account pension.

As with a normal retirement pension, your Money Purchase Component Account pension will be compared with the early retirement guaranteed pension and you will receive the greater of the two. If your early retirement Money Purchase Component Account pension is less than the minimum provided by the minimum guaranteed benefit formula, the difference will be paid as a supplementary pension from the Minimum Guaranteed Fund.



early retirement

Retirement available on the first day of any month coincident with or immediately following your 55th birthday.

Postponed Retirement

postponed retirement

Retirement after normal retirement date. Under the *Income Tax Act*, you must begin receiving your pension by the end of the year in which you turn age 69.

You may be eligible to postpone retirement beyond age 65. **Postponed retirement** is available by mutual agreement with the University on a year-to-year basis. The continuation of Plan contributions is optional.

If you do postpone retirement, your pension when you retire will be calculated the same as for a normal retirement. However, the minimum guaranteed benefit will be calculated depending on whether you continued contributing to the Plan beyond your normal retirement date.

Receiving Your Pension Payment

How you receive your pension – known as the form of payment – will depend on whether you have a spouse at retirement and which option you choose.

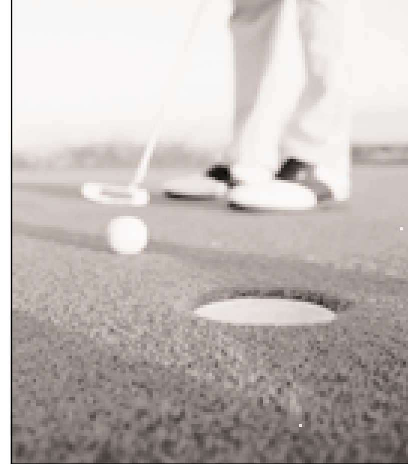
Normal Form of Pension

If you do not have an eligible spouse at retirement, the normal form for paying your benefit is a pension paid for your lifetime only. Payments will cease upon your death and no death benefit will be paid to your beneficiary.

If you have an eligible spouse at retirement, the normal form for paying your benefit is one that pays you a pension for your lifetime and a 60% spousal pension upon your death to your eligible spouse.

Optional Forms of Pension

Instead of a normal form, you may elect an optional form of pension. The most common forms are listed on the next page. For each of these options, either a reduction or an increase will be made to your pension to ensure that the optional form remains actuarially equivalent to the normal form.



You should note that the Ontario *Pension Benefits Act* requires that a spousal pension of at least 60% must be paid to your surviving eligible spouse upon your death. If you elect an optional form of pension that pays less than 60% to your surviving spouse, you and your spouse must sign a form waiving the right to the 60% minimum.

- **Life Only:** This option provides a pension for your lifetime only (provided you don't have a spouse).
- **Life Guaranteed Five, 10 or 15 Years:** You may elect a life pension that guarantees payments are made for a minimum number of years, usually five years (60 payments), 10 years (120 payments), or 15 years (180 payments). In the event that you die within the guaranteed period, your beneficiary will receive the balance of the payments.
- **Joint-and-Survivor:** This form of pension provides a lifetime pension for you. Upon your death, a percentage of your pension – such as 75%, 80% or 100%, for example – will continue to your spouse. You may also combine this form of pension with a guaranteed period.
- **Integration with Government Benefits:** If you retire before becoming eligible to receive Old Age Security and unreduced Canada Pension Plan benefits, you may elect to receive an increased amount of pension from the York University Pension Plan until you're eligible to receive government benefits at age 65. Once you turn age 65, your University pension will be reduced.
- **Portability:** You don't have to receive a retirement pension from the York University Pension Plan. Instead, you may transfer the balance in your Money Purchase Component Account, plus the commuted value of any supplementary pension you may be entitled to receive, to a locked-in retirement account (LIRA). If you elect this option, you'll also receive the amount designated as the Non-Reduction Reserve.

Here are two examples to show you how it works.

Let's say you're single at retirement, but want to provide something for your designated beneficiary in the event of your death. You decide to elect a life guaranteed 15 years pension. Your pension payments will be paid for your lifetime even if you live beyond the 15-year guarantee. If you should die within 15 years of retirement, the value of the remaining payments will be paid to your beneficiary.

Let's say you have a spouse at retirement and want to guarantee a certain level of income to your spouse in the event you die. You decide to elect a 75% joint-and-survivor pension with a 10-year guarantee. Your pension payments will be paid for your lifetime even if you live beyond the 10-year guarantee. If you should die within 10 years, 100% of your pension payment will continue to your spouse for the balance of the 10 years. After that time, your spouse will continue to receive a pension equal to 75% of the payment your spouse was receiving. This payment will continue as long as your spouse lives.

Adjustments to Your Pension

When you first retire, the actuarial factors used to calculate your pension assume the Pension Fund will earn 6% annually throughout your retirement. Your retirement pension may be adjusted at the beginning of each calendar year if the **moving four-year average fund return** is in excess of 6% at that time. In the event the moving four-year average fund return 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 won't receive any further increments until the deficit is paid up.

Here's how it works. Let's say you are receiving a pension of $1,000 a month. The following example shows the progress of your pension in the next three years based on the sample moving four-year average fund returns:

For year 1

- Let's say the moving four-year average fund return is 8%, so the annual pension adjustment is 1.8868% (1.08/1.06 – 1).
- Your pension is adjusted to $1,018.87 a month ($1,000 increased by 1.8868%).

For year 2

- Let's say the moving four-year average fund return is 5.4%, so the annual pension adjustment is -0.5660% (1.054/1.06 – 1).
- The return is below 6%, but because of the non-reduction provision in the pension plan you continue to receive $1,018.87 a month. However, your **pension payable** for the purpose of tracking the deficit becomes $1,013.10 ($1,018.87 decreased by 0.5660%).

For year 3

- Let's say the moving four-year average fund return is 7.5%, so the annual pension adjustment is 1.4151% (1.075/1.06 – 1).
- Your pension payable will be adjusted by 1.4151%.
- The pension you actually receive is adjusted to $1,027.44 per month ($1,013.10 increased by 1.4151%).

The University contributes an additional 3% of your required contributions, known as the Non-Reduction Reserve Contributions, to your Money Purchase Component Account, in order to provide the funding necessary to prevent a reduction in your pension when the moving four-year average fund return falls below 6%.

moving four-year average fund return

The average annual rate of return of the Pension Fund during the preceding four years.

pension payable

The calculated pension after the annual adjustment, either positive or negative, has been applied.

Frequently Asked Questions About Retirement

Will I receive my York retirement pension automatically?

No. You must apply to receive your University pension. You should contact your department or supervisor as soon as you have made the decision to retire. Once the Pension and Benefits Office has received the supporting documentation from your department, it will calculate your final pension – incorporating your earnings up to your last day at work, vacation pay, and any retroactive adjustments. You can expect your pension payments to begin the month following the Pension and Benefits Office's receipt of all your pension documentation. Your pension is paid on the first of the month for that month.

Section 8

Providing for Your Survivors

Your York University Pension Plan pension benefit may be one of your most valuable assets, so it's important that you know what happens to your benefit after your death and how this affects your survivors.

Death Before Retirement

Your eligible surviving spouse or beneficiary will receive the balance in your Money Purchase Component Account at the date of your death representing your contributions and the University's contributions made since January 1, 1987 plus credited interest. In addition, he or she may also receive the amount by which the commuted value of any supplementary pension for service since January 1, 1987 exceeds your Money Purchase Component Account balance.

Your eligible surviving spouse may take this benefit as

- a lump sum payment, as cash subject to withholding taxes, or as a direct transfer to a registered retirement arrangement, such as an RRSP; or
- an immediate or deferred life annuity, with an optional guarantee of up to 15 years (180 payments).

If you do not have an eligible surviving spouse, or if you and your spouse have waived the right to a pre-retirement death benefit, your designated beneficiary or your estate will receive this benefit as a lump sum cash payment subject to withholding taxes.

Please note that benefits for service earned before January 1, 1987 are subject to the rules in effect at that time. Please contact the Pension and Benefits Office for more details.

Additional Voluntary Contributions

If you die before retirement, your designated beneficiary will also receive a refund of any additional voluntary contributions, plus credited interest, that you made to the Plan. If your eligible spouse is your designated beneficiary, he or she may elect to receive an annuity that will remain constant during the balance of the pension year, but would be subject to annual adjustments thereafter.

Dependent Children's Benefit

If you die before retirement and are survived by children under the age of 18, those children will be eligible for a dependent children's benefit. This benefit is in addition to any of the benefits described on pages 25 and 28, to which your beneficiary may be entitled.

The total monthly benefit payable from the Minimum Guaranteed Fund will be equal to:

0.00833

multiplied by

your annual earnings at date of death

to a maximum of $300 per month

This benefit is payable to the legal guardian until the children reach age 18. As each child reaches age 18, the benefit is recalculated so that the total is redistributed equally among the remaining surviving dependent children, up to the maximum payment allowed.

Death After Retirement

If you die after you retire, benefits will be paid to your eligible spouse, designated beneficiary, joint annuitant, or estate, as applicable, according to the form of pension you selected when you retired. For more information, refer to "Receiving Your Pension Payment" on page 24.

Frequently Asked Questions About Survivor Benefits

What happens if I have a new spouse after retirement?

Only the spouse you have at retirement, if any, is eligible to receive a spousal pension from the Plan. If you marry or enter into a common-law relationship after you retire, your new spouse won't be eligible to receive this benefit.

Section 9

Taking Care of Administration Issues

York University is responsible for all aspects of the York University Pension Plan.

Your Personalized Annual Pension Statement

Each year, you'll receive a personalized Pension Statement from the York University Pension Plan.

This statement will show you

- the personal information the University has on record for you, including the name of your spouse and beneficiary;
- the account balances for your Money Purchase Component, Additional Voluntary Contributions, and Special Transferred Contributions accounts;
- total contributions for the past year, plus credited interest;
- projections of what your retirement benefit will be at ages 55, 60, and 65; and
- benefits upon termination, disability, and death.

Your personalized annual Pension Statement is an important financial and estate-planning document. Be sure to take the time to carefully review it each year and then file it for future reference where you keep your other important papers.

While reviewing your statement, if you notice inaccuracies, or if your personal information changes during the year, be sure to notify the Pension and Benefits Office. Inaccuracies such as in your date of birth or spousal status may have an impact on your pension benefit.

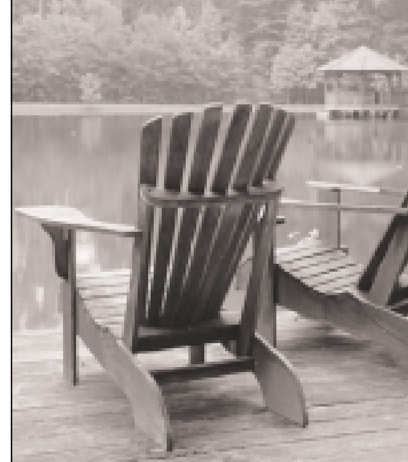
Pension Plan Governance

York University is both the Plan sponsor and the legal Plan administrator of the York University Pension Plan.

As the Plan sponsor, the University establishes the pension plan in accordance with the terms of the Ontario *Pension Benefits Act*.

As the Plan administrator, the University must also act as a "fiduciary." A fiduciary is an individual or organization that holds assets for another party and has the legal authority and duty to make decisions regarding financial matters on behalf of that other party. As a fiduciary, the University is duty-bound to act in the interests of all Plan members, pensioners, survivors, and beneficiaries.

To carry out its duties, the University acts through its Board of Governors. The Board, in turn, delegates specific Plan administration tasks to the Vice-President, Finance and Administration. The Board also appoints a Pension Fund Board of Trustees to discharge the Fund administration and investment duties.



The All-University Committee on Pensions (AUCP) is made up of representatives from the employee groups, retirees, University administration, and the Pension and Benefits Office. The AUCP acts as an advisory committee to the University on pension benefit issues.

Pension Plan Assets

The assets of the York University Pension Plan are held separate and apart from the assets of the University. The creditors of the University cannot access your pension assets, either through a legal action or bankruptcy.

Your pension entitlement is also safe from your creditors should you declare personal bankruptcy. It cannot be subject to garnishment until you begin receiving it as a monthly pension. Likewise, you cannot use your pension entitlement, either while a member of the Plan or once your locked-in benefit has been transferred out of the Plan, for collateral on a loan or mortgage.

However, in the event of a marriage breakdown, whether legal or common law, your pension benefit will be counted as part of the marital property and may be subject to division under provincial family property legislation. Likewise, your pension payments can be used to satisfy a court order for support payments.

The Trust Fund is invested according to a well-diversified investment strategy approved by the Pension Fund Board of Trustees.

Registered pension plans, like the York University Pension Plan, are required to develop a Statement of Investment Policy and Procedures for the Pension Fund to guide investment activities. This statement outlines investment objectives and performance expectations. Like many pension plans, the University hires professional investment managers to invest the fund assets.

You can find out more about the Trust Fund's investment policies and performance by referring to your copy of the *Pension at York Newsletter*.

Frequently Asked Questions About Pension Plan Administration

What happens to my pension if my marriage breaks down?

Your pension is considered marital property under Ontario's *Family Law Act*. Under Ontario's *Pension Benefits Act*, you may "assign" up to 50% of your pension benefit to your former spouse upon the breakdown of a spousal arrangement. To do this, the University must receive a domestic contract, separation agreement or court order authorizing such a division.

Section 10

Planning for Your Retirement

Your York University pension is just one part of your retirement savings foundation. The remainder of your retirement income will come from government benefits – such as the Canada Pension Plan (CPP) and Old Age Security (OAS) – as well as your personal savings.

York University Pension Plan

You should contact your department or supervisor as soon as you have made the decision to retire. Once the Pension and Benefits Office has received the supporting documentation from your department, it will calculate your final pension – incorporating your earnings up to your last day at work, vacation pay and any retroactive adjustments – and send you a benefit options form. You will need to select a type of pension and complete a TD1 Personal Tax Credits Return Form. You will also need to supply the Pension and Benefits Office with proof of your age and that of your spouse, if you have one.

Pensions are paid on the first of the month in advance. By April of each year, you will be notified of your annual pension adjustment. This adjustment will be retroactive to January 1.

Government Benefits

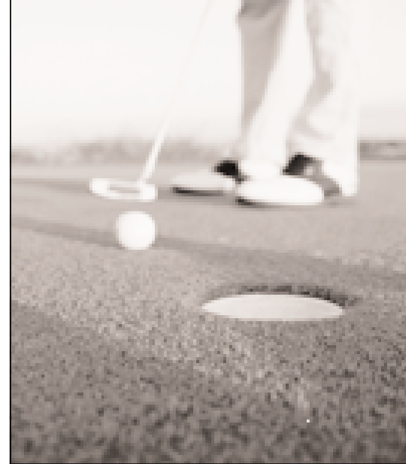
Most Canadians qualify for benefits from CPP and OAS.

Canada Pension Plan

Both you and the University contribute to CPP based on your annual earnings between a minimum amount, called the year's basic exemption (YBE), and a maximum amount, called the year's maximum pensionable earnings (YMPE).

You may collect retirement benefits from CPP after your 60th birthday provided you have stopped working. Your CPP benefit will depend on your earnings level and the number of years you contributed. CPP provides all contributors with an annual Statement of Contributions to help you estimate the amount of benefit you'll receive.

In addition to a retirement pension, CPP also offers disability benefits, survivor's pensions and children's benefits, as well as a death benefit.



You can continue to receive CPP benefits if you move to another country after retirement.

CPP benefits are increased annually based on increases in the Consumer Price Index (CPI).

To find out the current maximum benefit amounts, YBE and YMPE, as well as contribution rates, visit the Human Resources Development Canada (HRDC) Web site at www.hrdc.gc.ca/isp/studies/trends/ infocard_e.shtml.

Old Age Security

If you have lived in Canada for at least 10 years after reaching age 18, you may qualify to receive OAS once you turn age 65. You'll receive a full OAS benefit if you have lived in Canada for at least 40 years after age 18; if you have lived here less than 40 years, you may qualify for a partial benefit. (If you were born on or before July 1, 1952, alternative rules may apply.)

Unlike CPP, OAS rules don't require you to have worked in Canada to receive benefits, nor must you be retired from work. However, if you have been a Canadian resident for fewer than 20 years, you cannot continue to receive benefits if you leave Canada for more than six months.

OAS benefits are adjusted for inflation every three months, based on increases in the CPI. However, some or all of your OAS benefit will be "clawed back" once your income reaches a level specified by the *Income Tax Act*.

To find out current benefit amounts, as well as the claw back limits, visit the HRDC Web site at www.hrdc.gc.ca/isp/oas/rates_1e.shtml.

Personal Savings

There are two ways you can save for retirement: within a registered plan, and outside of a registered plan.

Registered Retirement Savings Plans

A registered retirement savings plan (RRSP) is an arrangement that allows savings to accumulate on a tax-deferred basis. RRSPs are most often offered through banks, trust companies, and credit unions. Your contributions can be invested in a variety of investments, depending on what's offered by the financial institution that holds the RRSP.

RRSP contributions are tax-deductible, up to the *Income Tax Act* limits, and the funds in an RRSP grow tax-free until they are withdrawn.

Section 10 *cont'd*

You can make RRSP contributions throughout the calendar year. In addition, you have the first 60 days of the following calendar year to make contributions that can be claimed on your previous year's income tax return.

You can also use your RRSP contribution room to make contributions to a spousal RRSP instead of your own RRSP. If you do, you'll receive the tax deduction, but your spouse will own the RRSP assets.

When you're ready to retire, you can convert the assets in your RRSP to a registered retirement income fund (RRIF) or an annuity.

More information on RRSP contribution limits is contained in "Calculating RRSP Contribution Room" on page 14.

Other Sources of Retirement Income

In addition to your RRSPs, you may have other sources of income in retirement.

Here are some of the most common sources:

- deferred annuities from the pension plans of former employers;
- government pensions from other countries where you have lived or worked;
- military pensions;
- rental income from real estate you own;
- investment income on non-registered savings;
- income from a part-time or casual job; and
- income from self-employment.

Be sure to factor these sources into your retirement plans. In addition, you may want to hire a qualified financial adviser to help guide your financial planning.

Frequently Asked Questions About Retirement Savings

Will I receive CPP and OAS automatically when I retire?

Neither CPP nor OAS benefits are paid to you automatically upon retirement. You must apply for each benefit, ideally at least six months before you want to begin receiving them.

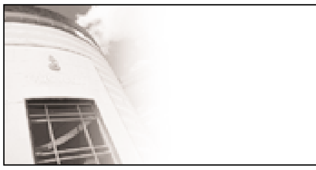
You can print a *Canada Pension Plan Retirement Pension Application Kit* and an *Old Age Security Application Kit* from the Human Resources Development Canada Web site at www.hrdc-drhc.gc.ca or call toll-free at 1 (877) 454-4051 or 1 (800) 255-4786 (TDD/TTY) to have them mailed to you.

Can I contribute to an RRSP after I retire?

If you have unused RRSP contribution room, you may continue to contribute to your RRSP until the end of the year in which you turn age 69. In addition, if you have employment income while you're retired, you'll continue to earn RRSP contribution room based on those earnings until the end of the year in which you turn age 69. Note that pension payments and income from investments do not count towards earning RRSP contribution room.

Is my pension income taxable?

Most forms of pension income – CPP, OAS, your York University pension and income from annuities, RRIFs, LIFs and LRIFs – are taxable. Special rules apply if you receive pension benefits from a foreign country. For more information about this, contact the Canada Customs and Revenue Agency.



Section 11

Understanding Your Plan

Key Terms

Here are some key terms that will help you understand the York University Pension Plan better.

actuarial factors

Used to convert your Money Purchase Component Account to a monthly retirement benefit. They include factors such as mortality rates, your age, marital status and the assumed interest rate that the fund will earn going forward. For example, if you retire at age 55, a different actuarial factor will be used to calculate your pension than if you retire at age 65, to account for the fact that your pension may be paid for a longer period of time.

annuity

A stream of monthly payments.

average YMPE

The average of the YMPE during the five years used to determine your final average earnings.

commuted value

The value in today's dollars of the funds needed to provide you with a retirement benefit based on the value of any supplementary pension to which you may be entitled at the time of termination of employment.

continuous service

Your unbroken service with the University, including vacation, authorized sick leave, and authorized leaves of absence.

credited interest

The rate of return of the Trust Fund during the year, minus expenses associated with the investment of the Trust Fund. This rate of return is calculated annually at the beginning of each calendar year for the previous year.

credited service

The total number of years of Plan membership. You can't obtain credit for a full year if contributions by either you or the University are not maintained at the full rate for that year. In that case, you would be credited with a fraction of a year. Your credited service, within the limits permitted under the *Income Tax Act*, is used in calculating the minimum guaranteed benefit. In some cases, credited service may include prior periods of employment with the University.

early retirement

Retirement available on the first day of any month coincident with or immediately following your 55th birthday.

eligible spouse

The person who:

- is married to you; or
- is not married to you, but has been living with you in a conjugal relationship for at least three years; or
- if together, you're the natural or adoptive parents of a child, as defined in the *Family Law Act*, 1986.

final average earnings

The average of your highest five years of earnings before retirement.

life income fund (LIF)

A pay-out option for funds from a LIRA. Like an RRIF, a LIF is subject to withdrawal limits.

locked-in

A legal requirement that pension contributions held to your credit cannot be withdrawn in cash. The money must be used to provide a pension as early as age 55, but no later than the end of the year in which you turn age 69.

locked-in retirement account (LIRA)

An RRSP that is locked-in according to provincial pension legislation requirements. A LIRA must be used to buy either an annuity or a LIF as early as age 55 and no later than the end of the year in which you turn age 69.

locked-in retirement income fund (LRIF)

A retirement pay-out option for locked-in funds.

moving four-year average fund return

The average annual rate of return of the Pension Fund during the preceding four years.

normal retirement

Retirement on the first day of July coincident with or immediately following attainment of age 65.

past service pension adjustment (PSPA)

If your pension benefit is retroactively increased, you'll receive a PSPA to reflect that improvement. A PSPA is the difference between the PA you originally received, and the PA you should have received, based on the impact of the improvement.

pension adjustment (PA)

The "deemed value" assigned to the benefit earned per year in a pension plan. A PA reduces the amount you can contribute to an RRSP.

pension adjustment reversal (PAR)

The difference between the total of your previous PAs for the pension plan you're leaving and the actual transfer value you receive when you terminate.

pension payable

The calculated pension after the annual adjustment, either positive or negative, has been applied.

postponed retirement

Retirement after normal retirement date. Under the *Income Tax Act*, you must begin receiving your pension by the end of the year in which you turn age 69.

registered retirement savings plan (RRSP)

A savings arrangement that allows tax-deductible contributions and tax-deferred growth of investments within the Plan.

registered retirement income fund (RRIF)

A pay-out option set up with the proceeds of an RRSP. Withdrawals are subject to annual limits.

total disability

A disability which is physically or mentally impairing so that you are prevented from doing your job and which:

- is certified, in writing, by a medical doctor; and
- qualifies you for long-term disability benefits from the University.

Trust Fund

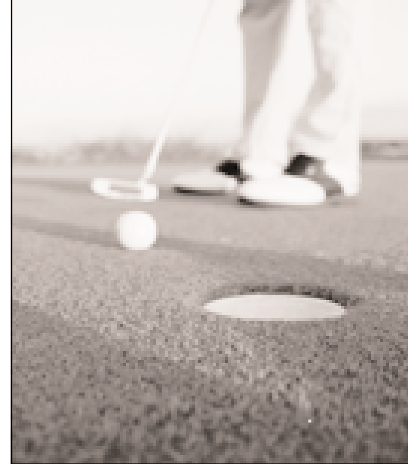
The fund established by the University for the purposes of investing the assets of the Plan. The Trust Fund consists of several parts:

- *Individual Accounts:* These accounts record, for each Plan member (before retirement), your required contributions, the University contributions made on your behalf, additional voluntary contributions, and any amounts transferred into the Plan, along with credited interest on these amounts. These individual accounts primarily consist of the Money Purchase Component Accounts, but also include Additional Voluntary Contributions and Special Transferred Contributions.
- *Variable Annuity Fund:* If you retire and choose to receive a pension from the Plan, the money from your individual accounts becomes part of this fund and your pension is paid from this fund. It is called "variable" because of the annual adjustments to pensions.
- *Minimum Guaranteed Fund:* This fund holds the contributions made by the University, along with credited interest, that pay the supplementary pension benefits as required by the minimum guaranteed benefit formula.

year's maximum pensionable earnings (YMPE)

The limit set on earnings used to determine contributions to the Canada Pension Plan.

Notes



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MAY 2002