Pension Plan for Faculty, Librarians and Senior Administrative Officers of Mount Allison University

SEPT, 2008

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INTRODUCTION

The *Pension Plan for Faculty, Librarians and Senior Administrative Officers of Mount Allison University* was established by the University as a convenient and cost effective retirement savings vehicle for eligible faculty members, librarians and senior administrative officers. The Pension Plan combines with the Canada Pension Plan, Old Age Security, and your own personal savings to give you and your dependants a measure of financial security when you retire.

Your Pension Plan is a Defined Contribution ("DC") Plan - so-called because your contributions and the University's contributions are defined by the terms of the plan. These contributions are held in your Member Account and invested at your instructions during your career with the University.

The amount of your pension at retirement will be determined at that time based on the value of your Member Account (contributions plus investment earnings), the type of pension you elect to purchase and the prevailing long term interest rates at that time. Your pension at retirement is <u>not</u> based on a formula related to earnings and/or years of credited service.

This booklet is designed to provide answers to questions often asked about the Pension Plan. Complete details of the Pension Plan can be found in the official Pension Plan document, which may be amended from time to time. Should there be any differences between this booklet and the official Pension Plan document; the provisions of the official Pension Plan document prevail. You may also review or request a complete copy of the formal Pension Plan document. If you wish to do so, or have other questions about the Pension Plan, please contact the Human Resources Department (see section 26 for contact information).

A glossary is included at the end of this booklet. Capitalized terms used in this booklet are defined in the glossary.

YOUR RESPONSIBILITIES

The University offers the Pension Plan to assist Members in achieving their retirement goals.

However, your responsibility goes beyond making your contributions to the Pension Plan.

You are responsible for making investment decisions regarding your Member Account and for determining whether additional savings are required to meet your personal goals. The record keeper (currently Sun Life Financial), on behalf of the University, provides tools and information to assist you in making these decisions and you are encouraged to use these tools (see section 26 for contact information).

You should decide if seeking investment advice from a qualified investment professional is necessary for you, and if so, to arrange for such assistance.

Finally, upon retirement, you should seek advice with respect to the retirement income vehicle (e.g., Annuity, Life Income Fund (LIF)) that best suits your needs.

1. Am I eligible to join the Pension Plan?

You are eligible to join the Pension Plan if you are a full-time faculty member, librarian or senior administrative officer with a continuing appointment or with a term appointment of at least ten (10) months.

If you are a part-time faculty member, you are eligible to join the Pension Plan on the first day of January after which you earned at least 35% of the Year's Maximum Pensionable Earnings (YMPE) in the two immediately preceding calendar years.

2. When must I join the Pension Plan?

If you are an eligible full-time employee, you may elect to join the Pension Plan on the first day of your employment. However, if you are an eligible full-time employee and do not elect to join the Pension Plan at an earlier date, you must join the Pension Plan on the first day of the month following one year of continuous employment.

Once you become a Member of the Pension Plan, you may not withdraw from the Pension Plan so long as you remain employed by the University. However, no contributions are made to the Pension Plan by the Member or the University if the Member is employed in a position not covered by the definition of Employee in the Pension Plan.

3. How much do I contribute?

You are required to contribute 6% of your Earnings to the Pension Plan.

4. How much does the University contribute?

The University contributes 7.5% of your Earnings to the Pension Plan.

5. May I contribute additional amounts?

You may elect to make additional voluntary contributions to the Pension Plan up to the limits permitted by the Income Tax Act. Please contact the Human Resources Department should you wish to make additional voluntary contributions.

6. Where are my contributions held?

Your contributions are held in the Pension Plan under an account in your name. A record keeper, hired by the University, keeps track of contributions made to your account, your investment income and the expenses charged to your account. At the time this booklet was written, the record keeper was Sun Life Financial.

7. What happens during sabbatical leaves, sick leaves, maternity leaves, and other leaves of absence?

While a Member is on sabbatical leave on partial salary, or receiving payments for sickness or maternity, both the Member and the University will continue to make contributions as if the member were on full salary. During other leaves of absence, the Member and/or the University may continue to make contributions based on actual Earnings or full salary as may be agreed to between the Member and the University.

8. Who invests the monies in my Member Account?

The University selects a number of investment options you may use to invest the monies in your Member Account. These options may include short-term guaranteed investment certificates and investment funds managed by professional money managers. There is a range of investment options to choose from so you can invest your monies according to your risk preferences and investment goals. You are responsible for directing the investment of your Member Account from among these investment options. Information on the investment options may be found in the documents prepared by the record keeper and available through the Human Resources Department.

9. What fees and expenses are charged to my Member Account?

The amount of investment management fees charged to your account depends upon the total amount invested with each investment manager (for all plan members).

The most recent series of investment management fee schedules negotiated with the record keeper are available on our web site at http://www.mta.ca/hr/pension/Investment_Management_Fee_Schedule.pdf. These fee schedules apply to the aggregate of assets in the Pension Plan. An estimate of the average management fees applicable to each of the available investment options is also shown on our web site at http://www.mta.ca/hr/pension/Schedule_of_Estimated_Fees.pdf

The management fees charged to your account are disclosed in your statements from Sun Life Financial.

In addition to these investment management fees, expenses (e.g. legal, auditing and custodial costs) are incurred in maintaining these investment options. These costs (typically 0.03% to 0.05% per annum) are not deducted directly from your account but have an impact on these funds' gross rate of returns reported to you from time to time.

Finally, please see section 10 regarding the annual charge to Member Accounts for governance-related expenses.

10. What is the Governance Account?

The Governance Account is an account from which governance-related expenses associated with The Pension Plan may be paid. This account is maintained by an annual charge to Plan members of a percentage of pooled fund assets. Currently the annual charge is 0.05%. The annual charge to the Governance Account can be decreased or stopped at any time by either the Pension Advisory Committee or the University.

The establishment of this account reflects the importance of the governance function and the value that this represents to Plan Members. In general, for expenses to be eligible to be paid from the Governance Account they must have

been incurred for the benefit of Plan Members and be associated with Plan benefits.

11. May I transfer funds from another registered pension plan into the Pension Plan?

You may elect to transfer amounts from another registered plan to your Member Account, subject to the requirements under the Income Tax Act. The portion of any such amount that is locked-in under the Pension Benefits Act or other relevant pension legislation shall continue to be subject to such locking-in requirements. Any non-locked-in portion of such amounts would be considered voluntary contributions.

12. May I withdraw my contributions?

You may not withdraw your required contributions from the Pension Plan while you are still an employee of the University.

You may elect to withdraw any monies from your Member Account that are attributable to your voluntary contributions at any time. Your Member Account will be charged with a check preparation fee before your withdrawal is processed.

13. May I use my contributions as collateral to borrow money?

No. Your entitlement under the Pension Plan cannot be used as security for borrowing, and the assignment of any benefit under the Pension Plan is not permitted.

14. When may I commence my pension?

Your normal retirement date is the first of July following the day you attain age 65. Except as noted in this section, you may commence your pension on any day following the later of your normal retirement date and your actual retirement date.

Early commencement of your pension is permitted if you retire any time within ten years prior to normal retirement with five years of Continuous Service or two years of plan membership.

If you are still employed after your 71st birthday, you are required to commence your pension at the end of the calendar year in which you turn age 71, regardless if you continue working in the following year.

15. What are my options at retirement?

At retirement, your entire Member Account will be available to provide you with a retirement income.

Any portion of your Member Account attributed to voluntary contributions may be taken in cash or transferred to a RRSP or RRIF, or used to purchase an Annuity.

The rest of your account (not attributed to voluntary contributions) will be locked-in, meaning it must be used to provide a lifetime retirement vehicle, such as a life Annuity or a Life Income Fund (LIF).

If the locked-in portion of your Member Account is particularly small (as defined in the New Brunswick Pension Benefits Act), it may be unlocked subject to the completion of a specified spousal waiver form.

16. How much pension will I receive when I retire?

The locked-in portion of your Member Account must be used to provide a lifetime retirement income. You must commence any pension no later than the end of the calendar year in which you reach age 71.

There are two main options, a life Annuity and a Life Income Fund (LIF).

Life Annuity

A life Annuity is an insurance contract that pays you a specified amount of money at regular intervals for your lifetime; that is, a pension. The amount of your pension payments will depend on four important factors:

- the amount of funds you have available (contributions plus investment earnings);
- the long term interest rates at the time of your retirement;
- your age and your Spouse's age when you retire; and
- the form of pension that you elect to receive.

Life Income Fund (LIF)

Instead of purchasing an Annuity, you may elect to transfer your Pension Plan entitlement to a LIF. A LIF is a tax-sheltered retirement vehicle that allows you to direct the investment of your pension funds during retirement. Retirement income will be drawn from the LIF but the annual amount is flexible with minimum and maximum amounts depending on your age and the amount of your fund.

Under current pension legislation in New Brunswick, you can also make an application to the Superintendent of Pensions to unlock a portion of your locked-in funds, up to the prescribed amount. The prescribed amount is currently the lesser of three times the LIF maximum withdrawal amount and 25% of your locked-in funds.

In deciding what to do with your Member Account at retirement, you should obtain advice from a qualified retirement or investment specialist.

Pension calculation examples are shown in Appendix A.

17. What happens if I leave the University before I retire?

Vesting in University contributions

The portion of your Member Account attributed to University contributions vests immediately. This means you are entitled to the contributions made by the University on your behalf when you leave your employment with the University.

Locking-in of required contributions

Locking-in means your Member Account must be used to provide a lifetime retirement income and is not accessible for other uses. Your Member Account is not locked-in, if at the time you leave the University, you have completed less than

five years Continuous Service and less than two years of continuous membership in the Plan. If you leave the University after five years of Continuous Service or after two years of continuous plan membership your Member Account is considered locked-in.

If your Member Account is not Locked-in

If your benefits are not locked-in when you leave the University, you are entitled to a refund of your Member Account. This refund may be paid in cash or transferred to a RRSP or RRIF. This refund is, however, subject to any locking in provisions attached to transfers in from other plans.

If your Member Account is Locked-in

If your benefits are locked-in at the time you leave the University, you are entitled to receive the full value of your Member Account.

On termination of employment, Locked-in funds may be transferred to another registered pension plan, a Locked-In Retirement Account, a Life Income Fund or used to purchase a deferred life Annuity.

If the Locked-in portion of your Member Account is particularly small (as defined in the New Brunswick Pension Benefits Act), it may be unlocked (subject to the completion of a specified spousal waiver form).

18. What happens if I am disabled?

Your Member Account will continue to be invested in accordance with your instructions until you decide to retire. You will make no contributions to your Member Account for periods of disability in which you are in receipt of benefits under the Long Term Disability (LTD) Plan. However, while in receipt of benefits under the LTD Plan, contributions will be remitted on your behalf at such amounts as specified in the LTD Plan.

19. What happens in the event of my death?

If you should die before reaching your normal retirement date, your surviving Spouse may elect to receive a refund of your entire Member Account in cash or transfer your entire Member Account to a RRSP or RRIF in his/her name. Your surviving spouse may elect instead of a refund, to purchase an annuity with your Member Account. If you do not have a surviving Spouse, your beneficiary (or your estate if no beneficiary is named) will receive a cash refund of your Member Account.

20. May I designate my beneficiary?

You may name a beneficiary to receive the amounts payable on your death. The beneficiary designation may be changed at any time, subject only to legal restrictions. Regardless of any beneficiary designation, if you have a Spouse at the time of your death, that person is your beneficiary for purposes of the Pension Plan. If you have not named a beneficiary, and have no Spouse at the time of your death, any benefit payable will be paid to your estate.

21. What is the definition of "Spouse" for purposes of the Pension Plan?

For the purposes of the Pension Plan, "Spouse" is defined in accordance with the New Brunswick Pension Benefits Act. Generally speaking, a Spouse is the individual to whom an employee is legally married, or with whom they have cohabited in a conjugal relationship for at least three years. Certain other relationships may also constitute a spousal relationship under the New Brunswick *Pension Benefits Act*.

If you have any questions as to how these definitions may apply, please contact the Human Resources Department.

22. What happens to my pension on relationship or marriage breakdown?

In the event of marriage or relationship breakdown or divorce, a court order or separation agreement may require the division of your pension benefits. Unless mandated by a court order, no more than 50% of your pension may be awarded to your Spouse.

To divide your benefits, you or your Spouse must provide a copy of the court order or separation agreement to the Human Resources Department, who will forward it to the Administrators of the Pension Plan. Your former Spouse will receive his/her portion of your pension benefits at that time. Your account will reflect the division as soon as possible after the required documents are forwarded to the Administrator of the Pension Plan.

23. What about government benefits?

At retirement, you may receive Canada Pension Plan (CPP) and Old Age Security (OAS) benefits in addition to those provided under the Pension Plan. You should apply for government benefits six months before you reach age 65 or your alternate retirement date.

Canada Pension Plan

Your retirement benefit under the CPP is based on the earnings on which you made contributions to the CPP. The CPP is meant to replace roughly 25% of your average annual earnings up to the Year's Maximum Pensionable Earnings ($44,900 in 2008; go to *http://www.mta.ca/hr/pension/CPP%20Rates.pdf* for updated amount). The maximum CPP retirement benefit at age 65 is $10,615 as at January 1, 2008 (go to *http://www.mta.ca/hr/pension/CPP%20Rates.pdf* for updated amount). Your benefit may be less, depending on your earnings history. Reduced CPP retirement benefits may start as early as age 60, if you are substantially retired at that age. The pension payments under the CPP are indexed annually to the Consumer Price Index (CPI).

You may obtain an estimate of your CPP retirement benefit by calling 1-800-277-9914.

Old Age Security

Individuals who resided in Canada for 40 years after reaching the age of 18 are eligible to receive the maximum OAS benefit. Individuals who have a minimum of ten years residence in Canada after age 18 qualify for a partial benefit. Partial benefits are earned at a rate of 1/40 for each year of residence.

The OAS program is meant to replace roughly 15% of an average Canadian worker's wages (about $40,000 as at January 1, 2008). The maximum OAS retirement benefit at age 65 is $6,028 as at January 1, 2008 (go to *http://www.mta.ca/hr/pension/OAS%20Rates.pdf* for updated amount). OAS benefits may not start before age 65.

OAS payments are indexed to the CPI and are adjusted quarterly. If you have a large retirement income (over $64,718 in 2008, go to *http://www.mta.ca/hr/pension/OAS%20Rates.pdf* for updated amount), you may have to repay all or part of the OAS benefit you receive.

For more information about these benefits, you should contact Service Canada, 1-800-277-9914.

24. How does participation in the Pension Plan affect my RRSP deduction limit?

Participation in the Pension Plan will reduce your RRSP deduction limit for the next year. The amount of the reduction is reported to you as your Pension Adjustment or "PA" on your T4 slip. Your Pension Adjustment reflects all contributions made to the Pension Plan (including any contributions made by the University on your behalf). Please refer to your Notice of Assessment from the Canada Revenue Agency for more information on your RRSP Deduction Limit.

25. Who is responsible for the management of the Pension Plan?

The University is the legal Administrator of the Pension Plan. It has the responsibility to oversee all aspects of Pension Plan administration and management and to ensure that the Pension Plan meets all legal requirements. The University has also established a Pension Advisory Committee to oversee the administration of the Plan.

To assist the University in its responsibilities, the University hires pension consultants, actuaries, investment managers and investment consultants to advise the University on various matters. The University also hired a record keeper to maintain detailed pension records and to determine the actual benefits payable from the Pension Plan on retirement, termination or death.

26. How do I contact the Administrator?

If you have any questions about the administration of your Pension Plan, you may call the Human Resources Office, Mount Allison University, 65 York St., Sackville, New Brunswick, E4L 1E4, phone 506-364-2280.

If you have any questions about your Member Account, how to make investment instructions, or how to plan for retirement, please contact the record keeper, Sun Life Financial.

Sun Life Financial Customer Care Centre: 1-866-733-8612
Sun Life Financial Member web-site: www.sunlife.ca/member

27. What happens if there is a Pension Plan Wind-Up?

The University intends to continue the Pension Plan indefinitely. However, in the event of a Pension Plan termination, Pension Plan assets will be used to provide the promised benefits.

Since all members are vested in their benefits, there would not be any excess funds after the payment of settlement of the Pension Plan benefits.

28. Can I review the official Plan documents?

As a Pension Plan member, you may request copies of official Pension Plan documents. Such documents include the official Pension Plan document, Pension Plan amendments, the Statement of Investment Policies and Goals and Annual Information Returns. You may make such a request annually by writing to the Pension Plan Administrator (see Section 26).

Please Note:

While this guide summarizes the main features of the Pension Plan, the official Pension Plan document governs the actual terms of your benefits. The official Pension Plan document may be amended from time to time. Every effort has been made to ensure the accuracy of the information in this booklet, but if there is any difference between this booklet and the terms of the official Pension Plan document, the Pension Plan document prevails.

The Pension Plan document and any amendments to it are filed with the New Brunswick Superintendent of Pensions and Canada Revenue Agency. The registration number is 0323949.

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Upon retirement, you can elect to either purchase a life Annuity or a Life Income Fund with the locked-in portion of your Member Account.

Life Annuity Examples

As noted in this booklet the amount of monthly income you can receive from purchasing a life Annuity depends upon the amount of your locked-in funds, the type of life Annuity you purchase and the prevailing long-term interest rates. Following are illustrations of the amount of monthly life income that could be purchased from an insurance company with $100,000 assuming you elect a Joint and Survivor Annuity with 60% of your monthly income continuing to your Spouse on your death.

Illustrated Monthly Annuity Income from $100,000 Defined Contribution Account

Retirement Age	Monthly Lifetime Annuity Income*
Age 55	$480
Age 58	$503
Age 62	$542
Age 65	$578

* *The monthly income has been estimated using the following assumptions: UP94 mortality table (50/50 male/female blend) with mortality improvements, a 4.5% interest rate assumption, and a 2% commission payable to the sales agent and a 60% Joint and Survivor Annuity with a Spouse of the same age and no indexation of benefits.*

These illustrations were based on prevailing long term interest rates at the time this booklet was prepared. The prevailing long term interest rates change over time and have a very large impact on the amount of income that can be purchased via a life Annuity and accordingly the amount of Annuity that can be purchased may be higher or lower than that shown above. For other illustrations, please go to the Sun Life Financial web-site (www.sunlife.ca/member) and check out their retirement planning tools.

Life Income Fund Examples

An alternative to the life Annuity option is the Life Income Fund, where you would continue to invest the proceeds of your locked-in funds and make monthly withdrawals within certain minimum and maximum amounts defined under the New Brunswick *Pension Benefits Act*. Each year the Office of the Superintendent of Pensions for New Brunswick publishes a schedule of the maximum withdrawal rates based on the age

you will attain on your birthday in that calendar year. The following table shows the maximum monthly income permitted under a LIF account that totaled $100,000 on January 1, 2008.

Illustrated Monthly Annuity Income from a $100,000 Defined Contribution Account

Age on Your Birthday in 2008	Maximum Monthly LIF Income*
Age 55	$538
Age 58	$552
Age 62	$578
Age 65	$605

* *The monthly income was calculated assuming a $100,000 account value on January 1 using the 2008 LIF withdrawal table published by the Office of the Superintendent of Pensions.*

Because you are investing your retirement assets in a LIF, your retirement income in future years may be highly variable due to investment gains and losses.

Choosing your retirement payment option is a very important decision and you should obtain advice from a qualified retirement or investment specialist.

GLOSSARY

Administrator – The person responsible for managing the pension plan. The Administrator is Mount Allison University.

Annuity - A contract purchased from an insurance company to provide periodic (usually monthly) payments to a person. A life annuity would make periodic payments for the person's lifetime.

Continuous Service - The period during which an employee is continuously employed by the same employer. Continuous service may be defined in the pension plan (or by law) to include certain periods of absence.

Deferred Pension - A pension determined when a member's employment or plan terminates, that is not payable until some later date, usually the member's normal or early retirement age.

Defined Contribution (DC) Plan - A pension plan that defines the amount of contributions, including any possible employee contributions, to the pension plan, determined on an individual account basis. Also known as a money purchase plan. The benefit the member will receive on retirement is calculated at the date of retirement and is based on accumulated contributions and investment yield.

Earnings – For the purpose of determining required contributions under the Pension Plan, Earnings means compensation received from the University while being a Member of the Pension Plan, but not including overtime pay, special allowances, bonuses or other special payments.

Employee – President, faculty member, librarian or senior administrative officer employed by Mount Allison University other than those employed on a temporary or special basis as determined by the University.

Governance Account – An account from which governance related expenses associated with the Plan may be paid. The account is funded via annual charges to Plan members of 0.05% of pooled fund assets.

Joint and Survivor Annuity - An annuity payable for the lifetimes of both the former plan member and his or her Spouse. This is required to be provided as an option when a

member terminates employment. Payments to the survivor are usually reduced by 40% after the member's death.

Locked-in Retirement Account (LIRA) - A particular form of RRSP offered by financial institutions. A LIRA is used to hold money that is transferred out of a pension plan on termination of employment. LIRAs are governed by the PBA and the Income Tax Act. They are often referred to as "locked-in RRSPs."

Life Income Fund (LIF) – A retirement income option created for locked-in RRSPs and other registered pension plan savings to provide retirement income.

Locking-in - A legislative requirement whereby pension benefits that are vested cannot be used for any purpose other than to provide a retirement pension. Also applies to LIFs and LIRAs.

Member - An active member of the Pension Plan, or a person who is no longer an active member but who is entitled to a benefit under the plan.

Member Account – Means the accumulated value of the Member contributions and University contributions made on behalf of the Member. The Member Account consists of the contributions made to the plan, the investment earnings of those contributions and any management fees or expenses charged.

Pension Adjustment (PA) - The value of a person's pension benefit accumulated over a calendar year as determined under the Income Tax Act. For defined contribution plans, the PA is the total of all employer and employee contributions for the year. A person's RRSP deduction limit under the Income Tax Act is reduced by the value of the prior year's PA.

Pension Benefits Act (PBA) - The law regulating registered pension plans in New Brunswick. It sets out minimum benefit provisions and funding and solvency (financial accountability) requirements.

Pension Plan – Means the Pension Plan for Faculty, Librarians and Senior Administrative Officers of Mount Allison University.

Registered Pension Plan - A defined benefit or defined contribution plan which is required to be registered with the New Brunswick Office of the Superintendent of Pensions.

Registered Retirement Income Fund (RRIF) - A personal retirement income fund offered by financial institutions. An RRIF is used to provide an ongoing minimum flow of income. The minimum withdrawal amounts are determined by the Income Tax Act.

Registered Retirement Savings Plan (RRSP) - A personal retirement savings account for individuals offered by financial institutions. RRSP contributions can be deducted from an individual's taxable income, to a specified amount. RRSPs are governed by the Income Tax Act.

Spouse - Either of a man and woman who are married to each other, or who are not married to each other but are living together in a conjugal relationship continuously for at least three years, or who are in a relationship of some permanence if they are the natural or adoptive parents of a child.

Transfer Rights - Options available when an individual terminates employment or when a plan winds-up. An individual may transfer his Member Account to a LIRA, or LIF, or LRIF, or to another pension plan, if agreed to by the new plan. The Member Account may also be used to purchase an Annuity. A member may choose to forego these options and instead receive a Deferred Pension from the plan at retirement. Also known as "portability options".

University – Means Mount Allison University

Vested Benefits (Vesting) - Benefits to which an employee is entitled under a pension plan by satisfying age and/or service requirements. Ordinarily involves simultaneous Locking-in of such benefits.

Wind-up/Winding-up - Discontinuation of all or part of a pension plan by the employer. Often results from bankruptcy of the employer, or from corporate restructuring or downsizing.

Year's Maximum Pensionable Earnings (YMPE) - The earnings on which CPP and QPP contributions and benefits are calculated. The YMPE changes each year according to a formula using average wage levels. The YMPE is published annually by the Canada Revenue Agency.