Pension plan for Non-Academic Employees of Mount Allison University

This brochure summarizes the major features of the Pension Plan for Non-Academic Employees of Mount Allison University. If you have questions concerning the plan that are not answered in the booklet or for specific guidance on your rights and obligations under the Plan, please contact the Human Resources Department.

A. ELIGIBILITY

WHO IS ELIGIBLE TO JOIN THE PLAN?

Most employees may join the plan if they are employed in a non-academic capacity and either 1) working a minimum of 17.5 hours per week for at least eight months each year or 2) earning at least 35% of the Year's Maximum Pensionable Earnings (YMPE) as defined under the Canada Pension Plan.

WHEN CAN AN ELIGIBLE EMPLOYEE JOIN THE PLAN?

An eligible employee can join the plan on the date of hire and must join the plan after one year of employment.

B. CONTRIBUTIONS

HOW MUCH DOES A MEMBER CONTRIBUTE?

Starting January 1, 2016, Members contribute 4.375% of regular earnings. An additional 2.1875% is contributed on any regular earnings in excess of the YMPE under the Canada Pension Plan. The Member contribution rates in 2017, 2018 and 2019 will each see additional increases of 0.375% on regular earnings, and supplemental increases of 0.1875% on regular earnings above the YMPE so that the contribution rate in 2019 becomes 5.5% of regular earnings, plus an additional 2.75% of regular earnings above the YMPE.
Regular earnings in this context means basic compensation (excluding things like overtime, special allowances and taxable benefits). For a more precise definition of "Earnings" the official plan text should be referenced.

IS INTEREST PAID ON EMPLOYEE CONTRIBUTIONS?

Yes, interest is credited at a rate equal to the average of the yields of five (5) year fixed term chartered bank deposits.

HOW MUCH DOES THE UNIVERSITY CONTRIBUTE?

The University contributes whatever amounts the actuary determines are required to pay the benefits provided by the plan after taking employee contributions and the assets in the pension fund into account. The actuary's calculations are prepared in accordance with the requirements of the New Brunswick Pension Benefits Act and the Income Tax Act. Employer contribution amounts vary from time to time depending on the financial status of the plan. However, provided the member has completed at least one year of continuous service, the terms of the plan are such that at least half the value of a member's benefits at termination, death or retirement must have come from University contributions.

HOW ARE CONTRIBUTIONS INVESTED?

All contributions are deposited into a trust fund held by a Trust Company or Insurance Company. Decisions about the investment of the fund are made with the advice of professional investment management firms selected and monitored by the University. The fund is invested with the objective of achieving a superior long-term rate of return with an acceptable level of funding risk. The investment portfolio consists of stocks, bonds and short-term money market instruments.

C. RETIREMENT BENEFITS

WHAT TYPE OF PENSION PLAN IS THE MOUNT ALLISON PLAN?

The plan is a defined benefit pension plan. In this type of plan, a benefit formula defines the amount of pension payable based on the member's service and "average earnings". In this pension plan, "average earnings" are the greater of the average of the annualized earnings in the last five years of employment, and the average of annualized earnings in the best five full calendar years of employment.

WHAT IS THE BENEFIT FORMULA?

The benefit formula for service after July 1, 1970 to the date described in the next paragraph is:

1 1/3% x Average Earnings x Credited Service

The benefit formula for service applicable to service on or after July 1, 1996 (for members represented by CUPE, Local 2338), on or after July 1, 1998 (for non-bargaining unit employees) and on or after July 1, 1999 (for members of the Mount Allison Staff Association) is:

1.4% x Average Earnings x Credited Service

Under these formulas, a member with 30 years of Credited Service could expect, in retirement, to replace between 40% to 42% of the member's average earnings from the pension plan alone (before any adjustments for early retirement or optional forms of pension). Government retirement programs may be expected to replace an additional 35% to 40% of average earnings up to the average YMPE (assuming a full career as a Canadian resident and retirement at age 65). Projected retirement income information is shown on the annual member pension statements each member receives from the University.

If the Average Earnings exceeds the Average YMPE (calculated for the same period as the Average Earnings), the pension will be increased to 2% on the excess portion of average earnings for each year of Credited Service after July 1, 1970.

Example: A CUPE Local 2338 member is retiring January 1, 2011 with 30 years of credited service in the pension plan and average earnings equal to $33,000. The member originally joined the pension plan on January 1, 1981.

This person would have had 15.5 years under the old 1 1/3 formula and 14.5 years under the current 1.4% formula.

The annual pension amount (before any adjustments for early retirement or optional forms of pension) would be calculated as follows:

$15.5 \times 0.013333333 \times 33{,}000 + 14.5 \times 0.014 \times 33{,}000 = 6{,}820 + 6{,}699 = 13{,}519$

which represents 41% of the person's average earnings.

HOW DOES A MEMBER ACCUMULATE CREDITED SERVICE?

A member accumulates credited service from the date he or she becomes a member of the plan. This type of service is known as "Credited Service as a Member."

Example: A full-time employee who joins the plan on January 01 will have one year of Credited Service as a Member on the following December 31.

If a member is employed less than full-time in a given year (for example, part-time employees or sessional employees) or has a period of leave without pay, his or her Credited Service as a Member is pro-rated.

Example: A full-time employee who takes a six-month period of leave without pay from January 01 to June 30 would only accumulate one-half year of Credited Service during that calendar year.

Example: A part-time employee who works 3 days a week (instead of usual 5) without any leaves of absences during the calendar year would accumulate 0.6 years of Credited Service for that calendar year.

Members who have continuous service before the effective date of the plan (July 01, 1970) and who joined the plan on or before October 01, 1970 may also be eligible to receive some credit for that service. The benefit formula for service before July 1, 1970 is:

1% x Final Average Earnings x Employment Service Before July 01, 1970, Less Two Years

WHEN WILL A MEMBER RECEIVE THIS PENSION?

A Member can retire and start to receive this pension at the member's normal retirement date. Normal retirement date is the day the member turns age 65, if that day is the first calendar day of a month. Otherwise, the normal retirement date is the first day of the next month.

Examples: The normal retirement date for a person who turns age 65 on March 1st will be March 1 st. The normal retirement date for a person who turns age 65 on March 8 th will be April 1 st.

If a member continues to work beyond his/her normal retirement date, then he/she would continue to participate in the Plan and accumulate additional credited service. However, under the current Income Tax Act rules, in no event can a member start their pension later than December 31st of the year they turn age 71.

Members may also have the option to retire and receive their pensions before age 65. These options are described later in this information.

HOW LONG WILL A MEMBER RECEIVE THIS PENSION?

The pension is payable for as long as a member lives. Additional payments may be made after the member's death depending upon the form of pension chosen.

WHAT IS THE NORMAL FORM OF A PENSION?

If a member has a spouse on the date of retirement, the normal form of pension is payable in monthly installments for his or her life, with a reduced pension payable after the member's death to his or her spouse. The reduced pension payable to the spouse is equal to 60% of the member's pension and is payable for the life of the spouse.

If a member does not have a spouse on the date of retirement, the normal form of pension is payable for the member's lifetime, and in any event, for a period of not less than 60 months (five years).

A member may wish to elect another form of a pension on retirement. For example, a member may wish to elect a form of a pension that would provide the spouse with a pension that does not reduce on the member's death. The amounts of optional forms of pension are adjusted so that they have the same overall financial value as the normal form of pension. For example the monthly amount of a joint and survivor pension that does not reduce on the death of a member would be smaller than the monthly payment under the normal form of pension since a full survivor pension is more valuable than a survivor pension that reduces by 40% of the original amount.

A member retiring before his normal retirement date may also elect a form of pension that is "integrated" with the current level of Old Age Security. In this form, the pension payable before age 65 is higher than the normal form, but it decreases by the amount of the Old Age Security benefit level (based on the level in effect at retirement) when the member reaches age 65, and is eligible to receive the Old Age Security Benefit.

Each retiring plan member will receive a summary of the pension options available three to four months before his or her retirement.

WHAT HAPPENS IF A MEMBER RETIRES BEFORE THEIR NORMAL RETIREMENT DATE?

Any member who terminates employment after age 55 but before age 65 is deemed to have retired early under the terms of the plan.

MEMBERS WHO RETIRE EARLY BETWEEN 60 AND 65 WITH AT LEAST 25 YEARS OF EMPLOYMENT

A member who is at least age 60 and who retires with 25 or more years of continuous employment may do so without a pension reduction.

MEMBERS WHO RETIRE EARLY BETWEEN 55 AND 59 WITH AT LEAST 30 YEARS OF EMPLOYMENT

A member between ages 55 and 59 who retires with 30 or more years of continuous employment may do so with a pension reduced by 3% for each year his / her age is less than age 60 when the pension commences. (Such a member could delay pension commencement to age 60 and receive the pension on an unreduced basis.)

Example: A member who retires early at age 56 with 31 years of continuous employment would have his or her pension reduced by 12% (3% times four years).

MEMBERS WHO RETIRE EARLY BETWEEN 55 AND 59 WITH LESS THAN 30 YEARS OF EMPLOYMENT BUT WHOSE AGE PLUS SERVICE TOTALS AT LEAST 85

A member between ages 55 and 59 who retires with less than 30 years employment service but whose age plus continuous employment service total at least 85, may do so with a pension reduced by 6% for each year his / her age is less than age 60 when the pension commences. (Such a member could delay pension commencement to age 60 and receive the pension on an unreduced basis.)

Example: A member who retires early at age 57 with 28 years of continuous employment would have his or her pension reduced by 18% (6% times 3 years).

D. TERMINATION BENEFITS

WHAT HAPPENS IF A MEMBER LEAVES THE UNIVERSITY BEFORE AGE 55?

If a member leaves the University before age 55 for any reason other than death, the benefit the member will receive from the plan is based on how long the member has been employed by the University ("continuous service").

If a member terminates employment with less than one year of continuous service, the member will be entitled to receive a refund of his/her own contributions to the plan, plus interest.

If a member terminates employment with between one and five years of continuous service and with less than two years of continuous membership in the plan, the member will be entitled to receive a refund of the aggregate of:

(1) Twice the member’s required contributions made before January 1, 2016, plus credited interest; and
(2) The member’s required contributions made after December 31, 2015, plus credited interest..

If a member terminates employment with five or more years of continuous service or with two or more years of continuous membership in the plan, the member will be entitled to receive a deferred pension commencing on the normal retirement date (a refund of contributions is not permitted by law). In lieu of a pension payable at normal retirement date, the member may elect to have the greater of, the value of the member's deferred pension, and the aggregate of:

(1) Twice the member's required contributions made before January 1, 2016 plus credited interest, and

(2) The member's required contributions made after December 31, 2015, plus credited interest.

transferred to a locked-in retirement account (LIRA) or other financial vehicle as permitted by law.

E. DEATH BENEFITS

WHAT BENEFITS ARE PAID IF A MEMBER DIES BEFORE HIS OR HER PENSION COMMENCES?

If a member dies before his or her pension commences, the surviving spouse will receive a death benefit equal to the termination benefit described above except that instead of a deferred pension, the surviving spouse will receive a benefit equal to the greater of 1) 100% of the commuted value of the deferred pension and 2) the aggregate of:

(1) twice the member's required contribution made before January 1, 2016, plus credited interest, and

(2) the member's required contributions made after December 31, 2015, plus credited interest

The spouse will have the option of receiving this benefit in a lump sum or as a monthly pension payable for his or her lifetime.

If a member does not have a spouse at the time of death, the death benefit would be paid in a lump sum to the member's designated beneficiary or estate.

WHO IS THE ADMINISTRATOR OF THE PLAN?

The administrator of the plan is: Mount Allison University
65 York Street
Sackville, New Brunswick
E4L 1E4
Telephone: (506) 364-2280

CAN EMPLOYEES INSPECT DOCUMENTS THAT PERTAIN TO THE PENSION PLAN?

Any employee who is a member of the plan or is eligible to become a member of the plan may, on written request to the plan administrator and without charge, inspect documents or information as provided under the New Brunswick Pension Benefits Act and the regulations under the Act.

HOW WOULD ANY SURPLUS BE ALLOCATED ON THE WIND-UP OF THE PLAN?

While the University expects to maintain the pension plan into the future, it does have the right to change the plan or wind it up, in full or in part.

If, after provision has been made for the benefits payable to or in respect of plan members on the wind-up of the plan, any assets remaining in the fund would be refunded to the University, provided the University complied with the requirements of the Pension Benefits Act and the Income Tax Act.

Important Note: While the foregoing summarizes the main features of the Mount Allison University Pension Plan for Non-Academic Employees, the actual terms of the plan are contained in the official plan document, which may periodically be amended. Should there be any differences between this information and the official plan document, the provisions of the official plan document will prevail.

Revised: December, 2015