



Highlights of the McMaster Salaried Pension Plan – Faculty Members

The Contributory Pension Plan for Salaried Employees of McMaster University Including McMaster Divinity College 2000 (“Salaried Pension Plan”) is a defined benefit pension plan. When an eligible Faculty Member retires, he/she will receive a pension based on his/her Best Average Salary and years of Pensionable Service.

Contributing to the Pension Plan

Member Contributions (Required Contributions)

Effective July 7, 2013, each Faculty Member is required to contribute 7.0% of his/her Regular Annual Salary up to the current Year’s Maximum Pensionable Earnings (“YMPE”) and 10.0% of his/her Regular Annual Salary in excess of the YMPE.

Example

The YMPE for 2018 is \$55,900.

Assuming a Regular Annual Salary of \$90,000.

$\$55,900 \times 7.0\%$ = \$3,913.00

plus,

$(\$90,000 - \$55,900) \times 10.0\%$ = \$3,410.00

Total Member Pension Contribution = \$3,913.00 + \$3,410.00
= \$7,323.00/year (\$281.65 bi-weekly*)

The maximum salary for pension contribution purposes is \$163,992 for a bi-weekly contribution of \$566.24 (\$14,722.20/year)

*Bi-weekly contributions will be deducted on each pay

University Contributions

The University is currently contributing the current service costs and any additional payments required pursuant to the latest Actuarial Valuation Report.

Retirement Eligibility

A Member's eligibility to retire from the Salaried Pension Plan is as follows:

Normal Retirement Date

The first day of the month in which the Faculty Member attains age sixty-five (65).

Special Retirement Date

The first of any month coincident with or following the date the sum of the Faculty Member's age and years of participation in the Plan equals or exceeds the requirements described below.

(a) Faculty Members who are Employees on June 30, 2006 and who retire on or after July 1, 2006:

- Special Retirement Date on the first day of any month coincident with or following the date the sum of the Member's age and years of participation in the Plan equals at least the following, for retirements during the following corresponding periods:

<u>For Retirement Dates</u>	<u>Age + Participation Must Equal At Least</u>
January 1, 2016 to December 31, 2018	85
January 1, 2019 to December 31, 2019	86
January 1, 2020 to December 31, 2020	87
January 1, 2021 to December 31, 2021	88
January 1, 2022 to December 31, 2022	89
January 1, 2023 and forward	90

(b) Faculty Members who become Employees on or after July 1, 2006:

- Special Retirement Date is the first day of any month coincident with or following the date the sum of the Member's age and years of participation in the Plan equals at least the following, for retirements during the following corresponding periods:

<u>For Retirement Dates</u>	<u>Age + Participation Must Equal At Least</u>
January 1, 2016 to December 31, 2018	85
January 1, 2019 to December 31, 2019	86
January 1, 2020 to December 31, 2020	87
January 1, 2021 to December 31, 2021	88
January 1, 2022 to December 31, 2022	89
January 1, 2023 and forward	90

Early Retirement Date

A Faculty Member may also retire early with a *reduced pension* on the first day of any month during the 10-year period preceding the month the Member attains age 65 (Normal Retirement Date). The pension is reduced by 0.5% for each month by which the pension commencement date precedes the Normal Retirement Date (age 65).

Retirement Calculations

Pension Calculation

The amount of annual pension payable to a Faculty Member retiring with an unreduced pension will be:

- (a) 1.4% of Best Average Salary up to the Average Year's Maximum Pensionable Earnings ("Average YMPE") times Pensionable Service plus,
- (b) 2.0% of Best Average Salary in excess of the Average YMPE times Pensionable Service.

Maximum Annual Pension

The annual pension payable to a Faculty Member at retirement will not exceed the Income Tax Act ("ITA") maximum limits for a defined benefit pension plan. The ITA maximum of 2018 is \$2,944.44 for each year of Pensionable Service.

Normal and Optional Forms of Pension

At the time of retirement, Faculty Members are presented with a number of optional forms of pension.

The normal form of pension for Faculty Members with an eligible spouse at retirement is a 50% Joint and Survivor pension ("J&S"). The Member's pension is guaranteed at 100% for the seven (7) year period following retirement. After the expiration of the seven (7) years, a surviving spouse would be eligible for 50% of the pension at the time of the Member's death.

There are two types of J&S pensions (1- reducing on the Member's death, and 2 - reducing on either the Member's or eligible spouse's death). The optional forms of J&S pensions depend on the age of the Member and the eligible spouse at retirement, but generally are 60%, 75%, or 100% J&S pensions, where applicable.

The normal form of pension for single members at retirement is a seven (7) year guarantee. Additional pension options include a "Life Only" pension, a "Life and Ten Years Certain" pension.

Bridge Benefit

A Faculty Member who retires with an unreduced pension under the Special Retirement Date provisions will receive a bridge benefit equal to \$19.00 per month per year of Pensionable Service accrued to June 30, 1996 to a maximum of 20 years of service.

The bridge benefit is payable from the later of the pension commencement date and Member's attainment of age 60 and ceases on attainment of age 65 or death, if earlier.

Potential Pension Increase Formula

On January 1 of each year, pensions in pay from the Plan have the potential to be increased using the following formula:

The percentage of increase shall be the lesser of (i) or (ii):

- (i) the percentage by which the Average Annual Rate of Return determined by the following formula exceeds 4.5%:

Average Annual Rate of Return = (Sum of the Annual Rates of Return for each of the previous 5 Plan Years)/5

- (ii) the percentage annual increase in the average Consumer Price Index during the 12-month period that ended on the immediately preceding June 30.

Pensions in pay on January 1 of each year shall be increased by the percentage determined above and multiplied by a fraction, the numerator of which is the number of months (maximum 12) the pension was in pay during the previous Plan Year and the denominator of which is twelve (12).

Termination of Employment Prior to Retirement

- (a) Faculty hired on or before June 30, 2013, when terminating employment prior to retirement, may elect to receive one of the following:
- i. A transfer of an amount equal to twice the Member's required contributions plus Net Interest on the Fund to a locked-in retirement savings arrangement or other pension plan as permitted.
 - ii. A transfer of the commuted value of the Member's deferred pension to a locked-in retirement arrangement or other pension plan as permitted.
 - iii. A deferred pension, payable at the Member's normal retirement date, equal to the pension earned up to the date of termination.
- (b) Faculty hired on or after July 1, 2013, when terminating employment prior to retirement, may elect to receive one of the following:
- i. A transfer of the commuted value of the Member's deferred pension to a locked-in retirement arrangement or other pension plan as permitted.
 - ii. A deferred pension, payable at the Member's normal retirement date, equal to the pension earned up to the date of termination.

Commutation of Small Pensions

In the event that one of the following conditions is met:

- (a) the annual pension payable at the Member's Normal Retirement Date is not more than 4% of the YMPE in the year of the Member's termination; or
- (b) the Commuted Value of the pension to which the Member is entitled is less than 20% of the YMPE in the year of the Member's termination

the University has sole discretion to pay the benefit in a single lump sum cash payment to the member.

Explanation of Terms

Year's Maximum Pensionable Earnings (YMPE)

The earnings on which Canada Pension Plan (CPP) contributions and benefits are calculated. The YMPE changes each year according to a formula using average wage levels.

Average Year's Maximum Pensionable Earnings (Average YMPE)

The average YMPE in the same 48 months as is used to calculate the Best Average Salary.

Regular Annual Salary

A Member's regular earnings at July 1st of each year.

Best Average Salary

The average of the 48 highest months of regular annual salary while a Plan participant.

Additional Information

For further information, please visit our website at www.workingatmcmaster.ca/pensions.

The information contained in this document is intended as a brief summary of the main provisions of the McMaster University Contributory Pension Plan for Salaried Employees of McMaster University Including McMaster Divinity College 2000. As it is a summary only, this document is not intended to have legal effect. For full details of eligibility and benefit provisions and the terms and conditions of the Plan, reference should be made to the official Plan text. Further, in the event of any discrepancy or inconsistency, the official Plan text will govern.