



Highlights of the McMaster Hourly Pension Plan

This summary is intended for current Members of the Contributory Pension Plan for Hourly-Rated Employees of McMaster University Including McMaster Divinity College (“the Plan”). The Plan is a defined benefit pension plan. When a Member retires, he/she will receive a pension based on Best Average Earnings and years of Credited Service.

VESTING

The Hourly Pension Plan provides for immediate vesting. When an employee joins the Hourly Pension Plan, the Member is immediately entitled to benefits under the Plan.

CONTRIBUTING TO THE PENSION PLAN

Member Contributions

A Member contributes 3.5% of his/her Regular Monthly Earnings up to the current Yearly Maximum Pensionable Earnings (“YMPE”) and 5% of his/her Regular Monthly Earnings in excess of the YMPE.

Example

The YMPE for 2012 is \$50,100.

(1) Assuming regular annual earnings of \$38,000/year.

$$\$38,000 \times 3.5\% = \$1,330.00/\text{year}$$

Total Member Pension Contributions is \$1,330/year (\$55.42 per pay)

(2) Assuming regular annual earnings of \$57,000/year

$$\begin{aligned} \$50,100 \times 3.5\% &= \$1,753.50 \\ (\$57,000 - 50,100) \times 5\% &= \$345.00 \end{aligned}$$

Total Member Pension Contributions is \$2,098.50/year (\$87.44 per pay)

University Contributions

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

RETIREMENT ELIGIBILITY

There are several types of retirement under the Hourly Pension Plan.

Normal Retirement Date

The first day of the month in which the Member attains age 65.

Special Early Retirement Date

The first day of the month coincident with or following the date the total of the Member's age and years of service equals at least 80 ("Rule of 80").

Early Retirement Date

A Member may also retire with a *reduced pension* on the first day of any month during the 10-year period preceding the Normal Retirement Date (age 65).

The pension is reduced by 0.5% for each month that the pension commencement date precedes the Member attaining age 60 plus 0.25% for each month (to a maximum of 60 months) that the pension commencement date precedes the first of the month following the Member attaining age 65.

RETIREMENT CALCULATIONS

The amount of annual pension payable to a Member retiring with an unreduced pension for credited service earned after December 31, 1985 is:

- (a) 1.4% of Best Average Earnings up to the Average Yearly Maximum Pensionable Earnings (Average YMPE) times years of Credited Service earned after December 31, 1985, plus
- (b) 2.0% of Best Average Earnings in excess of the Average YMPE multiplied by years of Credited Service earned after December 31, 1985.

The amount of annual pension payable to a Member retiring with an unreduced pension for credited service earned before January 1, 1986 can be found on your *Annual Pension Statement*.

Bridge Benefit

A Member who retires after July 1, 2001 (prior to age 65) will receive a bridge benefit equal to \$12.00 per month for each year of Credited Service prior to July 1, 2001. If the Member retires with a *reduced pension*, a reduction factor will also be applied to the bridge benefit.

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 Hourly Pension 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 6.0%,

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

If a Member terminates employment prior to retirement, he/she will be eligible to choose one of the options described below. For Members terminating with service prior to January 1, 1987, please refer to the Hourly Pension Plan language for further details.

Termination with less than two years of participation in the Hourly Pension Plan

A Member will be eligible for a refund of his/her required contributions (Member contributions) plus Net Interest on the Fund. Alternatively, the Member may also choose from one of the options listed below.

Termination with at least two years of participation in the Hourly Pension Plan

- (a) A transfer of an amount equal to the greater of the Commuted Value of the Member's pension and twice the Member's required contributions made for service on or after January 1, 1987, paid in accordance with Pension Benefits Act and Income Tax Act.
- (b) A deferred pension payable at the Member's Normal Retirement Date, equal to the pension earned on or after January 1, 1987 to the date of termination.
A former member may elect to receive a *reduced pension* commencing on the 1st of the month on or after attainment of age 55 (actuarially reduced).

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. (Government Maximum Salary)

Average Year's Maximum Pensionable Earnings (average YMPE)

The average YMPE is the monthly average of the YMPE during the 36 months preceding the date at which the determination is required. (Average Government Maximum Salary)

Regular Monthly Earnings

A Member's hourly rate of earnings effective at July 1st of each year multiplied by the regular annual hours divided by 12.

Best Average Earnings

The average of the 60 highest months of Regular Monthly Earnings times 12 (to annualize) while a Plan participant.

The information contained in this document is intended as a brief summary of the main provisions of the McMaster University Contributory Pension Plan for Hourly-Rated Employees of McMaster University Including McMaster Divinity College. 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.