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 a Unifor Local 5555 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 May 1, 2018, each Unifor Local 5555 Member is required to contribute 8.646% of his/her Regular Annual Salary up to the current Year’s Maximum Pensionable Earnings ("YMPE") and 11.646% of his/her Regular Annual Salary in excess of the YMPE.

<table>
<thead>
<tr>
<th>Examples: Contribution Calculations</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>The YMPE for 2019 is $57,400</em></td>
</tr>
<tr>
<td><em>Assuming a Regular Annual Salary of $60,000</em></td>
</tr>
<tr>
<td>$57,400 x 8.646%</td>
</tr>
<tr>
<td>plus,</td>
</tr>
<tr>
<td>($60,000 - $57,400) x 11.646 %</td>
</tr>
<tr>
<td>= $4,962.80</td>
</tr>
<tr>
<td>= $302.80</td>
</tr>
<tr>
<td>Total Member Pension Contribution</td>
</tr>
<tr>
<td>= $4,962.80 + $302.80</td>
</tr>
<tr>
<td>= $5,265.60/year ($202.52)</td>
</tr>
</tbody>
</table>

| *The YMPE for 2019 is $57,400*     |
| *Assuming a Regular Annual Salary of $38,000* |
| $38,000 x 8.646 %                 |
| Total Member Pension Contribution  |
| = $3,285.48                       |
| = $3,285.48/year ($126.36)        |

**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 Unifor Local 5555 Member attains age sixty-five (65).

Special Retirement Date
The earliest date you can retire with an unreduced pension. The first of any month coincident with or following the date the sum of the Unifor Local 5555 Member’s age and years of Pensionable Service in the Plan equals or exceeds eighty (80). This is referred to as the “Rule of 80”.

Early Retirement Date
A Unifor Local 5555 Member may also retire on the first day of any month during the 10-year period preceding the month the Member attains age 65 (Normal Retirement Date). Unless the Member has already attained their Special 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 Unifor Local 5555 Member retiring with an unreduced pension will be:

   (i) 1.4% of Best Average Salary up to the Average Year’s Maximum Pensionable Earnings (“Average YMPE”) times Pensionable Service plus,

   (ii) 2.0% of Best Average Salary in excess of the Average YMPE times Pensionable Service.

Example: Pension Calculation

Assumptions:
Best Annual Salary of $58,750 (see calculation on Page 6)
10 Years of Pensionable Service
Average YMPE of $54,075 (see calculation on Page 6)

$54,075 x 1.4% x 10 years = $7,570.50
plus,
($58,750 - $54,075) x 2% x 10 years = $935.00
Total Member Annual Pension = $7,570.50 + $935.00 = $8505.50 / year
Maximum Annual Pension
The annual pension payable to a Unifor Local 5555 Member at retirement will not exceed the Income Tax Act ("ITA") maximum limits for a defined benefit pension plan. The ITA maximum of 2019 is $3,025.56 for each year of Pensionable Service.

Bridge Benefit
A Unifor Local 5555 Member who retires under the Special Retirement Date provisions (Rule of 80) 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.

Example: Bridge Benefit Calculation

Assuming a total of 10 Years of Pensionable Service prior to June 30, 1996.

$19.00 x 10 years

Bridge Benefit Payable from Age 60 to 65, or death, if earlier = $190.00 / month

Normal and Optional Forms of Pension
At the time of retirement, Unifor Local 5555 Members are presented with a number of forms of pension based on marital status.

Member with Spouse
The normal form of pension for Unifor Local 5555 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, (84 month), period following retirement. If the Member dies before the 84 monthly payments are made, the remaining payments shall continue to be made to the eligible Spouse. After the remaining 84 monthly payments are made, the Spouse would be eligible for 50% of the pension at the time of the Member’s death. Where the Spouse predeceases the Member, the Commuted Value\(^1\) of the 84 monthly payments remaining unpaid shall be paid to the estate of the Member in a lump sum. Where the Spouse dies after the Member dies, the Commuted Value of the unpaid portion of the 84 monthly payments guaranteed to be paid to the Member shall be paid to the estate of the Spouse in a lump sum.

There are two types of optional forms of pension, which are:

(i) Joint and Survivor – pension reduces on the Member’s death; options include 60%, 75% and 100%. The eligible Spouse would be eligible for 60%, 75% or 100% (dependent on the option selected) of the pension at the time of the Member’s death. The eligible Spouse can elect to continue the monthly payments or to receive the Commuted Value of the remaining payments.

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\(^1\) Commuted Value is the lump sum payout of the present value of an employee's earned pension.
(ii) Joint and Survivor Reducing on First Death – pension reduces on either the Member’s or eligible Spouse’s death; options include 60%, 75%, 85% and 90%. The surviving spouse would be eligible for 60%, 75%, 85% or 90% (dependent on the option selected) of the pension at the time of the Member’s or eligible spouse’s death. The surviving Spouse can elect to continue the monthly payments or elect to receive the Commuted Value of the remaining payments.

Single Member
The normal form of pension for single members at retirement is a lifetime pension, commencing on the Member’s retirement date and ceasing on the first day of the month in which the Member dies, with a guarantee that if the Member dies before the 84 monthly payments (7 years) are made, the remaining payments shall continue to be paid to the Beneficiary, or at the election of the Beneficiary, the Commuted Value of the remaining payments shall be paid in a lump sum cash payment. If there is no Beneficiary, the Commuted Value of the remaining payments shall be paid in a lump sum cash payment to the estate of the Member. After the expiration of the seven (7) years, nothing is payable to the Beneficiary or estate.

There are two types of optional forms of pension, which are:

(i) Life Only pension – a monthly pension payable for life only with no minimum guaranteed period.

(ii) Life and Ten Years Guaranteed pension - The Member’s pension is guaranteed at 100% for the ten (10) year, (120 month), period following retirement. If the Member dies before the 120 monthly payments are made, the remaining payments shall continue to be made to the Beneficiary, or at the election of the Beneficiary, the Commuted Value of the remaining payments shall be paid as a lump-sum cash payment. After the expiration of the ten (10) years, nothing is payable to the Beneficiary or estate.

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%:

\[ \text{Average Annual Rate of Return} = \frac{\text{Sum of the Annual Rates of Return for each of the previous 5 Plan Years}}{5} \]

(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

Your benefits in the Plan are fully vested. A vested right to your benefits means that you own the benefits unconditionally. Given this, if a Unifor Local 5555 Member terminates employment from McMaster University, he/she 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\(^2\) 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. If this option is chosen, a pension can begin any time after qualifying to receive early retirement benefits. If the Member had not attained their Special Retirement Date as at their date of termination of employment, their early retirement pension will be reduced.

Commutation of Small Pensions

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

(i) 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

(ii) 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.

Death Prior to Retirement

If a Unifor Local 5555 Member entitled to a pension benefit dies prior to the commencement of his/her pension, the eligible spouse or the designated Beneficiary (if no eligible spouse exists), or estate shall receive:

(i) a refund of the Member’s required contributions made before January 1, 1987 with interest.

(ii) the Commuted Value of any pension entitlement granted after December 31, 1986 paid in cash less withholding tax and, if applicable, a refund of your excess contributions accrued with interest.

\(^2\) Locked-in means that the lump sum is not available to you in the form of a cash payment and must be used to provide you with a pension income for your lifetime.
Death Post Retirement

If a Unifor Local 5555 Member entitled to a pension benefit deceases during receipt of his/her pension, the amount the eligible spouse or the designated Beneficiary (if no eligible spouse exists), or estate shall receive is determined by the option selected at retirement. See section on ‘Normal and Optional Forms of Pension’ (page 3 and 4) which details these options.

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.

Example: Best Average Salary and Average YMPE Calculation

The Member has a retirement date of July 1, 2018.

<table>
<thead>
<tr>
<th>Plan Year*</th>
<th>Annual Salary†</th>
<th># of Months of Pensionable Service</th>
<th>YMPE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$63,000.00</td>
<td>12</td>
<td>$55,300.00</td>
</tr>
<tr>
<td>2017</td>
<td>$60,000.00</td>
<td>12</td>
<td>$54,900.00</td>
</tr>
<tr>
<td>2016</td>
<td>$57,000.00</td>
<td>12</td>
<td>$53,600.00</td>
</tr>
<tr>
<td>2015</td>
<td>$55,000.00</td>
<td>12</td>
<td>$52,500.00</td>
</tr>
</tbody>
</table>

**Best Average Salary:** $58,750.00

**Average YMPE:** $54,075.00

*The pension plan year runs from July 1st of the previous year to June 30th of the plan year. For example, pension plan year 2018 runs from July 1st 2017 to June 30th 2018.

† Salary is as of July 1 of the Plan Year. For example, salary for pension plan year 2018 is taken as of July 1st 2017.
**Example: Best Average Salary and Average YMPE Calculation**

The Member has a retirement date of March 1, 2018.
The Member was on an unpaid leave for 6 months in the 2016 plan year.

<table>
<thead>
<tr>
<th>Plan Year*</th>
<th>Annual Salary†</th>
<th># of Months of Pensionable Service</th>
<th>Prorated Salary</th>
<th>YMPE</th>
<th>Prorated YMPE∞</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$63,000.00</td>
<td>8</td>
<td>$42,000.00</td>
<td>$55,300.00</td>
<td>$36,866.67</td>
</tr>
<tr>
<td>2017</td>
<td>$60,000.00</td>
<td>12</td>
<td>$60,000.00</td>
<td>$54,900.00</td>
<td>$54,900.00</td>
</tr>
<tr>
<td>2016</td>
<td>$57,000.00</td>
<td>6</td>
<td>$28,500.00</td>
<td>$53,600.00</td>
<td>$26,800.00</td>
</tr>
<tr>
<td>2015</td>
<td>$55,000.00</td>
<td>12</td>
<td>$55,000.00</td>
<td>$52,500.00</td>
<td>$52,500.00</td>
</tr>
<tr>
<td>2014</td>
<td>$53,000.00</td>
<td>10</td>
<td>$44,166.67</td>
<td>$51,100.00</td>
<td>$42,583.33</td>
</tr>
</tbody>
</table>

*The pension plan year runs from July 1st of the previous year to June 30th of the plan year. For example, pension plan year 2018 runs from July 1st 2017 to June 30th 2018.
† Salary is as of July 1 of the Plan Year. For example, salary for pension plan year 2018 is taken as of July 1st 2017. Prorated salary is calculated by multiplying the number of months of Pensionable Service by the Annual Salary.
∞Prorated YMPE is calculated by multiplying the number of months of pensionable service by the YMPE.

**Best Average Salary: $57,416.67**

**Average YMPE: $53,412.50**

**Additional Information**

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