



# Highlights of the McMaster Salaried Pension Plan – MUALA Members

### **For Employees hired on or after March 16, 2010**

MUALA Members hired on or after March 16, 2010, are not eligible to participate in the McMaster Salaried Pension Plan. MUALA Members hired after this date and hired on a contract of more than 12 months, are required to join the McMaster University Group RRSP. Visit <https://hr.mcmaster.ca/retirees/grrsp/> for more information.

### **For Employees hired before March 16, 2010**

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 MUALA Member retires, they will receive a pension based on their Best Average Salary and years of Pensionable Service.

## **Contributing to the Pension Plan**

### **Member Contributions (Required Contributions)**

Effective October 6, 2019 each MUALA Member is required to contribute 8.0% of their Regular Annual Salary up to the current Year’s Maximum Pensionable Earnings (“YMPE”) and 11.0% of their Regular Annual Salary in excess of the YMPE.

#### Example: Contribution Calculation

*The YMPE for 2022 is \$64,900.00.*

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

$\$64,900.00. \times 8.0 \%$	$= \$5,192.00$
plus	
$(\$90,000 - \$64,900) \times 11.0 \%$	$= \$2,761.00$
Total Member Pension Contribution	$= \$5,192.00 + \$2,761.00 = \$7,953.00 / \text{year}$

### **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 MUALA 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 MUALA Member's age and years of Pensionable Service in the Plan equals or exceeds eighty-five (85). This is referred to as the "Rule of 85".

### Early Retirement Date

A MUALA 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 MUALA 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)<sup>1</sup>.

## Retirement Calculations

### Pension Calculation

The amount of annual pension payable to a MUALA 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 Average Salary of \$97,500 (see Example 1 calculation on Page 6)*

*10 Years of Pensionable Service*

*Average YMPE of \$58,400.00. (see Example 1 calculation on Page 6)*

$\$58,400 \times 1.4\% \times 10 \text{ years} = \$8,176.00$

plus

$(\$97,500 - \$58,400) \times 2\% \times 10 \text{ years} = \$7,820.00$

Total Member Annual Pension =  $\$8,176.00 + \$7,820.00 = \$15,996.00 / \text{year}$

### Maximum Annual Pension

The annual pension payable to a MUALA Member at retirement will not exceed the Income Tax Act ("ITA") maximum limits for a defined benefit pension plan. The ITA maximum of 2022 is \$3,420.00 for each year of Pensionable Service.

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<sup>1</sup> The early retirement benefit shall not be less than the Actuarial Equivalent of the deferred pension that would be payable at the NRD, except when further reduction is required under Regulation 8503(3)(c) of the *Income Tax Act*.

## Bridge Benefit

A MUALA Member who retires 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 the 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 120 months (10 Years) of Pensionable Service prior to June 30, 1996.*

$\$19.00 \times 120 \text{ months} = \$2,280.00 / \text{year} (\$190.00 / \text{month})$

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, MUALA Members are presented with a number of forms of pension based on marital status.

### *Member with Spouse*

The normal form of pension for MUALA 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<sup>2</sup> 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.
- (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.

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<sup>2</sup> Commuted Value is the lump sum payout of the present value of an employee's earned pension.

### 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%:

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)

#### Example: Pension Increase Calculation for January 2022

A. Five Year Average Annual Return	9.34%
B. Rate of Return in Excess of 4.5%	4.84%
C. Average CPI to June 30, 2021	1.45%
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2022 pensioner increase is the lesser of B and C	1.45%

## 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 MUALA Member terminates employment from McMaster University, they 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<sup>3</sup> 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 MUALA Member entitled to a pension benefit deceases prior to the commencement of their pension, the following options would be provided:

### To an Eligible Spouse at Date of Death:

- (i) Immediate monthly pension, payable on the 1<sup>st</sup> of the month following the member's date of death
- (ii) Deferred monthly pension, payable on the 1<sup>st</sup> of the month in which the spouse turns age 65
- (iii) Commuted Value of the pension entitlement, paid in cash less withholding tax
- (iv) Commuted Value of the pension entitlement transferred to the spouse's Registered Retirement Savings Plan

*\*The spouse would also receive a refund of the Member's required contributions made before January 1, 1987 with interest, if applicable, and/or a refund of the Member's excess contributions accrued with interest, if applicable.*

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<sup>3</sup> 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.

To a designated Beneficiary (or estate) if no Eligible Spouse at Date of Death:

- (i) Commuted Value of the pension entitlement, paid in cash less withholding tax

*\*The Beneficiary (or estate) would also receive a refund of the Member's required contributions made before January 1, 1987 with interest, if applicable, and/or a refund of the Member's excess contributions accrued with interest, if applicable.*

## Death Post Retirement

If a MUALA Member entitled to a pension benefit deceases during receipt of their 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 1: Best Average Salary and Average YMPE Calculation

*The Member has a retirement date of July 1, 2021.*

Plan Year*	Annual Salary†	# of Months	YMPE
2022	\$105,000.00	12	\$61,600.00
2021	\$100,000.00	12	\$58,700.00
2020	\$95,000.00	12	\$57,400.00
2019	\$90,000.00	12	\$55,900.00
<b>Best Average Salary:</b>			<b>Average YMPE:</b>
<b>\$97,500.00</b>		48	<b>\$58,400.00</b>

*\*The pension plan year runs from July 1<sup>st</sup> of the previous year to June 30<sup>th</sup> of the plan year. For example, pension plan year 2022 runs from July 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2022.*

*† Salary is as of July 1 of the Plan Year. For example, salary for pension plan year 2022 is taken as of July 1<sup>st</sup> 2021..*

## Example 2: Best Average Salary and Average YMPE Calculation

The Member has a retirement date of March 1, 2021.

The Member was on an unpaid leave for 6 months in the 2020 plan year.

Plan Year*	Annual Salary†	# of Months	Prorated Salary†	YMPE	Prorated YMPE∞
2022	\$105,000.00	8	\$70,000.00	\$61,600.00	\$41,066.67
2021	\$100,000.00	12	\$100,000.00	\$58,700.00	\$58,700.00
2020	\$95,000.00	6	\$47,500.00	\$57,400.00	\$28,700.00
2019	\$90,000.00	12	\$90,000.00	\$55,900.00	\$55,900.00
2018	\$85,000.00	10	\$70,833.33	\$55,300.00	\$46,083.33
			<b>Best Average Salary:</b>		<b>Average YMPE:</b>
48			<b>\$94,583.33</b>		<b>\$57,612.50</b>

\*The pension plan year runs from July 1<sup>st</sup> of the previous year to June 30<sup>th</sup> of the plan year. For example, pension plan year 2022 runs from July 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2022.

† Salary is as of July 1 of the Plan Year. For example, salary for pension plan year 2022 is taken as of July 1<sup>st</sup> 2021. 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.

## Plan Registration

The Plan is registered with the *Financial Services Regulatory Authority* and with the *Canada Revenue Agency* under 1079920.

## Accessing your information: Pension Portal for Members of the Salaried Pension Plan 2000

The Pension Portal is a secure online tool which has been created to facilitate self-service offerings for active members of the McMaster Salaried Pension Plan, including access to their pension information. As an active member of the Salaried Pension Plan, you can access the Pension Portal through Mosaic to view your Annual Pension Statements (since 2015), try out the Retirement Modelling feature and run your own pension estimates based on variable information.

Most Members of the Salaried Pension Plan will be able to access the Retirement Modelling feature to create pension estimates. Some Members with special circumstances will not be able to access this tool and should complete the [Pension Estimate Request Form](#) and forward it to the Human Resources Service Centre if they wish to obtain a pension estimate. Special circumstances could include: having a family law value that was paid out, having been rehired with a deferred period that is not paid out, and having pensionable service from different employee groups). In addition, members of the Original Pension Plan and members of the Salaried Pension Plan who are Clinical Faculty do not have access to the Pension Portal.

It is important to understand that the Retirement Modelling Tool in the Pension Portal provides you with **estimates of your future pension**. It uses a number of assumptions in the calculations, some of which you determine such as future salary increases and FTE. Based on the assumptions you use, your actual benefits payable may be higher or lower.

The [Pension Portal User Guide](#) provides the information and instructions you'll need to access and use the Pension Portal. Note that you'll need your McMaster user ID and password to access the instructions.

### **Additional Information**

For further information, please visit our website at <https://hr.mcmaster.ca/retirees/pension/>.