



Highlights of the McMaster Hourly Pension Plan

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

Contributing to the Pension Plan

Member Contributions (Required Contributions)

Members of Machinists (SEIU, Local 2), and Operating Engineers (IUOE, Local 772) are required to contribute 7% of their Regular Monthly Earnings up to the current Year’s Maximum Pensionable Earnings (“YMPE”) and 10% of their Regular Monthly Earnings in excess of the YMPE.

Example: Contribution Calculation

The YMPE for 2024 is \$68,500.

Assuming Regular Annual Earnings of \$87,000.

$$\$68,500 \times 7\% = \$4,795.00$$

plus,

$$(\$87,000 - \$68,500) \times 10\% = \$1,850.00$$

$$\begin{aligned} \text{Total Member Pension Contribution} &= \$6,645.00 \text{ /year} \\ &= \$255.58 \text{ bi-weekly} \end{aligned}$$

Assuming Regular Annual Earnings of \$65,000.

$$\$65,000 \times 7\% = \$4,550.00$$

$$\begin{aligned} \text{Total Member Pension Contribution} &= \$4,550.00 \text{ /year} \\ &= \$175.00 \text{ bi-weekly} \end{aligned}$$

Members of Parking and Transit Services (Unifor Local 5555, Unit 3), Special Constables (Unifor Local 5555, Unit 4), Operations and Maintenance (Unifor Local 5555, Unit 5), and Hospitality Services (SEIU, Unit 2) are required to contribute 8% of their Regular Monthly Earnings up to the current Year’s Maximum Pensionable Earnings (“YMPE”) and 11% of their Regular Monthly Earnings in excess of the YMPE.

Example: Contribution Calculation

The YMPE for **2024** is \$68,500.

Assuming Regular Annual Earnings of \$76,000.

$$\$68,500 \times 8 \% = \$5,480.00$$

plus,

$$(\$76,000 - \$68,500) \times 11 \% = \$825.00$$

$$\text{Total Member Pension Contribution} = \$6,305.00 \text{ /year } (\$242.50 \text{ bi-weekly})$$

Assuming Regular Annual Earnings of \$50,000.

$$\$50,000 \times 8 \% = \$4,000.00$$

$$\text{Total Member Pension Contribution} = \$4,000.00 \text{ /year } (\$153.85 \text{ bi-weekly})$$

Assuming Regular Annual Earnings of \$38,000.

$$\$38,000 \times 8 \% = \$3,040.00$$

$$\text{Total Member Pension Contribution} = \$3,040.00 \text{ /year } (\$116.92 \text{ bi-weekly})$$

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 Hourly Pension Plan is as follows:

Normal Retirement Date

The first day of the month next following the date the Member attains age sixty-five (65).

Special Retirement Date

The first day of any month coincident with or following the date the total of the Member’s age and years of service equals at least eighty (80). This is referred to as the “Rule of 80”.

Early Retirement Date

A Member may also retire early 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 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

Pension Calculation

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 Year's 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 times 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*.

Example: Pension Calculation

Assumptions:

Best Average Earnings of \$59,200.00 (see calculation on Page 7)

10 Years of Credited Service

Average YMPE of \$64,366.67 (see calculation on Page 7)

$\$59,200.00 \times 1.40\% \times 10 \text{ years} = \$8,288.00$

Total Member Annual Pension = \$8,288.00

*Note: Since the Member's Best Average Earnings are less than the Average YMPE, the second part of the formula is not applicable (equals \$0)

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 accrued 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.

Example: Bridge Benefit Calculation

Assuming a total of 10 Years of Credited Service prior to July 1, 2001.

\$12.00 x 10 years

Bridge Benefit Payable from Age 60 to 65, or death, if earlier = \$120.00 / month

Forms of Pension

At the time of retirement, Members are presented with a number of forms of pension based on marital status.

Member with Spouse

There are two 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.
- (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.

Single Member

There are three forms of pension, which are:

- (i) Lifetime Pension Guaranteed 10 Years – this is the normal form of pension for all Members. A monthly pension is payable for life, commencing on the Member’s retirement date and ceasing on the first day of the month in which the Member dies. There is a guarantee that if the Member dies before the 120 monthly payments (10 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 10 years, nothing further is payable to the Beneficiary or estate.
- (ii) Life Only Pension – a monthly pension payable for life only with no minimum guaranteed period. Once the member passes away, nothing further is payable.
- (iii) Lifetime Pension Guaranteed 5 Years – the Member’s pension is guaranteed at 100% for the 5- year, (60 month), period following retirement. If the Member dies before the 60 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 5- years, nothing is payable to the Beneficiary or estate.

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).

Example: Pension Increase Calculation for January 2024

A.	Five Year Average Annual Return	5.55%
B.	Rate of Return in Excess of 6%	0.00%
C.	Average CPI to June 30, 2023	5.64%
2024 pensioner increase is the lesser of B and C		0%

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 Member terminates employment prior to retirement, they may elect to receive one of the options described below.

Termination Prior to Age 55

- (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, plus a cash refund of the amount, if any, that twice the Member's required contributions exceed the Commuted Value.
- (ii) A deferred pension, payable at the Member's Normal Retirement Date, equal to the pension earned up to the date of termination.

Termination on or after Age 55

- (i) An immediate pension, payable the 1st of the month following the Member's date of termination. If the member has not reached their Special Retirement Date, their pension will be subject to the reductions outlined on page 2 under 'Early Retirement Date'.
- (ii) A deferred pension, payable at the Member's Normal Retirement Date, equal to the pension earned up to the date of termination.

For Members terminating with service prior to January 1, 1987, please refer to the Hourly Pension Plan text for further details.

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 Member entitled to a pension benefit dies prior to the commencement of their 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, plus
- (ii) the Commuted Value of any pension entitlement granted after December 31, 1986 for Credited Service up to that date paid in cash less withholding tax and, if applicable, a refund of the Member's excess contributions accrued with interest.

The eligible spouse is also entitled to two additional options, which include an immediate pension or a deferred pension.

Death Post Retirement

If a 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 'Forms of Pension' (page 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 of the YMPE during the 36 months as is used to calculate the Best Average Earnings.

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.

Example: Best Average Earnings and Average YMPE Calculation

The Member has a retirement date of July 1, 2024.

Plan Year*	Annual Earnings†	# of Months	YMPE
2024	\$ 64,000.00	12	\$66,600.00
2023	\$ 61,000.00	12	\$64,900.00
2022	\$ 59,000.00	12	\$61,600.00
2021	\$ 57,000.00	12	
2020	\$ 55,000.00	12	
	Best Average Earnings:		Average YMPE:
	\$ 59,200.00	60	\$64,366.67

**The pension plan year runs from July 1st of the previous year to June 30th of the Plan year. For example, Plan year 2024 runs from July 1st 2023 to June 30th 2024.*

† Earnings are as of July 1 of the Plan Year. For example, earnings for Plan year 2024 are taken as of July 1st 2023.

Example: Best Average Earnings and Average YMPE Calculation

The Member has a retirement date of January 1, 2024.

The Member was on an unpaid personal leave for 6 months in the 2022 Plan year.

Plan Year*	Annual Salary†	# of Months	Prorated Salary†	YMPE	Prorated YMPE∞
2024	\$64,000.00	6	\$32,000.00	\$66,600.00	\$33,300.00
2023	\$61,000.00	12	\$61,000.00	\$64,900.00	\$64,900.00
2022	\$59,000.00	6	\$29,500.00	\$61,600.00	\$30,800.00
2021	\$57,000.00	12	\$57,000.00	\$58,700.00	\$58,700.00
2020	\$55,000.00	12	\$55,000.00		
2019	\$52,000.00	12	\$52,000.00		
		60	Best Average Earnings: \$57,300.00		Average YMPE: \$62,566.67

*The pension plan year runs from July 1st of the previous year to June 30th of the Plan year. For example, Plan year 2024 runs from July 1st 2023 to June 30th 2024.

† Earnings are as of July 1 of the Plan Year. For example, earnings for Plan year 2024 are taken as of July 1st 2023. Prorated earnings are calculated by multiplying the number of months of Credited Service by the Annual Earnings

∞ Prorated YMPE is calculated by multiplying the number of months of Credited Service by the YMPE. Note that Average YMPE uses 36 months.

Plan Registration

The Plan is registered with the *Financial Services Regulatory Authority* and with the *Canada Revenue Agency* under 0215418.

Additional Information

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