PENSION PLAN FOR PROFESSIONAL STAFF OF LAKEHEAD UNIVERSITY

MEMBER BOOKLET

2022

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INTRODUCTION

The Retirement Plan for Professional Staff of Lakehead University (the "**Prior Plan**") began on September 1, 1965. This plan, the Pension Plan for Professional Staff of Lakehead University (the "**Plan**"), was effective December 31, 1989 and provides pension benefits which are the greater of the benefit provided by this **Plan** and the **Prior Plan**. The purpose of the **Plan** is to provide members with retirement income from their date of retirement to their date of death.

This booklet describes the provisions of the **Plan** in relatively simple terms. The legal document, which defines the **Plan** provisions in detail, uses much more complex and technical language. If there is a dispute based on a difference between the wording of this booklet and that of the legal document, the legal document will govern.

Throughout this booklet a number of terms have specific meanings. These terms are the words that begin with a Capital letter and are in **Bold**. All such terms are defined in detail at the end of this booklet in the *Glossary of Terms*. Most of the terms are also explained the first time they are used in the booklet.

ELIGIBILITY

You are eligible to join the **Plan** if you are employed by the University in an academic position, or in a senior administrative or support staff position as determined by the Board of Governors.

If you are employed on a full-time basis, you must join the **Plan** on your date of hire.

If you are employed on a part-time basis, you may join the **Plan** on the date you satisfy one of the following conditions:

a) 2 consecutive calendar years of **Earnings** of at least 35% of the **Year's Maximum Pensionable Earnings (YMPE)**; or

b) 2 consecutive calendar years of at least 700 hours of employment with the University.

If you were previously a contributor to the Ontario Teacher's Superannuation Fund and remain eligible to contribute to the Ontario Teacher's Superannuation Fund, you may elect to be a contributor to the Superannuation Fund instead of joining the **Plan**.

CONTRIBUTIONS

MEMBER REQUIRED CONTRIBUTIONS

Your required contributions are a percentage of your **Earnings**. Your required contributions will be deducted automatically from your **Earnings** by the University.

Earnings means your regular earnings, as determined by the University for the purpose of the **Plan**, excluding overload payments and expense allowances.

The percentage of your required contribution will depend on your position. For example, the contribution rate for members in academic positions is 6.5%. The contribution rate for members in non-academic positions is 8.05%.

Your contribution to CPP is 5.7% of your **Earnings** between the **Year's Basic Exemption (YBE)** and the **Year's Maximum Pensionable Earnings (YMPE)**.

YBE is the amount below which no contributions to the CPP can be made. The **YBE** has been frozen since 1998 at $3,500. **YMPE** is the amount set each year under the Canada Pension Plan (CPP). The **YMPE** amount is $64,900 in 2022 and will increase in the future at the same rate as average wages in Canada.

BOARD OF GOVERNORS' REQUIRED CONTRIBUTIONS

The Board of Governors' required contributions are a percentage of your **Earnings** less the University's contributions to the Canada Pension Plan (CPP) for some employee groups. The Board of Governors' contribution rate is 8.05% for both academic and non-academic positions.

ADDITIONAL VOLUNTARY CONTRIBUTIONS

You may elect to make additional contributions to the **Plan** in order to provide additional benefits. These additional contributions will be deducted by the University from your **Earnings**.

MAXIMUM CONTRIBUTIONS

To ensure that you do not exceed current tax-sheltered contribution limits, the total of your Member Required Contributions, Board of Governors' Required Contributions and Additional Voluntary Contributions cannot exceed the lesser of:

a) 18% of your **Earnings**; or

b) the money purchase limit for the year.

The money purchase limit is defined by the *Income Tax Act* and is reviewed annually. The money purchase limit for 2022 is $30,780.

Your membership in the **Plan** will affect the amount of money you can contribute to a personal **Registered Retirement Savings Plan (RRSP)** each year. After you file your income tax return each year, your **RRSP** contribution room will be reported to you on the Notice of Assessment you receive from the Canada Revenue Agency.

TRANSFER CREDITS

You may transfer lump sum amounts into this **Plan** from the registered pension plan or deferred profit sharing plan of a previous employer, if your previous employer's plan permits such a transfer. Lump sum amounts transferred into this **Plan** will be administered in accordance with the locking-in conditions imposed by your previous employer's registered pension plan or deferred profit sharing plan.

Contributions regarding periods of absence

If you are taking a leave of absence without pay approved by the Board of Governors and provided you have at least 3 years of continuous employment with the University, you may elect, for a period not to exceed 2 years, to:

a) make Member Required Contributions on the basis of your **Earnings** had you not been on leave of absence; or

b) make contributions equal to twice the Member Required Contribution on the basis of your **Earnings** had you not been on leave of absence.

The Board of Governors will not make any contributions on your behalf during a leave of absence without pay.

If you are taking a paid leave of absence, as defined by your collective agreement, both you and the Board of Governors will continue to make required contributions.

Contributions in respect of a period of disability

If you qualify for benefits under any insured long-term disability program of the Board of Governors, neither you nor the Board of Governors will make contributions to the **Plan**. If you cease to qualify for benefits under the insured long-term disability program of the Board of Governors and do not return to active employment, you will be entitled to the benefit described under the section titled *Termination of Employment Benefit.*

Transfers within Lakehead University

If you are a member of the Lakehead University Employee Pension Plan (“the Employee Plan) and you are transferred into a class of employment which qualifies you for membership in this **Plan**, you will cease contributing to the Employee Plan and immediately join this **Plan**. At the end of the calendar year following the year in which you join this **Plan**, a Transfer Credit, equal to your total account value under the Employee Plan, will be paid into this **Plan** from the Employee Plan.

Individual Account

An account shall be established for you that consists of:

a) Member Required Contributions;

b) Board of Governors' Required Contributions;

c) Additional Voluntary Contributions, if any; and

d) Transfer Credits, if any.

This account, together with net investment earnings credited at the rate earned by the **Fund**, is referred to as your **Individual Account**. Net investment earnings include both realized and unrealized gain and losses, less management fees and administration expenses. The net investment earnings will be credited to your **Individual Account** on an annual basis.

The **Fund** is the trust fund to which all contributions are made and from which benefits are paid. It is invested in accordance with the Ontario *Pension Benefits Act* and regulations under the *Income Tax Act*.

Short Term Account

You will have the ability to transfer a portion of your total entitlement, up to five years before your earliest retirement date, into a Short Term Account consisting of conservative investments chosen specifically to preserve capital. You must transfer a minimum of 25% of your total entitlement as of the prior year, up to a maximum of 85%, and this transfer is irreversible. Your future contributions will continue to be deposited into the main fund. This option was designed specifically to allow **Members** to change the asset mix of their own holdings in preparation for retirement, without affecting the potential investment returns of other **Members.**

SPOUSE

For the purposes of the **Plan**, and in accordance with the Ontario *Pension Benefits Act*:

"**Spouse**" means the person who:

a) is married to the member; or

b) the person not married to the member and who is living together with the member:

   (i) in a conjugal relationship continuously for a period of not less than 3 years, or

   (ii) in a conjugal relationship of some permanence, if they are the parents of a child as set out in section 4 of the *Children's Law Reform Act.*

BENEFICIARY

Your **Beneficiary** is normally the person who will receive the death benefit under the **Plan** if you die. Ontario pension legislation requires the death benefit to be payable to your **Spouse**, even if you name someone else as your **Beneficiary**. Your **Spouse**, however, may waive their right to your death benefit by completing the form prescribed by the Ontario pension legislation. If you do not have a **Spouse** you may name anyone you want. If you do not name a **Beneficiary** or your **Beneficiary** dies before you, the death benefit will be paid to your estate. Please remember to keep your **Beneficiary** information up to date.

Choosing a **Beneficiary** is an important decision. You may want to consult a lawyer to assist you in making a designation. You may also want to talk to your personal financial advisor about possible tax implications.

NAMING A MINOR AS BENEFICIARY

You may name a child as the **Beneficiary**, if you don't have a **Spouse**. If you do name a minor child, you must also appoint a trustee to look after the child's benefits. You should consult a lawyer to make sure all requirements and potential scenarios after your death have been addressed adequately.

Retirement Dates

Normal Retirement

Your **Normal Retirement Date** is the June 30th or December 31st coincident with or next following your 65th birthday.

Early Retirement

You may retire on the first of any month prior to your **Normal Retirement Date**.

Late Retirement

You may elect to retire later than your Normal Retirement Date, but no later than the end of the calendar year of your 71st birthday. If you elect late retirement contributions will continue until your actual date of retirement.

RETIREMENT BENEFITS

On retirement you will be entitled to the retirement income that can be provided by the value, subject to a minimum benefit for membership prior to January 1, 1997, of your **Individual Account**.

PENSION OPTION

You may use your **Individual Account** to provide a pension paid monthly from the **Plan**.

The calculation of a pension from the **Plan** is based on a number of factors, including your age, your life expectancy, and the long-term interest rates (i.e., base rate) in effect when you commence your pension payments. The base rate is the lesser of 6% and a rate specified by the Canadian Institute of Actuaries based on long-term Government of Canada bonds. Because the base rate can fluctuate from month to month, it is impossible to determine your exact monthly pension in advance of your pension commencement date. It is important to note, however, that the base rate can have a significant impact on the amount of your pension. For example:

Member Age : 60 Marital Status: Single Total value of Individual Account: $100,000	
Base Rate	Monthly pension
4.5%	$564
4%	535
3.5%	506
3%	478
2.5%	451

*This example has been provided for illustrative purposes only. Your pension from the **Plan** will be calculated based on your personal information and the base rate in effect as of your pension commencement date.*

Transfer Options

You may use your **Individual Account** to purchase an **Annuity** from an insurance company. An **Annuity** is a plan purchased from an insurance company which pays an income to you for as long as you may live. On your death, depending on the type of **Annuity** you purchase, the income may cease, continue for the lifetime of your **Spouse** if living, or be paid to your **Beneficiary** for a guaranteed period of time.

As an alternative to an **Annuity** from an insurance company, you may elect to transfer the value of your **Individual Account** to a:

- **Locked-In Retirement Account (LIRA)**, if the transfer is made prior to the end of the year you turn age 71; or
- **Life Income Fund (LIF)**.

It is recommended that you contact your personal financial advisor to provide full details of the features of a **Locked-In Retirement Account (LIRA)** and **Life Income Fund (LIF)**.

Minimum Benefit for Membership Prior to January 1, 1997

If you were a member of the **Plan** prior to January 1, 1997, the minimum benefit you receive at your **Normal Retirement Date** is equal to:

(i) the annual Basic Pension; plus

(ii) the annual amount of pension, as defined by the **Prior Plan**, in respect of membership prior to July 1, 1973; plus

(iii) the annual amount of pension which can be provided by the value of your **Special Distribution Account**.

If you retire prior to your **Normal Retirement Date**, the amount of pension in (i) and (ii) above will be reduced by ½% for each month your pension commences prior to your **Normal Retirement Date**. If you retire after your **Normal Retirement Date,** the amount of pension in (i) and (ii) above will be increased by ¾% for each month between your **Normal Retirement Date** and the date that your pension actually commences.

Special Distribution Account means the account that was established for you resulting from special distributions under the terms of the **Prior Plan**. This account is only for the purpose of calculating your minimum pension for membership prior to January 1, 1997.

Your Basic Pension is determined by the following formula:

(i) 1.2% of your **Best Average Earnings** up to the **Average YMPE**; plus

(ii) 1.75% of your **Best Average Earnings** in excess of the **Average YMPE**; multiplied by

(iii) your **Credited Service** after July 1, 1973 and before January 1, 1997.

Best Average Earnings means the annual average of your earnings in the highest 60 months during which you earned **Credited Service**.

Average YMPE mean the average of the **Year's Maximum Pensionable Earnings (YMPE)** as defined under the Canada Pension Plan (CPP) taken over the same period as is used in calculating your **Best Average Earnings**.

Credited Service means the period of continuous employment after July 1, 1973 during which you made required contributions to the **Plan** or qualified for benefits under any insured long-term disability program of the Board of Governors.

Example of Basic Pension Calculation

Consider a member who is retiring on January 1, 2014 who has 23.5 years of **Credited Service** for the period of July 1, 1973 to December 31, 1996 and assume that their **Earnings** in 2013 are $59,000 and that they had increased by approximately 3% each year for the last few years.

	Earnings	*YMPE*
2009	55,700	46,300
2010	57,400	47,200
2011	59,000	48,300
2012	60,900	50,100
2013	62,700	51,100
Average	$ 59,140	$ 48,600

The annual Basic Pension would then be:

((1.2% x 48,600) + (1.75% x (59,140 - 48,600))) x 23.5 =

$18,039.78

If this member's pension commenced 18 months prior to their **Normal Retirement Date**, the Basic Pension would be reduced to $16,416.20 (a reduction of 9% or ½% per month for 18 months). If this member's pension commenced 6 months after their **Normal Retirement Date**, the Basic Pension would be increased to $18,851.56 (an increase of 4.5% or ¾% per month for 6 months).

Forms of Pension

Mandatory Pension Form

If you have a **Spouse** on the date your pension commences, the current Ontario pension legislation requires that, except as described below, you must elect a form of pension which provides a lifetime pension to you or your **Spouse** after either of you die, at the level of at least 60% of the pension that was payable before the death of you or your **Spouse**.

You and your **Spouse** may waive the right to this joint pension by completing the form prescribed by the Ontario pension legislation. The form must be signed by your **Spouse** in the presence of an independent witness, but in your absence.

Optional Pension Forms

Rather than the mandatory pension form referenced above, you may elect a wide variety of optional forms of pension, subject to the completion of the above mentioned waiver form, where applicable, and regulations under the *Income Tax Act*. These optional forms of pension include:

- a single life pension;
- a guarantee period, which may be any whole number of years to a maximum of 15;
- a joint and survivor pension which continues to your **Spouse** at a rate equal to or less than the initial amount of pension.

POST-RETIREMENT INCREASES

If, at retirement, you elect the Pension Option, the amount of monthly pension you receive may be eligible for an annual adjustment depending on the financial position of the **Retirement Account**.

When your pension commences, the lump sum amount needed to provide your pension is transferred from your **Individual Account** to the **Plan's Retirement Account**, which is subject to an annual valuation by the **Plan's** actuary.

In years where the **Retirement Account** can support such an increase, your pension from the **Plan** will be adjusted effective January 1st as follows:

- Pensions for service and contributions made prior to January 1, 2008 will be *increased* by the excess of the "investment return" on the **Fund** for the previous year over the base rate used to determine your pension.
- Pensions for service and contributions made after December 31, 2007 will be adjusted *positively or negatively* by 80% of the difference between the "investment return" on the **Fund** for the previous year and the base rate used to determine your pension. Previously granted pension increases may be reduced if the **Retirement Account** can no longer support the increases granted previously. However the amount of pension cannot be reduced below the initial level of pension at retirement.

In order to smooth out fluctuations, the "investment return" for a year is defined as an average of the actual rate of return in that year and the three preceding years.

Termination of Employment Benefit

If your employment terminates for any reason other than death or retirement, you are entitled to the value, subject to a minimum benefit for membership prior to January 1, 1997, of your **Individual Account**. You will be given the options of leaving your benefit in the **Plan** until some future date, but no later than the end of the year in which you turn age 71, or transferring the value of your **Individual Account** to a **Locked-In Retirement Account (LIRA)**.

If, on termination of employment or retirement, your **Individual Account** provides a benefit less than the minimum permitted by the Ontario *Pension Benefits Act*, you will be required to transfer your **Individual Account** to a **Registered Retirement Savings Plan (RRSP)** or receive it as a taxable cash refund.

Death Benefit

If you should die prior to retirement, the death benefit is equal to the value, subject to a minimum benefit for membership prior to January 1, 1997, of your **Individual Account**.

If you have a **Spouse** at your date of death, the death benefit will be paid to your **Spouse**. Your **Spouse** may elect to:

- purchase an immediate or deferred life **Annuity**;
- transfer, on a tax-sheltered basis, to a **Registered Retirement Savings Plan (RRSP)** or to the registered pension plan of their employer, if that plan permits it, or
- receive a taxable cash refund.

If you do not have a **Spouse** at your death of death, the death benefit will be paid to your **Beneficiary**, if living, or your estate as a taxable cash refund.

Marriage Breakdown

The Ontario *Pension Benefits Act* permits the division of pension assets by domestic contract or court order under the *Family Law Act*. Your former **Spouse** can receive no more than 50% of the value of your **Individual Account** accrued during the period of your marriage. When a benefit becomes payable, your former **Spouse** will be entitled to the same options you receive.

The Government of Ontario introduced changes to the family law provisions of the Pension Benefits Act that are in effect on January 1, 2012. These changes establish a new process for the valuation and division of pension assets following the breakdown of a spousal relationship. This new family law pension valuation and division regime requires the pension plan administrator to calculate the value of the pension, provides for immediate division, and mandates the use of Superintendent of Financial Services approved forms throughout the process.

Disclosure of Information

Each year you will receive a statement showing the contributions made during the year, the net investment income credited and the total value of your **Individual Account**. In addition, it will confirm personal details held by the third party administrator.

You or your authorized representative will also receive a statement describing your options if you terminate employment, retire or die, or if the **Plan** is terminated.

You will receive a written explanation of any amendment to the **Plan** which may affect your benefits or rights.

Subject to the payment of a reasonable fee to cover administrative expenses, you, your **Spouse**, or the authorized agent of either, may request copies of a number of documents including:

- the legal text of the **Plan**,
- the most recent information returns required to be filed regarding the **Plan**,
- the most recent **Plan** financial statement, and
- a list of the **Plan's** assets at the most recent year-end.

ADMINISTRATION

The **Plan** is a trusteed plan, administered by the Pension Board and operated by the University. It conforms with the Ontario *Pension Benefits Act* and the *Income Tax Act* and its regulations. The day-to-day operation of the Plan is the responsibility of the Vice-President (Administration and Finance), subject to any delegation by the Pension Board to an outside or third party administrator of all or any part of such operation.

The Pension Board is accountable to the University's Board of Governors. The committee is made up of:

(i) two persons appointed by the Board of Governors;

(ii) two members of the faculty;

(iii) one member of non-faculty staff; and

(iv) one pensioner.

Matters related to **Plan** improvements and amendments are dealt with by the Pension Board.

GLOSSARY OF TERMS

Annuity is a plan purchased from an insurance company which pays an income to you for as long as you may live. Depending on the type of annuity you purchase, on your death the income may cease, continue for the lifetime of your **Spouse** if living, or be paid to your **Beneficiary** for a guaranteed period of time.

Average YMPE mean the average of the **Year's Maximum Pensionable Earnings** as defined under the Canada Pension Plan (CPP) taken over the same period as is used in calculating your **Best Average Earnings**.

Beneficiary is the person who will receive the death benefit of your pension benefit if you die.

Best Average Earnings means the annual average of your earnings in the highest 60 months during which you earned **Credited Service**.

Credited Service means the period of continuous employment after July 1, 1973 during which you made required contributions to the **Plan** or qualified for benefits under any insured long-term disability program of the Board of Governors.

Earnings means your regular earnings, as determined by the Board of Governors for the purpose of the **Plan**, excluding overtime payments and expense allowances.

Fund is the trust fund to which contributions are made and from which benefits are paid. It is invested in accordance with the Ontario *Pension Benefits Act* and regulations under the *Income Tax Act*.

Individual Account is the account established on your behalf to which the contributions are credited as explained in the section titled *Individual Account.*

Life Income Fund (LIF) is an account with a financial institution which allows you to continue managing your money, but receive an adjustable flow of retirement income subject to an annual minimum and maximum determined by the provincial and federal regulatory authorities.

Locked-In Retirement Account (LIRA) is similar to a **Registered Retirement Savings Plan (RRSP)** in that it is an account with a financial institution under which you can manage the investment of your money until you are ready to convert it to a retirement income. When you are ready to draw retirement income, the money is transferred out of the **LIRA** and may be used to purchase an **Annuity** with an insurance company or transferred into a **Life Income Fund (LIF)**.

Normal Retirement Date is the June 30th or December 31st coincident with or next following your 65th birthday.

Plan means the Pension Plan for Professional Staff of Lakehead University effective December 31, 1989.

Prior Plan means the Retirement Plan for Professional Staff of Lakehead University.

Registered Retirement Savings Plan (RRSP) is a tax sheltered plan permitted under the *Income Tax Act* to which individuals can make tax-deductible contributions. All payments out of an **RRSP** are taxable.

Retirement Account means the account established by the **Plan**'s administrator to hold, in trust, all amounts need to provide retirement benefits from the **Plan**.

Special Distribution Account means the account that was established for you resulting from special distributions under the terms of the **Prior Plan**. This account is only for the purpose of calculating your minimum pension for membership prior to January 1, 1997.

Spouse means the person who:

a) is married to the member; or

b) the person not married to the member and who is living together with the member:

   (iii) in a conjugal relationship continuously for a period of not less than 3 years, or

   (iv) in a conjugal relationship of some permanence, if they are the parents of a child as set out in section 4 of the Children's Law Reform Act.

Year's Basic Exemption (YBE) is the amount below which no contributions to the CPP can be made. The **YBE** has been frozen since 1998 at $3,500.

Year's Maximum Pensionable Earnings (YMPE) is the amount set each year under the Canada Pension Plan (CPP). The **YMPE** amount is $64,900 in 2022 and will increase in the future at the same rate as average wages in Canada.