

# **MONEY PURCHASE PENSION PLAN**

## **UNDERSTANDING YOUR PENSION PLAN**



### **DISCLAIMER:**

The precise terms of the Plan are provided in the Plan Document, available on Pension Services' website ([www.uvic.ca/pensions](http://www.uvic.ca/pensions)).

If there is a discrepancy between this publication and the Plan Document, the Plan Document applies.

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### Introduction

- **Membership**

The Money Purchase Pension Plan primarily covers the following groups of employees:

- Assistant and associate teaching professors
- Teaching professors
- Sessional lecturers
- Part time professional management employees (PEA, ME)
- Some term and grant funded employees

- **Type of pension plan**

There are different types of pension plans. The Money Purchase Pension Plan is defined contribution plan: one that provides a benefit based on the contributions made by the member and employer, as well as the net investment performance of the Plan.

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### Contributions

During your career, you and the university both contribute to the pension fund through contributions, which are paid through payroll deductions and reported on your pay stub. The rate of contribution is a percentage of your earnings, as shown in the following table.

Money Purchase Contribution Account			
Up to YMPE <sup>1</sup>	Member	3.00%	Total 11.37%
	University	8.37%	
Above YMPE <sup>1</sup>	Member	5.00%	Total 15.00%
	University	10.00%	
Voluntary Account			
Member	As elected		

#### Money Purchase Contribution Account.

The contributions are credited to your individual Money Purchase Contribution Account, and are subject to *Income Tax Act* maximums. At retirement, you can use your account balance to select a benefit option, as described later in this publication.

#### Additional Voluntary Contribution Account.

This is an optional feature of the Plan. Subject to *Income Tax Act* maximums, you may elect to make contributions to an Additional Voluntary Contribution Account through payroll deduction or by transfer from another registered plan (RRSP or Canadian registered pension plan). The university does not match those contributions, and transfers from spousal RRSPs are not permitted.

Example of 2020 Contributions ~ Annual Salary of \$67,000					
	Member		University		Total
<b>MPCA</b> < YMPE <sup>1</sup>	58,700 x 3.00%	1,761	58,700x 8.37%	4,913	<b>6,674</b>
<b>MPCA</b> > YMPE <sup>1</sup>	(67,000-58,700) x 5.00%	415	(67,000-58,700x 10.00%	830	<b>1,245</b>
<b>Voluntary</b>	100 x 12	1,200			
<b>Total</b>		<b>3,376</b>		<b>5,743</b>	<b>9,119</b>

<sup>1</sup> Year's Maximum Pensionable Earnings, the contributory earnings upper limit under the Canada Pension Plan (\$58,700 in 2020).

## The retirement dates: early & deferred retirement

The Money Purchase Pension Plan provides immediate vesting, which means there are no minimum service requirements to start receiving a pension; however, there are age requirements.

- **Normal retirement**

Normal retirement age is 65 (the last day of the month in which you reach age 65). You are not required to retire at this age.

- **Early retirement**

You may elect to take early retirement as early as the end of the month in which you attain 55 years of age.

- **Deferred retirement**

You may also elect to defer your pension (in other words, wait to start receiving it at a later date).

- **Latest retirement**

While you may continue to work beyond this date, you must start receiving a pension no later than December 01 of the year in which you reach age 71. If you do not select a benefit by October 31 of that year, you will be deemed to have selected a default option. Further, non locked-in<sup>1</sup> funds or small benefits<sup>2</sup> will paid out in cash, less withholding tax.

<sup>1</sup> Any portion of your account that is attributable to contributions made prior to 1993 or that meets unlocking conditions set by *BC Pension Benefit Standards Act (PBSA)* is not subject to lock-in conditions.

<sup>2</sup> The small benefit threshold is two times the current year's YMPE<sup>3</sup>

<sup>3</sup> Year's Maximum Pensionable Earnings, the contributory earnings upper limit under the Canada Pension Plan (\$58,700 in 2020).

## Options at retirement

At retirement, you will use your account to select a benefit option. The Plan is designed to allow tailoring of retirement income to suit your individual situation, preferences, and financial plan. Subject to some restrictions, options may be combined for maximum flexibility, and spousal consent may be required.

### Options at a Glance

1. Variable Benefit
2. Transfer Out

### Option 1: The Variable Benefit

This option is similar to an external life income fund (LIF). Here, you retain ownership of your account and each year, you set the monthly retirement benefit you wish to receive, subject to statutory minimum and maximum (summarized in this accompanying table).

A booklet explaining this option in more details is available by request, or on Pension Services' website.

#### The minimum & maximum rates

The minimum rate does not apply until you reach age 72. Use your age or, under certain conditions, that of your spouse to determine the applicable minimum rate from the table included here.

The maximum rate applies to locked-in funds only. The applicable maximum rate is determined by the Plan's investment performance in the previous year, or from the age-based table included here, whichever is greater.

#### Your account balance

In order to qualify for a Variable Benefit, your initial account balance must be at least twice the YMPE<sup>1</sup>. After each month's withdrawal, the balance remaining in your account continues to share in the investment performance of the pension fund. Any remaining balance in your account also forms the survivor benefit (refer to the Survivor Benefits information included in this publication). If you have a spouse, as defined in British Columbia's *Pension Benefit Standards Act (PBSA)*, spousal consent is required for the Variable Benefit option.

Variable Benefit withdrawal rates		
Current	Minimum	Maximum
55	2.78	6.45
60	3.23	6.77
65	3.85	7.26
70	4.76	8.02
75	5.67	9.34
80	6.58	11.96
85	8.08	19.19
90	10.99	100.00
95	18.79	100.00
> 95	20.00	100.00

### Option 2: Transfer out

You may remove your account from the Plan, and transfer the balance to another registered pension plan or to a locked-in retirement account (LIRA). If at least 50 years of age, you can also transfer your account to a life income fund (LIF) or purchase an annuity from an insurance company.

In accordance with the requirements of British Columbia's *Pension Benefit Standards Act (PBSA)*, locked-in<sup>2</sup> accounts must be transferred on a locked-in basis.

<sup>1</sup> Year's Maximum Pensionable Earnings, the contributory earnings upper limit under the Canada Pension Plan (\$58,700 in 2020).

<sup>2</sup> Any portion of your account that is attributable to contributions made prior to 1993 or that meets unlocking conditions set by *BC Pension Benefit Standards Act (PBSA)* is not subject to lock-in conditions.

## Options when leaving UVic

If you leave the university before early retirement age, you are eligible for one of the following options:

- **Defer the pension (default option)**

You can leave your account on deposit for a future pension. Once you have reached age 55, you can select an option described earlier in this publication. In the meantime, your account balance will continue to share in the performance of the pension fund.

You may also elect to defer your pension beyond age 55, but no later than December 01 of the year in which you attain age 71. If you do not select a benefit by October 31 of that year, you will be deemed to have selected a default option. Further, non locked-in<sup>1</sup> funds or small benefits<sup>2</sup> will paid out in cash, less withholding tax.

- **Transfer out**

You can transfer your account balance as follows:

- *For locked-in funds<sup>1</sup>*, the following options are available:
  - Direct transfer to another registered pension plan (RPP) or to a locked-in retirement account (LIRA); or
  - If at least 50 years of age, direct transfer to a life income fund (LIF) or purchase a deferred life annuity from an insurance company.
- *For non-locked-in funds<sup>1</sup>*, the following options are available:
  - Direct transfer to another registered pension plan (RPP), a registered retirement savings plan (RRSP), or registered retirement income fund (RRIF);
  - Purchase annuity from life insurance company (conditions may apply); or
  - Cash, less applicable withholding tax.

<sup>1</sup> Any portion of your account that is attributable to contributions made prior to 1993 or that meets unlocking conditions set by *BC Pension Benefit Standards Act (PBSA)* is not subject to lock-in conditions.

<sup>2</sup> The small benefit threshold is two times the current year's YMPE<sup>3</sup>

<sup>3</sup> Year's Maximum Pensionable Earnings, the contributory earnings upper limit under the Canada Pension Plan (\$58,700 in 2020).

## Survivor benefits

Survivor benefits are paid to a spouse<sup>1</sup>, beneficiary, or estate upon a member's death. A spouse, as defined in British Columbia's *Pension Benefit Standards Act (PBSA)*, is automatically entitled to the survivor benefit unless they choose to waive that right by submitting a spousal waiver.

### **Prior to retirement.**

- **If you have a spouse<sup>1</sup>.**

The pre-retirement survivor benefit for a spouse is 100% of the value of the benefit you have earned, and a surviving spouse is entitled to any of the options that are available to you at retirement.

A surviving spouse must select a benefit by the later of one year following the your death or the December 01 of the year in which they reach age 71.

- **If your beneficiary is not a spouse<sup>1</sup>.**

The pre-retirement survivor benefit for a beneficiary who is not a spouse is the balance accumulated in your Money Purchase Contribution Account and, if applicable, Voluntary Contribution Account(s).

### **During retirement.**

- **If you are receiving the Variable Benefit.**

If you are receiving the Variable Benefit, the survivor benefit is the balance remaining in your Variable Benefit Account. Under certain conditions, a surviving spouse<sup>1</sup> may have the option of continuing the Variable Benefit.

<sup>1</sup> Defined in the *Pension Benefits Standards Act* as:

persons who are married to each other, and who have not been living separate and apart from each other for a continuous period longer than 2 years OR persons who have been living with each other in a marriage-like relationship for a period of at least 2 years immediately preceding the date of transaction.

## Contact us: Pension Services

Please contact Pension Services **at least 3-6 months** prior to your expected retirement date.

Individual meetings are available by appointment.

**Email:** [pensions@uvic.ca](mailto:pensions@uvic.ca)

**Phone:** (250) 721-7030

**Website:** [www.uvic.ca/pensions](http://www.uvic.ca/pensions)

**Location:** Michael Williams Building, room B278