RETIREMENT OUTLOOK

UNIVERSITÉ BISHOP'S UNIVERSITY

Pension Plan for Full-Time Employees of Bishop's University

Past and Current Component

Prepared by Aon

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WORD FROM THE PENSION COMMITTEE

Through the booklet RETIREMENT OUTLOOK of the Pension Plan for Full-Time Employees of Bishop's University (the "Plan"), the pension committee puts at your disposal a simple, precise and practical consultation document containing the necessary information to understand the provisions of the Plan.

This document was prepared by our actuaries and administrators of the Plan to provide straightforward answers to your questions. It should be used for informational purposes and in the event of a discrepancy between this document and the Plan text, the latter shall prevail. We hope this booklet meets your expectations. Please do not hesitate to contact Aon or the Human Resources Department should you require additional information.

The Pension Committee

Glossary

This glossary contains definitions of terms which will facilitate your understanding of the booklet. The terms included in this glossary are followed by the sign [G] in the text.

Spouse	The person to whom you are legally married, bound by civil union (legal spouse), or, if you are not married, the person with who you have been living in a conjugal relationship for a period of not less than 3 years, or 1 year if you have a child, are to have a child or have adopted a child with this person. The status of the spouse takes effect at the time of retirement or the day before your death, if earlier.
AIW	The increase in *average industrial wage* (AIW) represents the average increase of wages in Canada and is published each year by Statistics Canada.
YMPE	The *year's maximum pensionable earnings* (YMPE) is an amount set each year by Retraite Québec. It corresponds to the maximum pensionable earnings for Quebec residents who participate in the Quebec Pension Plan. In 2019, this amount is $57,400.
Participation	Period between your Plan membership and the time you stop participating in the Plan (termination of employment, retirement or death).
Parties	It refers to the negotiating parties of the Plan – The employer which is Bishop's University and the APBU as the union.
Salary	It refers to the basic earnings actually received from the employer in the Plan year, excluding overtime, bonus, allowance or any other compensation that is not part of his regular remuneration.
Year of credited service	It refers to a year of service during which the employee is an active participant of the Plan, excluding some unpaid temporary leaves and some disability periods, as well as a year of credited service as part of a transfer agreement.
Year of membership	It refers to a year during which an employee is an active participant of the Plan.
Past Component	Portion of the Plan based on services credited before January 1, 2016.
Current Component	Portion of the Plan based on services credited as of January 1, 2016.

YOUR PENSION PLAN

Your Plan is a defined benefit (DB) pension plan. In other words, the Plan provides an annual pension at retirement which will be calculated according to your salary[G] in each year worked.

Eligibility and membership

Plan membership requirements

If you are a full-time employee entering the service of the University, you are eligible to join the Plan, the first day of the month coincident with or immediately following your date of employment.

Your membership in the Plan is mandatory as of the date on which you become eligible to enrol.

You remain an active Plan member as long as you are in the service of the employer. Your active participation[G] in the Plan only ceases at retirement, termination of employment or death.

Contributions

Member contributions

Past Component

Your member contributions are equal to 45% of any new deficit related to credited service[G] before January 1, 2016 calculated in an actuarial valuation following December 31, 2015.

According to the June 30, 2018 actuarial valuation, no such contribution is required.

Current Component

Your member contributions are equal to 50% of the cost of the Plan, that is 50% of each of these types of contributions:

- The service cost, which represents the value of credited pensions during a year;
- The stabilization contribution to the stabilization fund;
- Amortization payments which is equal to the amount required to fund the going concern deficiency related to credited service[G] since January 1, 2016. This contribution is required only to the extent that the stabilization fund is insufficient to finance the deficit.

These contributions are determined by the Plan's actuarial valuations, which are produced at least once every three years.

According to the June 30, 2018 actuarial valuation, the total member contribution from July 1st, 2019 is 8.38% of salary[G] up the YMPE[G] and 9.12% of the salary[G] above YMPE[G].

Your contributions to the Plan are deducted at each pay cycle. These contributions are mandatory and you cannot withdraw contributions from the Plan. Your member contributions are limited to the maximum amount allowed by the Income Tax Act.

You will cease to make member contributions on the end of active participation[G] (retirement, termination of employment or death).

Use of the stabilization fund

The stabilization fund main intention is to limit contribution volatility. The stabilization fund may also be used to fund enhancement to Plan provisions, subject to the legislation and agreement by parties.

Additional voluntary contributions

Voluntary contributions are not permitted.

Employer contributions

Past Component

The University contributes 100% of the restructuring deficit calculated as at December 31, 2015 and 55% of any new deficit calculated in an actuarial valuation following December 31, 2015.

Current Component

The University contributes 50% of the cost of the current component.

Interest on contributions

The interest credited on contributions shall be equal to the rate of return on the investment of the Plan assets evaluated at market value, less investment and administration expenses paid by the pension Plan. For administrative purposes, the interest credited on contributions for a given Plan year is equal to the mean of the return net of all fees of the previous two Plan year.

Retirement

Normal retirement

The normal retirement age is 65. At normal retirement, you will be entitled to receive the full lifetime pension provided for by the Plan.

Optional retirement

Optional retirement enables you to retire at a date earlier than the normal retirement age and receive a full pension for your years of credited service[G] as at such date. You may take an optional retirement at the **earliest** between:

- Age 60 and 25 years of credited service[G]
- 90 points (sum of age and years of membership[G]).

Early retirement

Early retirement enables you to retire as early as age 55. However, your retirement pension will be reduced by 0.50% per month for each month (6% per year) between the early retirement date and the normal retirement date (65), if you have not attained the optional retirement date.

This reduction takes into account the fact that you will receive your pension before your normal retirement date and therefore longer than anticipated.

Postponed retirement

If you continue to work past age 65, you will continue to make contributions to the Plan and accrue years of credited service[G] under the Plan. The payment of your pension must, however, begin no later than on December 1st of the year during which you turn 71 even if you continue to work after this date.

Your pension will be the maximum between:

- The pension calculated at your retirement date
- The pension increased to reflect the fact that you will receive your retirement pension at a later date and for a shorter period of time than if you had retired at normal retirement plus a pension reflecting your contributions during the postponed period.

Retirement benefits

Past Component

As at December 31, 2015, a pension credit was determined using a 5-year average salary[G]. The credit was calculated according to the methodology defined in the restructuring of the Plan. This accumulated pension is indexed annually until termination of membership or retirement according to the lesser of the increase in AIW[G] and 2.62%.

Example of calculation of the annual pension as at June 30, 2019	
▪ Accumulated annual pension as at June 30, 2018:	\$20,000
▪ 2018 AIW:	1.00%
▪ Accumulated annual pension as at June 30, 2019:	\$20,000 x (1 + minimum (1.00%; 2.62%)) = \$20,200

Current Component

Each year, a portion of your pension accrues in the Plan. This portion corresponds to 1.8% of your salary[G] up to the YMPE[G] and 2% of your salary[G] above the YMPE[G].

The total accumulated pension at retirement in the current component is the sum of those portions accumulated during each year of participation[G] in the Plan, indexed annually until termination of membership or retirement according to the lesser of the increase in AIW[G] and 1.79%.

Example of calculation of the annual pension as at June 30, 2019	
▪ Accumulated annual pension as at June 30, 2018:	\$2,000
▪ 2018 AIW:	1.00%
▪ 2018-2019 YMPE[G]:	\$57,400
▪ 2018-2019 Salary[G]:	\$60,000
▪ Accumulated annual pension as at June 30, 2019:	\$2,000 x (1 + minimum (1.00%; 1.79%)) + 1.80% x \$57,400 + 2.00% x (\$60,000 - \$57,400) = \$3,105

The accumulated annual pension as at June 30, 2018 represents the accumulation of pension amounts since December 31, 2015. Please refer to your annual statement, which is produced every year, to better understand your personal situation.

The total accumulated pension at retirement is the sum of the annual pension accumulated in the past component and the annual pension accumulated in the current component.

Bridge benefits

Past Component

If you elect early retirement after having attained optional retirement, a bridge benefit will be payable to you up to age 65. As at December 31, 2015, this bridge benefit corresponds to 0.7% of your final 5-year average salary[G] up to the YMPE[G] per year of credited service[G] before January 1st, 2013 and to 0.2% of your final 5-year average salary[G] up to the YMPE[G] per year of credited service[G] between January 1st, 2013 and December 31, 2015. After December 31, 2015, this bridge benefit is indexed annually until termination of membership or retirement according to the lesser of the increase in AIW[G] and 2.62%.

Example of calculation of the annual bridge benefit at retirement	
▪ Credited service[G] before January 1st, 2013:	15 years
▪ Credited service[G] between January 1st, 2013 and December 31, 2015:	2 years
▪ 5-year final average salary[G]:	$50,000
▪ Annual bridge calculated at retirement:	0.7% x $50,000 x 15 + 0.2% x $50,000 x 2 = $5,450

Current Component

If you elect early retirement after having attained optional retirement, a bridge benefit will be payable to you up to age 65. Each year, a portion of this bridge benefit accrues in the Plan. This portion corresponds to 0.20% of your salary[G] up to the YMPE[G].

The total accumulated bridge benefit at retirement in the current component is the sum of those portions accumulated during each year of participation[G] in the Plan, indexed annually until termination of membership or retirement according to the lesser of the increase in AIW[G] and 1.79%.

Example of calculation of the annual bridge benefit as at June 30, 2019	
▪ Bridge accumulated as at June 30, 2018:	$300
▪ 2018 AIW :	1.00%
▪ 2018-2019 YMPE[G]:	$57,400
▪ 2018-2019 Salary[G]:	$60,000
▪ Annual bridge accumulated as at June 30, 2019:	$300 x (1 + minimum (1.00%; 1.79%)) + 0.20% x $57,400 = $418

The total accumulated bridging benefit at retirement is the sum of the annual bridge accumulated in the past component and the annual bridge accumulated in the current component.

Note that you can refer to your own annual statement, which is produced every year, in order to follow the status of your entitlements.

Tax impact

Pension adjustment

Your participation[G] in the Plan gives rise to the calculation of a pension adjustment (PA). The PA, which is calculated as set out in the *Income Tax Act*, reduces your RRSP contribution room for the following year. Your PA appears each year on your T4 slip and reflects the tax value of the pension you have accrued during the year under your employer's pension plan.

Calculation of pension adjustment (certain exceptions may apply)		
9	X	The pension accrued during the year (1.80% x salary[G] up to YMPE[G] + 2 % x salary[G] above YMPE[G])
	less	**$600**

WHAT HAPPENS?

… in the event of termination of membership?

The benefits accrued in the Plan are locked-in and must be used to provide you with a retirement income. If you leave the service of the employer before retirement, you may choose to receive a deferred pension or to transfer the value of your deferred pension outside of the Plan.

Deferred pension

A deferred pension consists of keeping your pension in the Plan until your retirement. This pension will be paid to you as at **age 65**, or before (from age 55) if you wish, with reduction. The applicable reduction is a reduction by actuarial equivalence between your retirement date and your normal retirement date.

Transfer the value of your pension benefits

If you are under 55 years of age, you may transfer the value of your pension benefits to one of the following locked-in retirement vehicles:

- Locked-in retirement account (LIRA);
- Life income fund (LIF);
- Pension plan of your new employer, if the plan allows it.

Also, if the total value of the benefits you have accrued upon termination of service is less than 20% of the YMPE[G] of the year of termination, you must choose:

- to receive this amount as a cash payment, subject to applicable income taxes; or
- to transfer it to an RRSP, where it will be tax-sheltered until your retirement.

The value of your rights will be paid according to the solvency ratio of the current component of the Plan, up to 100%, and remaining portion will be paid within 5 years or at the normal retirement date if earlier.

… in the event of a marriage breakdown?

The benefits accrued in your pension plan are part of the family patrimony as defined by the Civil Code of Quebec. Unless you are not subject to family patrimony provisions, the value of these benefits may be partitioned between you and your spouse[G] as provided for under the Civil Code of Quebec and by a court judgment or by a partition agreement signed following your divorce, annulment of a civil union, separation from bed and board or annulment of marriage. In such case, the pension you will receive at retirement will be reduced to reflect the amount transferred to your spouse[G].

… in the event of disability?

In the event of disability, you may choose to continue to participate in the Plan if you wish. Your contributions will then be based on the salary[G] you were receiving before the beginning of your disability leave. If you choose not to make contributions to the Plan, you will not accrue credited service[G] in the Plan during your disability leave.

… in the event of temporary leave?

Paid leave

If you receive a salary[G] from the employer during your leave, you will continue to make member contributions and participate in the Plan.

Unpaid leave

During an unpaid leave, but qualifying as a leave protected by the Quebec Act respecting labour standards, such as maternity leave or parental leave, you may continue to contribute, for the period allowed by the law, and thus accumulate a credited pension in the Plan. If you decide not to contribute, you will not accrue credited service[G] during your period of unpaid leave.

For other unpaid leaves, subject to the employer's approval, you may continue to make member contributions and participate in the Plan. If you choose not to make contributions to the Plan, you will not accrue credited service[G] in the Plan during your leave.

… in the event of death prior to retirement?

Your spouse[G], if applicable or, of if the death benefit before retirement was waived, your designated beneficiary, will receive the value of the deferred pension to which you would have been entitled to at the time of your death.

If the amount is payable to your spouse[G], the latter will be able to:

- receive a monthly pension if the participant had at least 10 years of membership[G] and had attained at least age 55;
- transfer it to their RRSP tax-free;
- transfer it to an insurance company for the purchase of a retirement pension;
- withdraw it in cash and paying the applicable tax.

Any lump sum will be paid according to the solvency ratio, up to 100%, and remaining portion will be paid within 5 years or at the normal retirement date if earlier.

Note that if you have a spouse[G], the spouse takes precedence over any other beneficiary designation, unless he has waived in writing to receive a benefit in the event of your death before retirement. For more information, please communicate with Aon or the Human Resources Department.

… in the event of death after retirement?

Your spouse[G], or your designated beneficiary, will receive a death benefit based on the form of pension you chose at retirement. The pension form you elect at your retirement date is final and cannot be modified thereafter.

If you have a spouse[G] when you retire

The normal form of pension provided by the Plan is a 60 guaranteed monthly payments payable to your designated beneficiary.

However, the law provides that your spouse[G] must receive a lifetime pension that is at least equal to 60% of the pension you were receiving at the time of your death (so-called 60% joint and survivor pension). Your pension will be reduced to take into account the additional cost of providing the 60% joint and survivor pension.

Spouse's[G] waiver

Your spouse[G] may however waive his right to the 60% joint and survivor pension provided for by law in favor of a higher pension. This waiver must be made in writing by sending the duly completed form to Aon or to the Human Resources Department prior to your retirement.

If you do not have a spouse[G] when you retire

Your designated beneficiary, or your estate, are entitled to receive the remaining payments in accordance with the guaranteed period provided for under the Plan, that is, 60 monthly payments (5 years). Accordingly, if you die less than 5 years after you receive your first pension benefit, your designated beneficiary or estate will receive the remaining pension payments.

- Your designated beneficiary may choose to continue to receive the same pension you were receiving for the remaining guaranteed period or to receive a lump sum equal to the balance of the pension, less applicable income taxes.
- Your estate will receive a lump sum equal to the balance of your pension, less applicable income taxes.

Optional forms of pension

Other forms of guarantee are also available. They will be offered to you at retirement. However, your pension will be adjusted to take into account the guarantee that you will have chosen.

ADDITIONAL INFORMATION

Other sources of retirement income

The pension payable under your Plan represents an important part of your retirement income. This pension will be supplemented by your personal savings, if any, and certain government benefits to which you may be entitled depending on your situation. To obtain more information, please contact one of the following organizations:

Retraite Québec

1-800-463-5185
www.retraitequebec.gouv.qc.ca

Old Age Security Program

1-800-277-9914
www.servicecanada.gc.ca

Additional information

Contact

Should you require any additional information, please contact Aon, appointed Plan administrator, by phone at 1-800-551-5148, via e-mail at ubishops@aon.ca or at the following address:

700, de la Gauchetière West, Suite 1900
Montreal, Quebec H3B 0A7

Pension committee

The pension committee is comprised of representatives of the employer and of the Plan members. This committee ensures the sound management of the Plan. It ensures that the Plan is regularly valued by actuaries and that the investments of the pension fund are managed in accordance with the Plan's investment policy.

Make-up of the pension committee

The pension committee shall normally consist of **10 voting members,** as follows:

- **7 members representatives**, chosen by each of the following groups:
  - 1 member designated by active members;
  - 1 member designated by non-active members;
  - 4 members designated by the APBU (2 by Staff group and 2 by Faculty group);
  - 1 member designated by the BUMA.
- **2 employer representatives,** designated by the employer
- **1 independent member,** designated by the employer**.**

At the annual general meeting:

- the group of active members as well as the group of non-active members are each entitled to designate one additional members to the Pension Committee in addition to the representatives already mentioned. These members act as trustees and do not have the right to vote.

Investments

Your member and employer contributions are deposited in the pension fund where they will be held in trust. The fund, which is managed by investment managers, is comprised of a balanced portfolio which consists of various asset categories, in accordance with the investment policy adopted by the pension committee.

Annual general meeting

Each year, you are invited to attend your pension plan annual general meeting where the pension committee will present the financial results of the pension fund and a report on the Plan's administration.

Annual statement

Each year, you will receive a statement which provides information on the retirement income you accrue in the Plan. This statement includes:

- the contributions you have made to the Plan to date, accrued with interest;
- an estimate of your retirement pension, based on your years of credited service[G] accrued as at June 30th of the previous Plan year;
- the present value of the pension to which you would have been entitled had you left the service of the employer as at June 30th of the previous Plan year if you are less than 55 years old;
- information on the Plan's financial position.

Consultation of documents

You may consult the various documents regarding the Plan's administration by communicating with the pension committee during regular business hours.

50% rule

Your member contribution since January 1, 1990, accrued with interest, can only be used to fund half of the present value of the benefits to which you are entitled to. Any excess, if applicable, will be used to increase the pension to which you are entitled to.

Effective date and the Plan's registration numbers

Effective date of the Plan: July 1st, 1961.

The Plan's registration numbers are:

- Retraite Québec: 22263
- Canada Revenue Agency: 0032954

Use of surplus

Past Component

Subject to applicable legislation, any surplus determined by an actuarial valuation will be used according to Paragraph 32 to 35 of the *RRSU Act*:

1) Resuming of the indexation of the bridge for retirees
2) Improvements to the pension Plan

Current Component

Subject to applicable legislation, any surplus determined by an actuarial valuation will be used according to the agreements reached between the employer and the active members.