

**Retiring Under the
University of Toronto Pension Plan
Presentation for Faculty and Librarians**

April 2013

Agenda

- Notice of Intention to Retire
- Pension Basics
- Types of Retirement
- Phased Retirement (Including Treatment of Benefits)
- Benefit Plans For Pensioners
- Canada Pension Plan/ Old Age Security Benefits
- Resources Available to You

Notice of Intention to Retire

- With expanded range of retirement options introduced in 2005, notice of intention to retire is required to facilitate academic planning
- Notice of intention to retire is required at least one year in advance of proposed retirement date
- For retirement on June 30, 2014, notice is required by July 1, 2013
- One year of notice also required to enter into the phased retirement program.
- Notice of intention to retire is irrevocable

Pension Basics

Pension Basics

Some Key Terms

- Highest Average Salary/Wages
 - Annual average of highest 36 completed months of salary/wages while a member of the Pension Plan
 - Annualized salary capped at \$150,000
- Average CPP Maximum Salary
 - Annual average of Year's Maximum Pensionable Earnings under Canada Pension Plan (YMPE \$51,100 in 2013) in the last 36 months of participation in the Pension Plan (Average YMPE for those retiring June 30, 2013 is \$48,533)

Pension Basics

Some Key Terms (cont'd)

- Pensionable Service
 - Years and completed months of continuous service with the University while a member of the Pension Plan
 - Part-time employees earn prorated pensionable service to reflect percentage of full-time hours worked
 - Excludes part-time service before July 1, 1987 (special provisions apply to this service)
 - No limit on number of years of pensionable service
 - Participation in the Plan must end in the year a members reaches age 71

Pension Basics

Plan Formula

1.5% of highest average
salary/wages up to Avg.
YMPE

+

2.0% of highest average
salary/wages over Avg.
YMPE

x

pensionable service

=

annual pension

Example—\$125,000

1.5% x \$48,533 → \$728.00
(Avg. YMPE June 30, 2013)

+

2.0% x (\$125,000 – \$ 48,533)
→ \$1,529.33

x

30 years

=

\$67,720 per year*

*excludes first year indexation, CPP, and if applicable OAS benefits

Pension Basics

Survivor Benefits After Retirement

- Form of payment depends on whether participant has a spouse **at date of retirement**
- For participants **without** a spouse:
 - Pension payable for lifetime of participant with a guarantee of at least 60 monthly payments
- For participants **with** a spouse:
 - Pension payable for lifetime of participant, with 60% of the monthly pension continued to that surviving spouse after the participant's death; continued in equal shares to dependent children, if any, after spouse's death, or if no spouse
 - No reduction in participant's pension to pay for the 60% continuation unless spouse is more than 15 years younger
 - Spouse includes legally married spouse, common-law spouse and domestic partner

Pension Basics

Optional Forms of Payment

- For participants **without** a spouse at date of retirement:
 - 120-month guarantee
 - Participant’s pension “actuarially” reduced to provide for additional guarantee period
- For participants **with** a spouse at date of retirement:
 - 70%, 80%, 90% or 100% continuation to spouse
 - Participant’s pension “actuarially” reduced to provide for additional continuation above 60% with no material evidence required
 - Participant can waive joint-and-survivor pension and elect guarantee period, however, spousal consent required
- Option forms will show pension amounts under each of the applicable options

Pension Basics

Indexation

- Pension indexed each July 1st by portion of increase in Consumer Price Index (Canada) (CPI); indexation percentage calculated as the greater of two formulas:

FORMULA 1

75% of increase in CPI up
to a maximum CPI of 8%
plus
60% of increase in CPI over 8%

or

FORMULA 2

Increase in CPI - 4%

- Other pension plans with indexation only start indexation after the participant has been retired at least one year.
- U of T Pension Plan indexes first payment.
 - For retirements on June 30, 2013, pension payment starting July 1, 2013 calculated under Plan formula, then increased by 0.62% indexation (75% of 0.83% increase in CPI Canada for calendar year 2012)

Pension Basics

Supplemental Retirement Arrangement

- Under *Income Tax Act* (“ITA”), maximum pension payable from a registered pension plan limited as follows:

Year of Retirement	Maximum Pension Per Year of Pensionable Service	Highest Average Salary (Est.) at Which Maximum Pension Reached
2008	\$2,333.33	\$127,200
2009	\$2,444.44	\$133,000
2010	\$2,494.44	\$135,900
2011	\$2,552.22	\$139,100
2012	\$2,646.67	\$144,200
2013	\$2,696.67	\$147,608
2014	Indexed to AIW	Indexed to AIW

Pension Basics

Supplemental Retirement Arrangement (cont'd)

- SRA restores pension benefit under regular plan formula on earnings up to \$150,000; same plan provisions apply to SRA pension
- SRA pension paid from University funds; separate pension payments from Pension Plan and SRA (taxed separately as well)
- SRA pension is not eligible for income splitting, unlike pension from Registered Pension Plan

Types of Retirement

Normal Retirement

- Normal Retirement Date (NRD) under Pension Plan is the June 30th coincident with or next following 65th birthday
- Under *Pension Benefits Act*, NRD continues to be required even after elimination of mandatory retirement

Postponed Retirement

- Any December 31st or June 30th following NRD
- Faculty members and librarians who choose to work beyond their NRD are required to continue the full scope of their normal duties
- Pension Plan participation continues if employment continues after NRD; pension benefit continues to grow through:
 - Additional year(s) of pensionable service
 - Increase in highest average salary, subject to salary cap
- *Income Tax Act* requires pension benefits to start prior to the end of calendar year of 71st birthday, even if individual continues to be employed. U of T pensions are payable at the start of each month, so pension payments must begin December 1 in the calendar year of 71st birthday.

Early Retirement

- Within 10-year period prior to NRD
- Unreduced Early Retirement for Faculty and Librarians:
 - Eligibility Any December 31st or June 30th following attainment of age 60 and completion of 10 years of pensionable service
 - Benefit Pension benefit earned to early retirement date, without reduction for early commencement
- Reduced Early Retirement:
 - If ineligible for unreduced early retirement provision, pension benefit earned to early retirement date is reduced by 5% per year from NRD

Early Retirement

- Lump-Sum Option
 - Participants who leave before NRD can elect to take lump-sum value of monthly pension
 - Lump-sum value can be transferred to a locked-in retirement account or life income fund subject to limits under ITA; any lump-sum amounts above ITA limits payable in taxable cash
 - If participant has pension benefits under SRA, lump-sum value of SRA pension payable in taxable cash
 - Participants taking the lump-sum option can purchase available retiree health and dental benefits at their cost only if they retire under the Unreduced Early Retirement provisions - December 31st or June 30th with 60+10.

Phased Retirement

Eligibility

- Applies to full-time faculty members and librarians (replaces semi-retirement provision)
- Start date is any July 1st between the earliest and latest start dates below

- Earliest start date:

the July 1st which is
three years prior to



June 30th coincident with or next
following attainment of age 60
and completion of 10 years of
pensionable service (unreduced
early retirement provision)

- Latest start date:

the July 1st which is
three years prior to



June 30th of calendar year of
71st birthday

Phased Retirement

Structure

- Phased retirement period is three years, with irrevocable retirement date at end of three-year period
- Cumulative appointment over three-year phased retirement period of at least 150% but not more than 200% of full-time appointment, subject to minimum appointment of 25% in any year
- Research and study leave to be included in total percentage of appointment

Phased Retirement

Structure (cont'd)

- Full range of normal pre-program duties as agreed with Chair and proportionate to percentage appointment over three years
- Salary during phased retirement period pro-rated on basis of percentage appointment in each year

Phased Retirement

Treatment of Pension and Benefits

- Continue to earn pension benefits based on full-time appointment; however, participant contributions to Pension Plan will be prorated to their percentage FTE in each year
- Health and Dental benefits, and Joint Membership Plan, continue with full employer subsidy
- Special provisions for life insurance, sick pay and long-term disability (more detail on this later)
- Full Professional Expense Reimbursement allocation during each year of phased retirement period

Phased Retirement

Phased Retirement Supplement

- Phased retirement program includes a supplement equal to 75% of base salary in effect immediately prior to commencement of three year phased retirement
- Three options for payment of this supplement.
- Application for phased retirement needs to include form of payment selected, and cannot be changed once phased retirement period starts.

Phased Retirement

Phased Retirement Supplement Options

- Payable upon retirement as a lump sum Retiring Allowance. Eligible to shelter directly into an RRSP to a maximum of \$2,000 per year of service with UofT prior to 1996, plus additional \$1,500 for each year of service prior to 1989 when not a member of the Pension Plan. Balance paid as taxable lump sum.
- Payable upon retirement as a lump sum Retiring Allowance to the maximum amount transferable to an RRSP (as calculated above), with balance paid as T4 income in three equal installments at beginning of each year (in July)
- Payable as T4 income in three equal installments at the beginning of each year (in July)

Phased Retirement

Supplement Example

- Phased retirement period: July 1, 2013 to June 30, 2016
- Salary immediately prior to phased retirement: \$125,000
- Retiring allowance under phased retirement program: \$93,750
- Maximum amount transferable to an RRSP(15 years' pre-96 service): \$30,000

Phased Retirement

Options

- Option 1
 - \$93,750 payable as Retiring Allowance after June 30, 2016, with \$30,000 eligible for transfer to an RRSP on a tax-sheltered basis and balance paid as taxable cash
- Option 2
 - \$30,000 payable as a Retiring Allowance after June 30, 2016, transferred to an RRSP on a tax-sheltered basis
 - \$21,250 payable as lump sum T4 income in each of July 2013, July 2014 and July 2015
- Option 3
 - \$31,250 payable as T4 income in each of July 2013, July 2014 and July 2015

Benefits

More on Benefits

Postponed Retirement (after NRD)

- Basic life insurance (1 times salary up to \$125,000) continues after NRD until the earlier of actual retirement date or required pension start date
- Optional life insurance and long-term disability coverage stop at NRD
- Other benefits available to a faculty member or librarian prior to NRD continue until postponed retirement date
- CPP contributions may cease if member is in receipt of CPP benefits and is age 65 or greater

More on Benefits

Phased Retirement

- Life insurance coverage during each year of phased retirement period will be calculated as follows (levels out coverage over three-year period):

$$\begin{array}{l} \text{Life insurance coverage} \\ \text{based on pre-program salary} \\ \text{(including optional life} \\ \text{insurance prior to NRD)} \end{array} \quad \times \quad \frac{\text{Cumulative Appointment} \\ \text{For Three-Year Period}}{3}$$

More on Benefits

Phased Retirement (cont'd)

- Sick pay (100% of salary for 15 weeks) calculated on the basis of actual salary to be received during phased retirement period
- Long-term disability benefits (70% of salary) payable to earlier of irrevocable retirement date or NRD; calculated as lesser of:
 - 70% of pre-program salary, or
 - 100% of actual salary to be received during phased retirement period

Or, participant could elect to retire under applicable provisions

Benefit Plans for Pensioners

- Benefit plans (extended health care, semi-private hospital, dental care and joint membership plan) provided after retirement to Pension Plan participants retiring from the University and taking an immediate pension
- Same cost-sharing as before retirement
- Separate elections for each of the plans (extended health care, semi-private hospital, and dental care):
 - Pensioners who can demonstrate they have health plan coverage elsewhere can exempt themselves from coverage but join at a later date if they lose that coverage
 - Pensioners who reject health plan coverage have a one-time opportunity on any subsequent July 1st to elect coverage; cannot opt-out after electing coverage

Benefit Plans for Pensioners

- Participants who take an unreduced early retirement on December 31st or June 30th, and who take their pension entitlement in the form of a lump-sum value, can purchase retiree health and dental benefits at the full cost (employer + employee premium)
- Coverage as an active employee continues one month beyond retirement; coverage under pensioner group begins on the 1st day of second month following retirement
- For retirees living out of the country:
 - No deluxe travel benefits
 - Plan provides for drug coverage, dental provisions, and other eligible services at Ontario rates

Benefit Plans for Pensioners

Benefits Plans		Faculty/Librarians	
Ontario Drug Plan		Available at Age 65	
University Plans (Monthly Premiums)*		Pensioner	University
• Extended Health Care	Single	\$ 16.33	\$ 49.00
	Family	\$ 61.97	\$ 185.92
• Semi-Private Hospital	Single	\$ 2.14	\$ 6.40
	Family	\$ 4.23	\$ 12.71
• Dental Care	Single	\$ 15.16	\$ 60.64
	Family	\$ 35.46	\$ 141.81

* As of July 1, 2012

Benefit Plans for Pensioners

Group Life Insurance

- On early retirement, group life insurance continues until NRD:
 - 1 x salary (up to \$125,000) continued at University cost
 - 1 x salary (up to \$125,000) continued at employee cost provided employee had optional life coverage at the time of retirement (e.g., for \$50,000 of optional coverage, premium is \$6.30 per month)
- Group Life coverage for early retirees ceases at NRD
- Conversion option is available from carrier for up to \$15,000 of life insurance at NRD without medical evidence of insurability

Benefit Plans for Pensioners

Joint Membership Plan

- Access to Faculty Club, Hart House, and Athletic Centre
- Pensioners can participate in the same Joint Membership Plan as active employees. The pensioner rates are equal to the prior year's active employee rates. As of July 1, 2012, the pensioner annual rate is \$637.32
- Three payment options (all rates include 13% HST) :
 - One annual payment of \$ 637.32, payable July 1, 2012
 - Semi-annual payments of \$318.66, payable on:
July 1, 2011 and January 1, 2013.
 - Four post-dated cheques for \$159.33 payable on: July 1, 2012, October 1, 2012, January 1, 2013, April 1, 2013.
- Enrollment is on an annual basis through the Faculty Club, and payment is by post-dated cheques if paying in installments

Government Benefits - Canada Pension Plan and Old Age Security

Canada Pension Plan (CPP)

- Earnings-related pension payable in full at age 65; payable throughout the world
- Based on earnings up to Year's Maximum Pensionable Earnings—maximum earnings on which contributions are made and benefits are earned (\$51,100 in 2013)
- Maximum amount in 2013 is \$1,012.50 per month
- Payable at end of each month for that month
- Indexed annually in January by increase in CPI
- Treated as taxable income; tax can be withheld at source at recipient's request

Canada Pension Plan (CPP)

CPP pension available as early as age 60 with reduction

- In 2013 the early commencement reduction is 0.54%/month (6.48% annual) for each month CPP commences prior to age 65.
- By 2016 reduction for early commencement increases to 0.6%/month (7.2% annual)

Late Take-Up of CPP Retirement Pension

- In 2013 CPP pension is increased by 0.7% /month (8.4% annual) for each month after 65 that start is deferred, up to age 70.
- If deferring start of CPP until age 70, CPP benefit earned is increased 42% (60 months x 0.7%)

Post-Retirement Benefit is an additional benefit earned for CPP recipients who continue contributing to CPP (to age 70).

- Annual Post-Retirement Benefit of 1/40th of the maximum pension amount per year of additional contributions, commencing the start of the year following contributions.
- For 2013 this would mean a yearly pension of up to \$303.75 (1/40 of \$12,150) if age 65 at that time. The actual amount will be higher or lower depending age.

Old Age Security Benefits (OAS)

- Residency-related and means-tested pension payable at age 65
- Maximum amount for 2013 is \$546.07 per month (1st quarter) with average benefit paid \$515.48 per month
- Payable at end of each month for that month
- Indexed each calendar quarter by increase in CPI
- Treated as taxable income, tax can be withheld at source
- Can request direct deposit in most locations
- OAS benefits “clawed-back” by 15% of net income over \$70,954 per year with entire OAS “clawed back” with net income over \$114,640 in 2013

Old Age Security Benefits (OAS)

- Residency requirements:
 - 40 years of residency in Canada after age 18
 - Prorated if less than 40 years of residency, subject to 10-year minimum requirement
 - Payable throughout the world with minimum of 20 years of residency after age 18; otherwise ceases after six months

Government Benefits

For more information or to apply for CPP and or OAS benefits:

- Call 1-800-277-9914
- Connect through the Internet at:
Human Resources and Social Development Canada

<http://www.hrsdc.gc.ca/eng/retirement/index.shtml>

Resources Available to You

Retirement Counselling

- Retirement financial counselling program through the services of the following:
 - **T.E. Wealth**
 - **William D. Jack & Associates**
- University will pay for up to lifetime maximum of three hours of independent retirement counselling for faculty member or librarian considering retirement, using above services

Retirement Information and Resources

www.hrandequity.utoronto.ca/retirement/For_Current_Faculty___Librarians.htm

- New Retirement Options
- Important Information for Faculty Members/Librarians considering retirement options under the new Agreement on Retirement Matters
- PowerPoint Presentation on the Agreement on Retirement Matters for Faculty and Librarians used in Information Sessions
- Obtaining Pension Estimates
- Q&A on Retirement Matters

Retirement Information and Resources

- New Financial Counselling Provisions for Faculty Members & Librarians Considering Retirement Options
- Research and Study Leave Arrangements in relation to the New Agreement
- Agreement on Retirement Matters
- Letter of Understanding regarding Agreement on Retirement Matters
- University of Toronto Pension Plan

U of T Pension Services

You can call University of Toronto Pension Services at:

1-888-852-2559

Monday ⇨ Friday

8:30 a.m. to 5:00 p.m. E.S.T.

Or visit *Your Benefits Resources*TM website at:

www.resources.hewitt.com/utps

U of T Pension Services

- *Your Benefits Resources* website enables you to:
 - Look up general information about the pension plan and how it works
 - Run and print your own pension estimates—can vary retirement dates, salary increases, percentage appointment
 - Model different pension scenarios and compare up to three estimates at once on your computer screen