Retirement Benefit Plan for the Employees of the City of St. John's as applicable to Members of CUPE Local 1289, CUPE Local 569, NAPE Local 7808, and Non-Bargaining (Option 1)

The Retirement Benefit Plan for the Employees of the City of St. John's (the Plan) is intended to provide you with a regular monthly income during your retirement years. The Plan, combined with government benefits and your own personal savings, will provide you and your dependents with a measure of financial security when you retire.

The Plan was established on July 1, 1973 and has been amended from time to time since that date. The Plan is a **Defined Benefit Pension Plan**. Your annual retirement pension is based on a formula that uses your earnings and service. You and the City contribute to the funding of your pension.

We anticipated a number of questions you may have about the Plan. This brochure is designed to highlight the information most commonly requested by members. The words highlighted in **bold** are defined in a Glossary found at the end of this brochure. In the event of any conflict between this brochure and the official Plan document, the terms of the official Plan document shall prevail. The official Plan document may be amended from time to time and is on file at the City. It may be consulted by any Plan member upon request. Pension plan benefits are subject to provincial and federal laws. Should any provision of the Plan or this booklet conflict with those laws, the terms of the Plan and booklet will be interpreted and modified as required to comply with those laws.

1. *Am I eligible to join the Plan?*

If you are a permanent or temporary employee, whether full-time or part-time, membership in the Plan is a condition of continuing employment and is automatic on the first day of the month coincident with or next following your date of hire. The City will provide you with the forms you must complete in order to enroll in the Plan.

Once you become a Member of the Plan, you may not withdraw from the Plan so long as you remain employed by the City.

2. *How much do I contribute? How much does the City contribute?*

You are required to contribute 7.5% of your **Pensionable Earnings** each year. **Pensionable Earnings** include your regular annual rate of pay, but excludes overtime and any other form of remuneration. The City is required to pay the balance of the cost of all benefits earned each year. These costs are determined by the Plan's **Actuary**.

3. *When may I commence a pension from the Plan?*

You may commence a pension from the Plan after terminating your employment with the City and reaching your **Normal Retirement Date** or **Early Retirement Date**. Your **Normal Retirement Date** is the first of the month coincident with or next following your 65^{th} birthday.

Early retirement without reduction in your pension is permitted if you meet one of the following:

(i) you are at least age 60 and you have been a member of the Plan for at least 24 months;

(ii) you are at least age 55, and the sum of your age, your **Credited Service** and your waiting period (subject to a maximum of three months) equals at least 85 ("rule of 85"); or

(iii) upon **Involuntary Separation** provided you are at least age 55 and have 25 years of service, subject to the limits under the Income Tax Act.

Early retirement with a reduced pension is permitted at any time after attainment of age 55 provided you have been a member of the Plan for at least 24 months. If you retire after age 55 but before age 60 and you don't qualify for an unreduced pension under one of the tests described above, your lifetime pension will be reduced by 6% for each year that your actual retirement date precedes your attainment of age 60 or the age at which you would have reached the "rule of 85". Your bridge benefit will not be reduced upon early retirement.

If you terminate employment before you are eligible for early retirement (age 55 with at least 24 months of membership in the Plan), see question 9 for a description of your benefits and when you will be entitled to receive a pension.

4. *How long will my lifetime pension and bridge benefit be paid?*

You will receive your lifetime pension in equal monthly instalments for as long as you live.

If you have a **Principal Beneficiary** on the date of your retirement, your lifetime pension will be paid as a **Joint Life Annuity**. This means that if you die before your **Principal Beneficiary**, a portion of your lifetime pension will continue to be paid for as long as your **Principal Beneficiary** lives. Under Newfoundland law, the pension payable after your death to your **Principal Beneficiary** must be at least 60% of the pension payable while you are alive.

If you do not have a **Principal Beneficiary** on the date of your retirement, you will receive a lifetime pension with a minimum guaranteed period of fifteen years. This means that if you die before receiving 180 pension payments, your designated beneficiary will receive the remaining payments.

Your bridge benefit will be paid to you in equal monthly instalments for a maximum period of five years from your actual date of retirement. It will cease after five years, or the attainment of age 65, whichever occurs first. If you die before five years of payments or before reaching age 65, your **Principal Beneficiary** will receive the remaining balance of payments. If there is no **Principal Beneficiary**, your designated beneficiary or estate will receive the balance.

5. *May I choose a different form of pension?*

Certain other forms of payment of your lifetime pension are available if those described above do not meet your specific needs. For example, if you have a **Principal Beneficiary** at the time of your retirement, you may reduce or increase the **Survivor Benefit**. However, any change that removes or reduces the **Survivor Benefit** to less than 60% *must* be agreed to, in writing, by your **Principal Beneficiary**. This is a serious decision with long-term financial consequences. We strongly recommend that you and your **Principal Beneficiary** seek independent legal and/or financial advice if you are considering this option.

Please note that the form in which your lifetime pension will be paid *must be selected before your actual retirement date*.

The form in which your bridge benefit is paid cannot be changed.

6. *How is my annual lifetime pension calculated?*

The Plan's **Benefit Formula** is the basis for your retirement benefit. It determines the amount of pension income you will receive when you retire. Assuming you retire at age 65, the annual amount you will receive as a lifetime pension will be determined as follows:

ANNUAL LIFETIME PENSION FORMULA

1.4% of your Best 5-Year Average Earnings PLUS 0.6% of your Best 5-Year Average Earnings in excess of the final three years' average YMPE	**X**	**Years of Credited Service**

After retirement, your lifetime pension will be increased each year. On each yearly anniversary of your retirement, your lifetime pension or the pension being paid to your surviving **Principal Beneficiary** will be increased by 1.25%.

Example:

Having completed 25 years of ***Credited Service*** *Joe will retire on March 1st at the age of 65. Joe's average salary over the last 5 years is $50,000. The average* ***YMPE*** *calculated over the last three years is $40,500. His lifetime pension will be calculated as follows:*

(1.4% x $50,000 + 0.6% x ($50,000 - $40,500)) times 25 years = $18,925 per year

One year later, Joe's first ***Indexing*** *adjustment is applied and his annual lifetime pension becomes:*

$18,925 x 1.0125 = $19,161.56 per year

7. *How is my annual bridge benefit calculated?*

Assuming you retire before age 65, but after you are eligible for early retirement, the annual amount you will receive as a bridge benefit will be determined as follows:

ANNUAL BRIDGE BENEFIT FORMULA

0.6% of the lesser of your Best 5-Year Average Earnings and the final three years' average YMPE	**x**	**Years of Credited Service**

However, your bridge benefit will never be less than $6,000.00 per year.

After retirement, your bridge benefit will **not** be indexed.

Example:

*Having completed 20 years of **Credited Service**, Jim will retire on March 1st at the age of 60. Jim's average salary over the last 5 years is $50,000. The average **YMPE** calculated over the last three years is $40,500. His annual bridge benefit will be calculated as follows:*

0.6% x minimum between $50,000 and $40,500 x 20 years = $4,860 per year

Because this formula produces an amount that is less than $6,000, Jim will receive the minimum bridge benefit of $6,000 per year.

8. *What will my lifetime pension and bridge benefit be if I retire early?*

If you are at least age 60 and have 24 months of membership in the Plan, or you have reached your "rule of 85" and are at least age 55, your lifetime pension and bridge benefit will be calculated as described in questions 6 and 7 above.

If you retire before age 60 and before you have reached your "rule of 85", your lifetime pension and bridge benefit will be calculated as described in questions 6 and 7 above, except that your lifetime pension will be reduced by 6% for each year (0.5% for each month) that your **Early Retirement Date** precedes your 60th birthday, or the date you would have reached your "rule of 85" assuming you had continued in employment. Your bridge benefit will not be reduced upon early retirement.

9. *What is my benefit if I terminate employment with the City?*

If you should terminate employment with the City before age 55 for any reason (other than death) the benefit you receive from the Plan will depend on the length of your membership at the time that you leave:

- If you have 24 or more months of membership in the Plan at the time of your termination of employment, you will be entitled to receive a deferred lifetime pension as calculated in question 6 above, payable from age 65. You will be able to start the payment of your pension before age 65, but it will be reduced permanently by 6% per year (0.5% per month) for each year that your pension commencement date precedes your attainment of age 65. You will not be entitled to a bridge benefit. Alternatively, you may elect to receive a lump sum payment equal to the **Commuted Value** of the **Deferred Pension** you have earned up to your date of termination. This lump sum is **Locked-in** by the Pension Benefits Act and must be transferred to a **Locked-in Retirement Account** or used to purchase a deferred lifetime pension from a life insurance company.

  If your contributions to the Plan plus interest exceed one-half of the lump sum **Commuted Value** of your pension at the time of your termination of employment, you will receive a refund of the difference between your accumulated contributions with interest and one-half of the **Commuted Value** of your pension.

- If you have less than 24 months of membership in the Plan at the time of your termination of employment, you will receive a refund of your required contributions plus interest. You can transfer the refund directly to your personal **RRSP**, or take the money in cash less income tax.

If you should terminate employment with the City on or after the date you reach age 55, you are eligible to retire early and you will be entitled to receive a pension as described under question 8. You will not be entitled to transfer your **Commuted Value** out of the Plan as described above.

10. *What happens if I die before retirement?*

If you die before you complete 24 months of membership in the Plan, your **Principal Beneficiary** or beneficiary, as the case may be, will receive a lump-sum refund of your required contributions plus interest to the date of your death. If you die after completing 24 months of membership in the Plan, your **Principal Beneficiary** or beneficiary, as the case may be, will receive a death benefit equal to the lump sum **Commuted Value** of the pension you have earned to the date of your death.

If you have a **Principal Beneficiary** at the date of your death, your **Principal Beneficiary** will be entitled to receive any benefits that may be paid from the Plan, even if you have designated someone else as your beneficiary.

Your **Principal Beneficiary** may elect to receive the death benefit as a cash lump sum, or may transfer the entitlement to a registered retirement savings arrangement or use it to purchase an immediate or **Deferred Pension** from a life insurance company. If you have no **Principal Beneficiary** at the time of your death, your designated beneficiary or your estate will receive the death benefit as a cash lump sum.

11. What benefit is paid if I die after I retire?

The Pension Benefits Act requires that a member with a **Principal Beneficiary** at his/her date of retirement provide a **Survivor Benefit** for the **Principal Beneficiary**. This means that your lifetime pension income will be adjusted at your retirement in order to provide the **Survivor Benefit**. After your death, your surviving **Principal Beneficiary** will receive an annual pension equal to 60% of the pension you were receiving immediately prior to your death for the remainder of his/her life. If you did not have a **Principal Beneficiary** on the date of your retirement and you die before 180 monthly payments have been made, your beneficiary will receive the remaining payments in the 180-month guarantee period. If you die after 180 monthly payments have been made, no further benefit is payable.

If you and your **Principal Beneficiary** waived the **Survivor Benefit** or if you elected a different basis for pension payment at retirement, the payment to your **Principal Beneficiary** or beneficiary will depend on the form of pension you chose at retirement.

12. May I designate a beneficiary?

You may designate a beneficiary or beneficiaries to receive the amounts payable to a beneficiary under the Plan upon your death. The beneficiary designation may be changed at any time, subject only to legal restrictions. However, regardless of any beneficiary designation, if you have a **Principal Beneficiary** at the time of your death, death benefits may be paid to your **Principal Beneficiary**. If you have not designated a beneficiary and have no **Principal Beneficiary** at the time of your death, any amounts payable under the Plan will be paid to your estate.

13. May I use my contributions or pension entitlement as security for a loan?

No. Your benefits may not be used as collateral for a loan. This is prohibited by the Pension Benefits Act.

14. May I withdraw my contributions while still employed by the City?

No. The Pension Benefits Act prohibits withdrawal of contributions while you are still an employee of the City.

15. What if I become disabled?

If you become totally disabled and are receiving benefits from the City’s Long Term Disability Plan you will continue to earn pension benefits. Your required contributions will be made directly to the Plan from the City's Long Term Disability Plan. Your contributions and pension benefits will be based on the salary you were earning immediately before you became totally disabled.

If you are not a participant in the City’s Long Term Disability Plan you may elect to continue to contribute to the Plan. Your contributions and your pension benefits will be based on the salary you were earning immediately before you became totally disabled.

16. Can I purchase past service and have it count as Credited Service?

Yes. Subject to certain limits under the Income Tax Act, you can purchase eligible periods of past service and have it count as **Credited Service**. Such periods of service include:

- approved leaves of absence with your employer during which you did not contribute to the Plan;
- service with employers with whom the Plan has a **Reciprocal Transfer Agreement**;
- prior periods of service under the Plan for which you received a refund or transfer when your employment ended.

For information as to whether a purchase of past service is possible, please contact the Human Resources department.

17. Can my spouse make a claim to receive my pension if our marriage ends?

Yes, subject to the rules of the Pension Benefits Act. If your marriage ends, your former spouse, as defined in the *Family Law Act* may be entitled to a share of up to 50% of your pension benefits earned while you were together and a member of the Plan. The benefits will be distributed by the Plan administrator in accordance with the Pension Benefits Act, and a court order or separation agreement.

18. What can you tell me about retirement savings outside the Plan?

The Plan is an important component of your total retirement security - but it is a single piece in a multi-piece puzzle. The other components include government benefits and your personal retirement savings. In addition to any after-tax assets you might possess at retirement (*e.g.*, a mortgage free home) you may also wish to accumulate retirement savings through use of a **Registered Retirement Savings Plan (RRSP)**. Each year you are permitted to make tax-deductible contributions to an **RRSP**. The amount you may contribute is 18% of your prior year's earned income MINUS your **Pension Adjustment**. You don't have to calculate your **RRSP** contribution room yourself. Each year after you have filed your tax return for the previous year, the Canada Revenue Agency issues a "Notice of Assessment". This notice advises you of how much **RRSP** contribution room is available to you. Further, you can find out how much **RRSP** contribution room you have by calling the Canada Revenue Agency TIPS line at 1-800-267-6999.

Decisions about financial planning for retirement are complicated. This information is provided as a courtesy, but should not be relied upon as financial advice for your personal circumstances. You should seek advice about the best choices for your individual situation and needs from a qualified financial advisor.

19. What about government benefits?

At retirement you may be eligible to receive benefits under the **Canada Pension Plan (CPP)** and the Old Age Security (OAS) Act. These benefits are in addition to those provided under the Plan. You should apply for government benefits at least three months before you reach age 65 or your **Early Retirement Date**.

For information about CPP or OAS benefits, you should contact the federal government office responsible for those programs.

20. Will I receive individualized information about my pension benefits?

Each year the Plan's administrator prepares your annual member statement. The purpose of the statement is to keep you up-to-date on your pension entitlement. The statement provides you with information about:

- the amount of annual lifetime pension you have earned up to the statement date;
- projected lifetime pension and bridge benefit amounts to various potential retirement dates; and
- the value of your required contributions with interest accumulated to the statement date.

Your annual benefit statement is an important document. It should be reviewed carefully and kept in a safe place. If you ever notice inaccurate information on your statement, you must contact the Human Resources department immediately.

21. What else?

All contributions are currently deposited into a trust fund with RBC Dexia Investor Services and pension benefits are paid out of that fund.

While this brochure summarizes the main features of the Plan, the actual terms of the Plan are governed by the official Plan document, which may be amended from time to time. The City expects to maintain the Plan indefinitely, but it does reserve the right to discontinue the Plan in whole or in part. The official Plan document will prevail in the event of any discrepancy between this brochure and the official documents. You will be advised of any Plan amendment that affects you.

If you have any other questions about the Plan, please contact the Human Resources department.

GLOSSARY OF TERMS

Accrual Rate: The rate usually specified in the **Benefit Formula** of a **Defined Benefit Pension Plan** as a percentage of earnings, at which pension benefits are earned. Example: 2.0%, 1.5% of **Pensionable Earnings** for each year of service.

Actuarial Assumptions: Factors used by the **Actuary** in forecasting uncertain future events affecting pension cost. They include such things as salary growth, interest, investment earnings, and mortality rates.

Actuary: A person who is a Fellow of the Canadian Institute of Actuaries. An **Actuary** is a highly trained mathematician whose areas of specialization include probability, statistics, theory of interest and economics.

Annuitant: A person receiving or entitled to receive payments under an **Annuity**.

Annuity: A contract that provides an income for a specified period of time such as a number of years or for life. The process of annuitizing refers to the conversion of a lump sum to a series of periodic payments under an **Annuity** contract. The word **Annuity** is often used synonymously with pension.

Benefit Formula: The basis for determining the pension earned by a member of a pension plan. The **Benefit Formula** specifies the **Accrual Rate** and the earnings, which form the basis for the pension benefit calculation.

Best 5-Year Average Earnings: The earnings base upon which a retirement pension is calculated. For the Plan, the average is calculated over the 5 consecutive years of service out of the last 10 years before retirement or termination of employment for which the highest average is attained.

Canada Pension Plan (CPP): One of the major social security programs in Canada. The CPP is administered by the federal government and is funded by employee and employer contributions.

Cohabiting Partner: Means a person of the same or opposite sex who has cohabited with the member in a conjugal relationship for not less than 3 years if the member also has a **Spouse**, or not less than 1 year if the member does not have a **Spouse**, and who is cohabiting or has cohabited with the member within the preceding year of when a determination is required.

Commuted Value: The lump sum dollar value of a lifetime pension, determined as of a given date by the application of a particular set of **Actuarial Assumptions**.

Credited Service: A period of employment recognized as service for pension plan purposes, such as determination of benefit amounts, entitlement to benefits and/or **Vesting**.

Deferred Pension: The amount of pension, payable at normal retirement date, earned by a plan member up to the date of termination of participation in the pension plan.

Defined Benefit Pension Plan: A pension plan under which the member's pension is determined by a formula. The Plan's **Benefit Formula** may provide that benefits be a percentage of the employee's earnings, either average or final, and multiplied by years of service.

In plans of this type, the cost of pensions is determined actuarially. No individual accounts are maintained.

Early Retirement Date: A date, established by the terms of the pension plan, that is earlier than the normal retirement date, at which a participant may retire and receive benefits under the plan. The terms of the plan specify whether or not the pension will be reduced at the **Early Retirement Date**.

Income Tax Act: Means the Income Tax Act, Statutes of Canada and the Regulations thereunder.

Indexing: Refers to a form of periodic adjustment of pension benefits.

Involuntary Separation: Means loss of seniority and employment with the City other than by discharge for cause, voluntary termination or termination because of sickness or accident however caused.

Joint Life Annuity: An **Annuity** contract that provides for the payment of income for the life of the primary **Annuitant** and in the event of death of the primary **Annuitant** continues for the life of the co-annuitant at a percentage of what the primary **Annuitant** was receiving.

Locked-In funds**:** Means funds that an employee cannot withdraw prior to retirement. The locking-in of funds is generally mandated by the **Vesting**/locking-in provisions of the provincial Pension Benefits Act or by the terms of a pension plan.

Locked-In Retirement Account: A contract between an individual and an insurer, trust company or corporation authorized to accept transfers from a pension plan for the purpose of providing a retirement income for that individual. The funds must be used to provide a lifetime income at some future date and therefore cannot be withdrawn.

Normal Retirement Date: The first day of the month coincident with or next following your 65^{th} birthday.

Pension Adjustment (PA): Measures the lump sum value of the pension earned in a given year as a member of a pension plan. The PA is used in the calculation of the amount that can be contributed on a tax deductible basis to an **RRSP** in a given tax year.

Pensionable Earnings: The employment earnings which, in a given year, are the basis on which pension contributions are calculated and pension benefits determined.

Principal Beneficiary: Your **Cohabiting Partner**, or if you do not have a **Cohabiting Partner**, your **Spouse**.

Reciprocal Transfer Agreement: Means an agreement between two or more plans, allowing the transfer of an appropriate sum of money from the pension fund of one employer directly to the pension fund of another, on behalf of an employee who leaves the first employer to enter employment with the second.

Registered Retirement Savings Plan (RRSP): A contract between an individual and an insurer, trust company or corporation authorized to accept payments from an individual or his or her **Spouse** for the purpose of providing a retirement income for that individual or his or her **Spouse**.

Spouse: Means the person to whom you are legally married.

Survivor Benefit: Continuation of pension income to a survivor upon the death of a pensioner.

Vesting: Means the right of an employee to a pension from the pension plan. A member who terminates employment before he/she is vested in the Plan is entitled to receive a refund of his/her own contributions to the Plan, with interest. A member is vested in this Plan after 24 months of Plan membership.

Year's Maximum Pensionable Earnings (YMPE): The maximum amount of annual earnings upon which benefits and contributions for purposes of the **Canada Pension Plan** are based. The **YMPE** is subject to yearly adjustments.