This booklet provides information about the pension benefits earned for service prior to July 1, 2021 under the provisions of the Revised Pension Plan of Queen's University ("pre-conversion benefits"). Effective July 1, 2021 pre-conversion benefits will be paid from the University Pension Plan Ontario ("UPP").

Benefits for service on and after July 1, 2021 are described in the UPP Member Handbook. The information in this booklet should be read in conjunction with the UPP Member Handbook and the UPP Quick Guide for Queen's University.

The Revised Pension Plan of

Pension Services, Department of Human Resources
Fleming Hall, Stewart-Pollock Wing
78 Fifth Field Company Lane
Queen's University
Kingston, ON K7L 3N6

July 1, 2021

INTRODUCTION

The Queen's Pension Plan (QPP) was converted to the UPP effective July 1, 2021 through a transfer of assets and liabilities. This booklet provides information to members, former members and retirees who have pre-conversion benefits earned under the QPP.

There is no change to the benefits accrued under the QPP for individuals who terminated membership in the QPP or started receiving a pension from the QPP prior to July 1, 2021.

For members who remain employed on and after July 1, 2021 the information below should be read in conjunction with the UPP Member Handbook and the UPP Quick Guide for Queen's University (the "Quick Guide"). By the end of 2021 you will also have been sent a special statement confirming your pre-conversion benefits you had earned under the QPP as of June 30, 2021.

UNDERSTANDING THE PLAN - SOME DEFINITIONS

Before you can understand your pre-conversion benefits, there are some terms with which you should become familiar:

Best Average Earnings: The average of your earnings during the 48-month period in which your earnings are at their highest level. For the purposes of the pension plan, "earnings" are your regular earnings, excluding overtime, special supplements, summer school, extramural and similar payments.

Year's Maximum Pensionable Earnings (YMPE): The maximum amount of your annual earnings which is used to calculate your Canada Pension Plan (CPP) benefit.

The YMPE for 2021 is $61,600. The **Average YMPE** is the average of the YMPE during the same period used to determine your Best Average Earnings.

Normal Retirement Date:

- **Academic Staff**: The last day of the month in which you reach age 65 (effective July 1, 2019);
- **Support Staff:** The last day of the month in which you reach age 65.

Annuity Factor: The factor used to convert a lump sum into an annual amount of pension payable for your lifetime. The factor varies and is based on your age at the time pension payments begin.

HOW YOUR PENSION FOR PRE-CONVERSION BENEFITS IS DETERMINED

There are two different pension calculations used to determine your pension for pre-conversion benefits. They are called the Money Purchase Benefit and the Minimum Guarantee Benefit. The Money Purchase Benefit is the amount of pension which can be provided by your own contributions and the contributions Queen's made on your behalf for service prior to July 1, 2021, plus accumulated interest, less the net charge for the non-reduction guarantee noted below. The pension under the Minimum Guarantee Benefit is determined using a formula based on a percentage of your earnings and your years of membership in the QPP prior to July 1, 2021.

When you initiate pension payments from the UPP for pre-conversion benefits, your Money Purchase Benefit will provide your basic pension. This benefit is then compared to that provided by the Minimum Guarantee Benefit formula, and if it is less, your pension payment will then be increased by a supplemental payment to the level provided by the Minimum Guarantee Benefit (i.e. Money Purchase Benefit + Minimum Guarantee "supplement" [if applicable] = total pension paid).

The two methods of calculating your pension for pre-conversion benefits are:

<table>
<tr><th>Money Purchase Benefit</th><th>Minimum Guarantee Benefit</th></tr>
<tr><td>

An investment account is held for you in the Trust Fund.
Both your own required and the University's Money Purchase contributions in respect of service prior to July 1, 2021, are invested in this account.
Your total annual pension under this benefit depends on the accumulated value in your account.
The better the investment performance of the Fund, the more interest your account will receive and therefore, the amount in your account will be larger.
At retirement, your total net account accumulation will be converted to an annual pension using an annuity factor determined by the plan's administrator.

</td><td>

Your pension benefit depends only on your earnings and years of participation in the QPP prior to July 1, 2021.
Your annual pension benefit is calculated using the following formula:

1.35% of your Best Average Earnings below the Average YMPE for service to August 31, 1997
plus
1.4% of your Best Average Earnings below the Average YMPE for service from September 1, 1997
plus
1.80% of your Best Average Earnings above the Average YMPE for total service
</td></tr>
<tr><td colspan="2">At retirement, you receive the higher of these two amounts as your pension for pre-conversion benefits.</td></tr>
</table>

EXAMPLES

Let's look at two examples of an individual retiring at age 65:

Example #1

We'll make the following assumptions:

Retirement date:	December 31, 2020
Best Average Earnings:	$75,000
Average YMPE:	$56,825
Years of credited participation for pre-conversion benefits:	30
Market Value Money Purchase account balance: (net of non-reduction charge and valued at current market rates)	$475,000
Annuity factor at age 65 (normal form - guaranteed 10 years):	12.5175

The member's annual pension for pre-conversion benefits would be determined as follows:

Money Purchase Benefit	**Minimum Guarantee Benefit**
Annual Pension = Market Value Money Purchase balance ÷ annuity factor = $475,000 ÷ 12.5175 = $37,947 per year	For service to August 31, 1997: 1.35% x ($56,825) plus 1.80% x ($75,000 - $56,825) = $1,094.29 For service after September 1, 1997 (to December 31, 2020): 1.4% x ($56,825) plus 1.80% x ($75,000 - $56,825) = $1,122.70 Minimum Guarantee Benefit = ($1,094.29 x 6.667) plus ($1,122.70 x 23.333) = $33,492 per year
The annual pension as at December 31, 2020 is $37,947 (the greater of the Money Purchase amount and the Minimum Guarantee amount)	

Example #2

In the example above, the Money Purchase Benefit was greater than the Minimum Guarantee Benefit. This will not be the case for everyone who retires. To illustrate, we'll change two assumptions from the example above:

Years of credited participation for pre-conversion benefits:	25
Money Purchase account balance (net of non-reduction charge):	$300,000

Money Purchase Benefit	Minimum Guarantee Benefit
Annual Pension = Market Value Money Purchase balance ÷ annuity factor = $300,000 ÷ 12.5175 = $23,966 per year	For service to August 31, 1997: 1.35% x ($56,825) plus 1.80% x ($75,000 - $56,825) = $1,094.29 For service after September 1, 1997 (to December 31, 2020): 1.4% x ($56,825) plus 1.80% x ($75,000 - $56,825) = $1,122.70 Minimum Guarantee Benefit = ($1,094.29 x 1.667) + ($1,122.70 x 23.333) = $28,020 per year
The annual pension is $28,020 (the greater of the Money Purchase amount and the Minimum Guarantee amount)	

You should be aware that the amount of your Minimum Guarantee Benefit is subject to a limit set out in the Income Tax Act. You are limited to 2% of the average of your best three years of earnings, or $3,092.22 (1/9th of the money purchase limit in future years) if that is less, multiplied by your number of years of plan membership. Your years of credited participation prior to 1992 may not exceed 35 years.

EARLY RETIREMENT

<u>Early Unreduced Retirement Date for Minimum Guarantee Pension and Past Service Pensions</u>

If you were an active member of the QPP and became an active member of the UPP as of July 1, 2021, and if you meet the eligibility criteria for an unreduced early retirement pension for your UPP benefit, then no early retirement reduction will be applied to your pre-conversion benefit. Please refer to the UPP Member Handbook and Quick Guide for further details.

<u>Early Retirement with Reduction for Pre-Conversion Benefits</u>

The examples above illustrated two sample pensions that are payable at age 65. Let's look at what happens in the event of early retirement.

For the Money Purchase Benefit, the calculation is straightforward: the net balance of the account (after the non-reduction charge) is converted to a monthly pension, just as it would be at normal retirement. Since you are younger, and thus expected to draw a pension longer than you would if you retired at age 65, the annuity factor is increased proportionally to take into account the lengthier retirement period.

For the Minimum Guarantee Benefit, the same formula is used as described on page 5. However, just as the Canada Pension Plan benefit is reduced by a flat percentage for each month the benefit start date precedes age 65, so too is the Minimum Guarantee Benefit (MGB):

- For the portion of the MGB that is based on service prior to September 1, 2012, the reductions are 2% per year for each of the first five years that you retire before your normal retirement date, and 6% for each additional year; and
- For the portion of the MGB that is based on service after August 31, 2012, the reductions are 3% per year for each of the first five years that you retire before your normal retirement date, and 6% for each additional year.

Please note that for UPP benefits earned on and after July 1, 2021, different early retirement eligibility rules and reductions may apply to the benefits earned for service under the UPP. Please refer to the UPP Member Handbook and Quick Guide for more information.

To illustrate, we'll revise the calculation under example #2, above, assuming that retirement occurs five years early at age 60 instead of 65:

<table>
<tr><th>Money Purchase Benefit</th><th>Minimum Guarantee Benefit</th></tr>
<tr><td>Annual pension
= Market Value Money Purchase balance
÷ annuity factor
= $300,000 ÷ 13.5176
= $22,193 per year</td><td>Step 1: Calculate the MG Benefits:
• Per year of service up to August 31, 1997: $1,094.29 (same calculation as on p.7); and
• Per year of service after September 1, 1997: $1,122.70
Step 2: Split the pre- and post-September 2012 MG Benefit values:
• Pre = ($1,094.29 x 1.667) + ($1,122.70 x 15) = $18,665 per year;
• Post = ($1,122.70 x 8.333) = $9,355 per year
Step 3: Apply the early retirement reductions:
• Pre-Sept/12 benefit is reduced by 10% (2% for each year prior to age 65): 90% x $18,665 = $16,799 per year;
• Post-Sept/12 benefit is reduced by 15% (3% for each year prior to 65): 85% x $9,355 = $7,952 per year; and so
Total MG benefit at age 60 is: $16,799 + $7,952 = $24,751</td></tr>
<tr><td colspan="2">The annual pension is $24,751
(the greater of the Money Purchase amount and the Minimum Guarantee amount)</td></tr>
</table>

HOW YOUR PENSION FOR PRE-CONVERSION BENEFITS IS PAID

Once initiated, your pension for pre-conversion benefits will be paid from the UPP to you in monthly instalments, without reduction, for the remainder of your life. If you do not have a spouse at retirement, under the "normal form" option, pre-conversion benefits will be guaranteed for ten years from the date of the first payment – i.e. if you die before the end of the guarantee period, the balance of the remaining monthly payments will be made to your beneficiary.

If you do have a spouse when you retire, your pre-conversion benefits will be reduced in order to provide a lifetime spousal pension benefit in the event that you predecease your spouse. The normal form of this type of pension, called Joint and Survivor, ensures that upon your death, 60% of your pension benefit (the minimum required by law) will continue to your spouse for his or her lifetime. The amount of reduction to your pre-conversion benefit will depend on the age of both you and your spouse at your date of retirement. If you do not wish to take this form of payment, both you and your spouse must sign a waiver form (for more information, please contact the Pension Services unit of Human Resources).

Please refer to the UPP Member Handbook for the definition of "spouse".

Instead of taking the "normal form" of pension described above, you may choose one of the following optional forms of pension to better suit your needs (if you choose one of these options, the amount of your pension will be adjusted accordingly so that it has the same lump sum value as the normal form for pre-conversion benefit at the time of your retirement):

- **Life Only**

  Under this form of payment your pension for pre-conversion benefits is payable for your lifetime only. Payments stop immediately upon your death. Because there is no payment to a spouse or beneficiary, and no guarantee period, this form of payment provides the highest amount of pension to you.

- **Life Guaranteed 5 Years**

  Under this form of payment your pension for pre-conversion benefits is paid for your lifetime. If you die before five years of pension payments are paid, your named beneficiary will receive the balance of the payments.

- **Life Guaranteed 15 Years**

  This is the same as above but guaranteed for 15 years.

- **Joint and Survivor**

  This form of payment enables you to provide a percentage of your pension for pre-conversion benefits to your spouse in the event that you die first. You can choose to provide 100% of your pension, or a reduced amount of 75%, 60% or 50%. Under this option, you can also guarantee that your spouse will receive 100% of your pension for a five, ten, or 15-year period. In this instance, pension payments for pre-conversion benefits would not be reduced until the end of the guarantee period if you were to die before the guaranteed period had expired.

Please note that for UPP benefits earned on and after July 1, 2021, different benefits may be payable upon your death for benefits earned for service under the UPP. Please refer to the UPP Member Handbook and Quick Guide for more information.

ADJUSTMENTS TO YOUR PENSION FOR PRE-CONVERSION BENEFITS

Your pension for pre-conversion benefits may increase periodically after retirement based on the investment performance of the pension fund. Here's how it works:

- the annuity factors used to determine your monthly pension assume that future investment returns experienced by the pension fund will average 6%;
- each year, the plan administrator looks at the pension fund's investment return averaged over the most recent six-year period (for recent retirees, the applicable pre-retirement years are assumed to have earned 6%) – if the average return during this six-year period exceeds 6%, this "excess interest" is used to improve retirees' pensions. Please note that on and after July 1, 2021, the investment return will be based on the UPP Trust Fund, please refer to the Quick Guide for more information;
- the excess interest value will be reviewed annually by the UPP Actuary to take into account mortality gains or losses (if any) and adjusted accordingly;
- once finalized by the Actuary, the excess interest adjustment will be applied fully to underlying Money Purchase accounts and on a pro-rata basis to the Minimum Guarantee supplement (if any) based on service prior to and after September 1, 2012 – for example:
    - if the accrued Minimum Guarantee Benefit as of August 31, 2012 is $20,000;
    - and the total Minimum Guarantee Benefit at initiation is $30,000;
    - and the Money Purchase Benefit at initiation is $25,000;
    - then the Minimum Guarantee "supplement" is $5,000 and the portion that will be indexed to excess interest adjustments will be ($20,000/$30,000) x $5,000 = $3,333.
- if the average return is less than 6%, the amount of the pension paid to you is **not** decreased. In this case, your pension will not be increased in the future until the pension fund investment performance offsets the prior shortfall in performance.

Reserve for Non-Reduction of Pre-Conversion Benefits

For plan members who enrolled in the QPP prior to January 1, 2012, this reserve was funded by University contributions up to and including December 31, 2011 to ensure that pensions would not decrease after retirement regardless of investment performance. This fund, in effect from January 1, 1992, is an additional part of the member's Money Purchase Component account and for retirements after August 31, 2012 will be used to offset the charge included in the account-to-pension conversion to fund the non-reduction guarantee.[1]

Additional Voluntary Contributions (AVCs) Made Prior to July 1, 2021

Prior to July 1, 2021, additional contributions to the QPP were permitted to be made to increase your pension benefit. These contributions are held on account for you and accumulate with interest based on the investment performance. Please note that on and after July 1, 2021, the

[1] For retirements occurring after August 31, 2012, Money Purchase accounts that are converted to pension will be eventually reduced by 4.5% to fund the non-reduction guarantee.

investment return will be based on the UPP Trust Fund, please refer to the Quick Guide for more information.

AVCs will be used to provide a pension which is in addition to the pension you receive based on the Money Purchase Benefit or the Minimum Guarantee Benefit for pre-conversion benefits.

Alternatively, your AVCs can be returned to you in cash or transferred to your RRSP – these options are only available, however, when you terminate your membership in the UPP.

SEPARATION OF SERVICE

Should you terminate your membership in the UPP prior your Normal Retirement Date you will be mailed an Option Election Package following termination. The options available to you will depend on the date you leave employment. Please refer to the UPP Member Handbook and Quick Guide for more information. Currently, the following options are available for pre-conversion benefits if you terminate employment and do not wish to take an immediate pension, regarding the balance in your account, i.e. the balance that has accumulated in your Money Purchase Component (MPC) account, or, if larger, the commuted value of your Minimum Guarantee Benefit:

1. The *Pension Benefits Act* require that all funds regardless of length of service be deemed to be "locked-in" (subject to the unlocking provisions of the "small pensions" rule). These funds may be transferred to a Locked-In Retirement Account (LIRA), a Locked-in Retirement Income Fund (LRIF), or to a Life Income Fund (LIF). A LIRA is simply an RRSP where the funds are locked-in;
2. you may transfer the balance to the pension plan of your subsequent employer's pension plan, if that plan allows; or
3. you may leave the MPC balance in the UPP, where it continues to accumulate with interest based on investment performance (note, however, that government regulations require that pension payments must begin by December 1st in the year you reach age 71). If you leave the balance in the UPP, it will be used to provide you with a pension at retirement, and pension payments will be adjusted periodically as described below.

If you choose one of the transfer options, there is no immediate income tax payable and no effect on your annual RRSP contribution limit (though a portion of the transferred funds may be required to be taken in cash if the commuted value reaches certain limits under the *Income Tax Act*). Members with service prior to 1987 may be eligible to receive a cash refund of part of their MPC account balance or initiate a tax-free transfer to a non-locked-in RRSP.

OTHER THINGS YOU SHOULD KNOW

Should You Die Before Reaching Retirement

If you die before reaching retirement, the lump sum value of your Money Purchase Component account will be payable to your spouse or beneficiary, as applicable. For pre-conversion benefits earned after December 31, 1986, where the value of your Minimum Guarantee Benefit is greater than the amount of your Money Purchase Component benefit, your spouse or beneficiary will receive this excess amount as well. If this benefit is payable to your spouse (or your former spouse if there is a separation agreement on file), he or she may take an immediate or deferred pension, transfer the lump sum to an RRSP, or take a lump sum payment subject to income tax. If the benefit is payable to a beneficiary, it must be taken as a lump sum payment subject to income tax.

GENERAL INFORMATION

Quarterly Reports

The UPP will provide a regular report on pension fund investment performance that is published on-line along with other material related to the UPP and your pre-conversion benefits (our web site is accessed through the Queen's home page (www.queensu.ca/humanresources/total-compensation/pension-services). Copies of the report are also available from Queen's Pension Services.

The purpose of this booklet is to outline the provisions of the UPP that relate to pre-conversion benefits earned under the QPP and that are payable from the UPP. This information is not a complete description of the benefits available under UPP. A complete description is contained in the UPP Plan Text, available through the university. In the case of any conflict between the information set out above and the UPP official plan documents, the official plan documents will govern.