Retirement Plan Booklet

Carleton University

October 2024

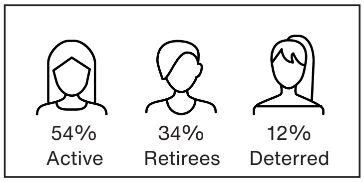
Introduction

1 Your Plan

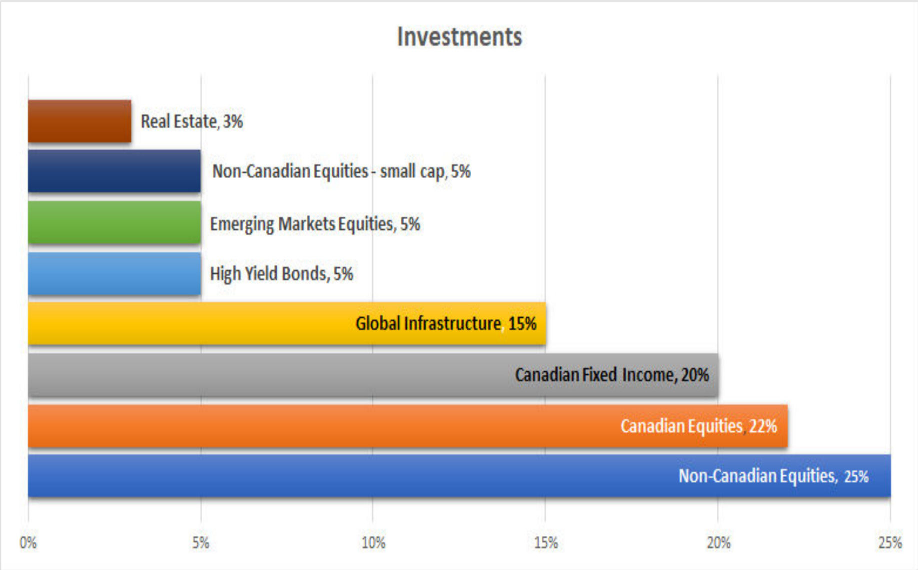
Introduction - Eligibility - Contributions

Carleton University offers a pension plan that provides their employees with post-retirement income. The monthly payments from the Carleton University pension plan, in addition to your personal savings, RRSPs, TFSAs and government plans (CPP, GIS and OAS), provide you with your total retirement income.

The retirement plan has over 4,700 members, with the majority as active contributing members, 34% as retirees and 12% as former employees who have deferred to leave funds in the pension plan.



The retirement fund has over $1.5 billion in assets. Investments include Non-Canadian Equities (25%), Canadian Equities (22%), Canadian Fixed Income (20%), Global Infrastructure (15%), High Yield Bonds (5%), Emerging Markets Equities (5%), Non-Canadian Equities - small cap (5%) and Real Estate (3%).



Hybrid pension plan
Your Carleton University Retirement Plan is a hybrid plan of a money purchase plan with a defined benefit minimum guarantee.

Pension benefit at retirement
If you have a spouse at retirement, your pension is actuarially adjusted during your lifetime and, if you pre-decease your spouse, they receive a pension for life equal to 60% of the pension paid to you. This form is the minimum required by law unless waived in writing by your spouse prior to retirement.

Contact
The following pages will provide you with details on the Carleton University Retirement Plan. The **Pension Services** team is available to provide pre-retirement information and calculations regarding the pension and benefit options. Should you have questions, please contact one of our pension specialists at **humanresources@carleton.ca** or call 613-520-3634.

You may contact the Office of **Pension Fund Management** if you have questions regarding the plan governance or investments.

Booklet Information

This booklet has been prepared to give you an easy reference to the Carleton University Retirement Plan. The information in this document is general in nature. It does not constitute legal or actuarial advice about your rights and obligations and is not binding on Carleton University or the Carleton University Retirement Plan.

Should there be any conflict or omission between the information in this document and that contained in the Pension Benefits Act of Ontario (PBA), other applicable laws or the plan documents, the PBA, other laws and plan documents apply. You may request a copy of the Retirement Plan Text from Pension Fund Management at anytime.

Eligibility*

Continuing and Term Employees

Full and part-time continuing employees and full and part-time term employees with appointments of 12 months or more are eligible to join the plan.

- You may enrol in the plan on the first day of any month coincident with or following your date of employment.
- Membership is compulsory by the first day of July after you reach age 30.

If you are appointed to less than a one-year term, you are not eligible to join the plan. If your term is extended beyond a one-year period, you may join the plan retroactive to the date of your appointment provided that you buy back the corresponding eligible service.

Staff with full-time term appointments of at least six months but less than 12 months, who have been appointed to a second term, will be eligible to join the plan from the date of appointment to the second term if the break between the first and second term is less than 12 months.

Once you join the plan, you must remain a member while employed by the university.

Part-Time Employees

Eligible part-time employees are those who meet one of the two requirements below in each of the previous two calendar years:

- Earn at least 35% of the **CPP Yearly Maximum Pensionable Earnings (YMPE)** under the Canada Pension Plan (CPP) or
- Work 700 hours or more
- Once a part-time employee becomes a member of the plan, membership will continue if employment continues, regardless of earnings level or hours worked.

Once you join the plan, you must remain a member while employed by the university.

* *Exclusions are grant funded positions, students, teaching assistants, contract instructors and some contract appointments. Refer to Section 1.16 in the plan text.*

Contributions[1]

Employee Contributions

Once enrolled, you will make pension contributions of 4.37% on pensionable earnings below the annual Yearly Maximum Pensionable Earnings (YMPE) level, and 6.0% on earnings above the YMPE.

Your contributions are credited to an account set up on your behalf, called the Money Purchase Component Account (MPC).

There is an annual employee and employer contribution limit set by Canada Revenue Agency. Contributions are tax deductible.

EARNINGS UP TO THE YMPE X 4.37% + EARNINGS ABOVE THE YMPE X 6.00% = Your Contributions

Example

In 2023, the YMPE is $66,600. With pensionable earnings of $80,000 your annual pension contribution would total $ 3,714.42:

Employee Pension Contributions	
4.37% of $66,600	$2,910.42 **Up To YMPE**
6% of ($80,000 – 66,600)	$804.00 **Above YMPE**
Total Pension Contribution	**$3,714.42**

Employer Contributions

The employer contributes an amount equal to your MPC contributions plus 0.25% of your pensionable earnings to your Money Purchase Component Account.

The employer also contributes, as required by actuarial valuation, the normal cost of the Minimum Guarantee and the amortization of any unfunded liability or solvency deficit. The current employer contribution to the Minimum Guarantee is 2.85% of pensionable earnings.

1 Effective June 30, 2022.

Optional Additional Voluntary Contributions (AVC)

You may elect to make additional voluntary contributions (AVCs), subject to annual maximum, to the Carleton University Retirement Plan for the purpose of increasing your pension benefits.

At retirement, AVCs can be withdrawn in cash, transferred to an RRSP (Registered Retirement Savings Plan) or RRIF, or used to supplement your pension. However, any special transferred contributions which were subject to “locking in” must remain locked-in. Cash withdrawals are subject to taxation.

You may make a one-time withdrawal of your AVC balance from the plan prior to your termination of employment or retirement. After electing to do so, you will not be eligible to make any further AVCs to the plan.

Your contribution may take the form of a RRSP transfer, a lump sum deposit or payroll deduction. Voluntary cash contributions or payroll deductions are tax deductible.

Buying Back Past Service

If you have continuous service with the university during which you were eligible to participate in the plan, but did not (example: If you did not join the retirement plan prior to age 30), you may purchase all or part of your eligible past service subject to Income Tax Act limits.

In addition, you may have taken an authorized leave of absence without pay, or there may have been an interruption in employment due to a strike or lockout. In such circumstances you may be eligible to buy back service.

Typically, the actual cost of the buy-back will depend on your salary and age at the time the service is purchased using actuarial calculations.

A **Pension Specialist** at **humanresources@carleton.ca** can advise you whether or not you are eligible to make past service contributions. Past service contributions are credited to your Defined Benefit Contribution Account and increase your pension at retirement. These contributions are tax deductible and subject to Income Tax Act limits.

- The Pension Specialist will send you a summary verifying the cost, the buyback period and income tax implications.
- We suggest that you consult a financial advisor prior to making an election.

Pension Portability

Time Sensitive

You have 12 months from enrolment to request a transfer of the value of your previous employer's pension into your Carleton plan.

You may transfer any pension contributions made by you and a previous employer to the Carleton University Pension Plan. Transfers apply under the portability provisions of the Carleton University Retirement Plan.

If you do transfer contributions, you may request, within 12 months of becoming a member, that your period of credited service be increased (restrictions may apply).

Contact a **Pension Specialist** for details.

3 Your Pension At Retirement

Money Purchase Pension Calculation - Minimum Guarantee Pension Calculation - Additional Voluntary Contributions Calculation - Adjustment to Pension After Retirement

Basic Pension Benefit

Greater of:

(1) Pension that can be provided by your Money Purchase Account

Or

(2) Minimum Guarantee Pension Calculation

At retirement, you will receive an annual pension benefit, paid monthly.

The pension that you receive will be equal to the greater of (1) the pension that can be provided by the assets in your money purchase account or (2) the pension that would be provided by a defined benefit formula that provides a minimum guarantee pension. If you made Additional Voluntary Contributions while an active pension member, your annual pension benefit will be increased by the amount of pension that can be provided by the assets in your AVC account.

Money Purchase Pension Calculation

A pension is calculated from the total balance to your credit in your Money Purchase Component Account, based on the actuarial tables in force for plan purposes at that time.

Minimum Guarantee Pension Calculation

The amount of the minimum guaranteed pension benefit will be calculated as follows:

Your years of Credited Service is multiplied by the sum of:

1.29% of the average of your highest 5-years' pensionable earnings up to the 5-year average of the YMPE

Plus

2% of the average of your highest 5 years' pensionable earnings in excess of the 5-year average of the YMPE

CREDITED SERVICE X [[5 YR AVE EARNINGS TO 5 YR YMPE AVE X 1.29%] + [5 YR AVE EARNINGS ABOVE 5 YR YMPE AVE X 2.00%]] = MINIMUM PENSION

Example

- 35 years of Credited Service
- $80,000 highest average 5-year earnings
    - $56,440 up to 5-yr average YMPE (**2016 to 2020 YMPE**)
    - $23,560 above 5-yr average YMPE

Calculation

Minimum Guarantee Pension = 35 × [($56,440 x 1.29%)] + [($23,560) x 2%] = **$41,974.66**

Additional Voluntary Contributions Calculation

You may receive an additional amount of pension, commencing at the end of the month of your retirement and payable monthly for your remaining lifetime. The additional amount is based on the balance in your AVC fund and is calculated as a Money Purchase pension based on the actuarial tables in force for plan purposes at the time.

Adjustment to Pension after Retirement[2]

After you retire, your pension will be adjusted each year based on the average investment experience of the Pension Fund for that year and the three preceding years less 6%.

The investment experience for any pre-retirement year that is included in the formula is deemed to be 6%.

Adjustments can produce a reduction, as well as an increase in your pension. However, the portion of your pension that relates to pre-July 1, 2003 pension accrual will not reduce.

Post retirement pension adjustments

Pensions may be adjusted upward or downward, based on the average investment experience of the Fund:

4 years' average interest less 6% = pension adjustment

2 To see historical investment experience of the Retirement Fund visit the **Historical Pension Fund Rates - Human Resources (carleton.ca)** page.

Normal Retirement Date

Your normal retirement date (NRD) is the first day of July nearest your 65th birthday.

Early Retirement and your pension

Early retirement is permitted any time after you reach 55 or 10 years prior to normal retirement date.

Pensions at early retirement are actuarily adjusted to reflect the fact that you are retiring before your Normal Retirement Date.

Money Purchase Pension

The amount of your Money Purchase Pension will be less than at normal retirement for two reasons:

1. You and Carleton University would have contributed for a fewer number of years than if you worked until your normal retirement date. Therefore, your account would have had less time to grow in value.

2. You will collect your pension for a longer period of time than if you retired at your normal retirement date, resulting in a lower monthly pension.

Minimum Guarantee Pension - Early Retirement Reduction

The pension calculation will be based on your earnings and credited service to your early retirement date and reduced as follows:

Early Retirement Reduction

Normally, the Minimum Guarantee pension calculation will be reduced between 5% and 7% for every year prior to Normal Retirement

For early retirements after July 1, 2012, the Minimum Guarantee pension will be reduced by actuarial factors which will range between 5% and 7% **for each year** prior to your Normal Retirement Date. These factors will apply to current members born after 1957 and to new members joining on or after July 1, 2012.

For plan members who were eligible to retire on July 1, 2012 (i.e. age 55 or within 10 years of your normal retirement date), the Minimum Guarantee pension will be reduced by one-quarter (0.25) of one percent **for each month** of early retirement prior to your Normal Retirement Date. This applies regardless of the date on which you actually choose to retire.

[3] Benefits such as Life Insurance and Long Term Disability may reduce or cease at your NRD.

Postponed Retirement

If you continue to work at Carleton University after your NRD, you may postpone starting your pension. However, you may in no event postpone the commencement of your pension beyond Dec. 1 of the year in which you reach age 71.

Contributions

If you continue to work at Carleton University after your NRD and postpone retirement, you have a choice:

1. Continuing your required contributions or
2. Stopping contributions

At actual retirement, you will receive a starting pension in an amount equal to the greater of your Money Purchase Pension or your Minimum Guarantee Pension calculation, plus your pension from Additional Voluntary Contributions (if applicable).

Service

The service used in your Minimum Guarantee pension calculation will depend on whether or not you continued to contribute to the plan after normal retirement. If you continued to contribute, your minimum guarantee pension calculation will be based on your service and earnings up to your actual retirement date.

5

Your Retirement Pension Payment Options

Normal Form of Pension - Life Guaranteed 10 or 15 Years - Life Only - Joint and Survivor - Definition of Spouse and Legislation

Pension Payment Options

Normal form of pension (5 years)
Minimum 60 monthly payments guaranteed

Life Guarantee 10 years
Minimum 120 monthly payments guaranteed

Life Guarantee 15 years
Minimum 180 monthly payments guaranteed

Life Only
Payable until your death

Joint and Survivor option
All or part of your pension continues for your surviving spouse

You will receive your pension benefit, commencing with the first payment at the end of the month of your retirement and payable in monthly installments.

If you have an eligible spouse, pension legislation requires you to take a pension option (Joint and Survivor) that provides a surviving spouse with at least 60% of your pension should you pre-decease your spouse. Your spouse may opt to waive this option, but only prior to your retirement.

Depending on the type of pension payment option that you select prior to retirement, payments may continue beyond your lifetime. Once a pension payment option is selected it can not be changed.

Contact a **Pension Specialist** for additional details.

Normal Form of Pension

The normal form of pension is payable for your lifetime and guaranteed for a minimum of five years. If you die after your retirement but before receiving 60 monthly payments, the balance of the guaranteed payments will be paid to your beneficiary.

There are many alternative forms of pension payments available. You may choose one of these other forms by giving written notice to the university any time prior to the commencement of your pension. The following are some examples of these alternatives:

Life Guaranteed – 10 or 15 Years

This pension is payable for your lifetime, except that a minimum of 120 or 180 monthly payments are guaranteed. Because more payments are guaranteed, the amount of pension under this form will be less than the amount of a normal form of pension.

Note: For pension options other than the normal form, the amount of the initial pension will be actuarially adjusted so that its value is the same as the value under the normal form of pension.

Life Only

This pension is payable for your lifetime only and stops on your month of death regardless of the number of payments that have been made.

This pension will be greater than the normal form of pension because it does not include a guarantee that a minimum of five years of payments will be made.

Joint and Survivor

This form of pension is payable for your lifetime with all or part of your benefit continuing to your surviving spouse after your death.

The amount of monthly pension under this option is less than the normal form because the pension is paid over the lifetimes of two people. It may vary considerably from the basic pension depending on the age of your spouse.

Definition of Spouse and Legislation

The definition of spouse in the legislation is as follows:

“Spouse” means a person of the same or the opposite sex, who at the date of determination:

1. is married to the member and is not living apart from the member, or

2. is not married to the member but has been living with the member in a conjugal relationship:

    - continuously for a period of not less than three years, or
    - in a relationship of some permanence, if they are the parents of a child as set out in section 4 of the Children’s Law Reform Act

A member who has a spouse at retirement must receive the pension in a form, which continues at least 60% of the initial amount to the surviving spouse, unless the spouse waives their right to pension in writing.

If both spouses agree in writing using the prescribed **Form 3 Waiver of Joint and Survivor Pension** within 12 months immediately preceding the pension commencement, the pension may be paid in another form. The completed form must be submitted to the **Pension Specialist** prior to retirement.

6

Other Pension Options at NDR

Leave All Assets In the Plan - Withdraw Your Assets - Receive A Non-Indexed Pension - Portability of Additional Voluntary Contributions

You do not have to start taking your pension when you retire. Other options available as detailed in this section. Benefits such as Life Insurance and Long-Term Disability may reduce or cease at your NRD.

Leave all Assets in the Plan

You may leave all assets in your Money Purchase and AVC accounts in the Carleton University Retirement Plan and defer the pension commencement until a later time[3].

Canada Revenue Agency regulations require that a person commence their pension no later than the end of the calendar year during which age 71 is attained.

Withdraw your Assets

You can choose to transfer the value of your Money Purchase Component Account with Credited Interest, plus the excess, if any, of the commuted value of your Minimum Guarantee Pension over the Money Purchase Component Account (plus the commuted value of your Early Retirement Supplement, if applicable) to:

- A Locked-in Retirement Account (LIRA). Often referred to as a locked-in RRSP, investment earnings accrue on a tax-deferred basis. However, the funds must be used to provide retirement income: you are generally not permitted to make cash withdrawals. The funds must ultimately be transferred to a locked-in retirement income fund or be used to purchase a life annuity by no later than the end of the year that you reach age 71, OR

- A Life Income Fund (LIF). A LIF is a Registered Retirement Income Fund (RRIF) but is also subject to locking-in rules. Investment earning accrues on a tax-deferred basis. In order to elect this option you must be at least age 54 on the date when your assets in the Carleton University Retirement Plan are transferred to a LIF. You are required by legislation to withdraw money every year starting no later than the year after money is transferred to your LIF account, OR

- A registered pension plan of your new employer, provided that the plan administrator at your new employer agrees to accept the transfer. Before electing this option, you should confirm with the plan administrator at your new employer that the transfer will be accepted.

[3] Inactive members are charged an annual administration fee equal to 1.00% of the member's account balance at June 30 of each year. **This fee does not apply to any plan member who qualified for early retirement (i.e. age 55 or older or within 10 years of normal retirement date) at the date of his or her separation from the university.**

Receive a non-indexed pension

If your Minimum Guarantee Pension is greater than your Money Purchase Pension at retirement, you may elect to receive a non-indexed pension payable for life from an insurance company under an arrangement between the insurance company and the university.

Under this election, your basic pension will be fixed (will never increase or decrease) for the whole time that it is payable and it will not be less than the starting Minimum Guarantee Pension that would otherwise be payable from the plan. **The pension will not increase during your retirement**.

The pension under this election is available under a variety of pension forms. Under this election, any other pension entitlements (e.g. Additional Voluntary Contributions, Early Retirement Supplement) will also be transferred out of the plan to the insurance company.

Portability of Additional Voluntary Contributions

Additional Voluntary Contributions can be withdrawn in cash, transferred to an RRSP or RRIF, or left in the plan. However, any contributions which were transferred into the plan and subject to “locking in” must remain locked-in. Cash withdrawals are subject to taxation.

You may make a one-time withdrawal of your AVC balance from the plan prior to your termination of employment or retirement. After electing to do so, you will not be eligible to make any further AVCs to the plan.

7

Additional Information

Carleton Pension Resources - Frequently Asked Questions - Plan Administration - Government Pension Benefits - Some Key Terms to Know

Carleton Pension Resources

- **Pension Retirement Planner:** **Login Page (carleton-ret.ca)**
- **Planning your Retirement:** **Planning your Retirement - Human Resources (carleton.ca)**
- **Retiree Benefits:** **Retiree Benefits - Human Resources (carleton.ca)**
- **Retirement Check-list:** **Retirement-Checklist.pdf (carleton.ca)**
- **To reach a Pension Specialist:** email **humanresources@carleton.ca** or call 613-520-3634.
- **To reach the Pension Fund Management office visit https://carleton.ca/pfm/leadership/** or call 613-520-2600, ext. 3620

Frequently Asked Questions

What happens to my pension if I die before retirement?

If you die before retirement, your beneficiary or estate will receive the greater of the commuted value of your Minimum Guarantee pension or the balance in your Money Purchase Component Account (both Employee plus Employer portions and investment earnings) plus your Voluntary contributions Account, if applicable.

In the absence of a waiver signed by your spouse, the pre-retirement death benefit will be paid to your spouse, not to your beneficiary if other than your spouse. This is required by legislation.

What happens to my pension if I die after retirement?

If you die after retirement, then the benefits payable will be in accordance with the provision of the applicable form of pension that you chose.

If you die after retirement and prior to the expiry of any applicable guarantee period, the designated beneficiary will receive any remaining monthly payments until the end of the guarantee period. The beneficiary may elect to receive the commuted valuate of the remaining instalments in a lump sum cash payment.

What happens if I become sick?

If you become sick, you continue to make pension contributions.

What happens to my pension if I become disabled

If you become disabled and are receiving benefits from the Long-Term Disability Plan, you will continue to participate in the Retirement Plan and the required contributions to the plan will be made on your behalf at no cost to you.

If you remain disabled and receive disability benefits up to age 65, the Minimum Guarantee Pension will still apply. It will be based on your years of service, including the years you were disabled, your earnings at the time you became disabled, adjusted by the cost of living up to three percent annually on July 1 each year following your date of disability. Your beneficiary or estate will receive benefits according to the form of pension payment you chose at retirement.

What If I go on Maternity, Adoption or Parental Leave?

You may continue to make your regular pension contributions during this leave.

What If I go on an unpaid leave?

You may elect to continue to contribute to the pension plan. You will be required to pay both your regular contributions and those of the employer.

What happens to my retiree benefits if I get separated after I retire?

Your separated spouse may continue coverage in the extended and dental (if applicable) plan if this is stipulated in the separation agreement. Any eligible dependents' coverage continues.

What happens to my retiree benefits if I get divorced after I retire?

Your ex-spouse's extended and dental (if applicable) coverage terminates on date of the the divorce. Any eligible dependents' coverage continues.

What happens to my retiree benefits if I die after I retire?

Your surviving spouse and eligible dependents may continue "survivor" benefits coverage if they were covered under your plan while you were alive.

What happens to my retiree benefits if I have a new spouse after I retire?

You can not add any spouse (legal or common-law) or other dependents to your plan after you retire.

Have questions?

Contact a **Pension Specialist** for additional details: **humanresources@carleton.ca** or call 613-520-3634.

Plan Administration

Who is responsible for administration of the pension plan?

Carleton University is the plan administrator.

Pension Committee

The Pension Committee is responsible for all matters in regard to the administration of the plan. This includes the interpretation and application of provisions of the plan together with eligibility, service, earnings and retirement dates for purposes of the plan.

Investment of the Retirement Fund

You may access these documents on **https://carleton.ca/pfm/guiding-documents/**

- Statement of Investment Policies and Procedures
- Retirement Fund Responsible Investing Policy

Pension Fund Management

The Office of Pension Fund Management is accountable for the effective management of the Carleton University Retirement Fund. Its goals are:

- to manage the Fund with a high standard of care and in accordance with legislation, recognizing the needs of all stakeholders in the retirement plan,
- to maintain the security of the fund assets by establishing appropriate internal controls and monitoring the investment managers and trustee,
- to provide leadership to the Pension Committee and the university in providing a highly regarded retirement plan that provides a reasonable rate of return on investments and a stable funding rate for the University with an acceptable degree of risk,
- to ensure the effective operation of the Pension Committee by planning and chairing all regular and special meetings of the committee, and advising the committee members on a variety of pension and investment issues,
- to communicate effectively about important plan matters with the plan membership.

If you have questions about the Carleton University Retirement Fund or Pension Committee matters:

Pension Fund Management
610 Pigiarvik (formerly Robertson Hall)
1125 Colonel By Drive
Ottawa, ON K1S 5B6 Canada
Phone: 613 520-2600, ext. 3620
Fax: 613 520-3965

Government Pension Benefits

Canada Pension Plan | Guaranteed Income Supplement | Old Age Security

When you retire, you will be entitled to receive pension benefits from the Canada/Québec Pension Plan (CPP/QPP) and may be entitled to pension benefits from Old Age Security (OAS) and the Guaranteed Income Supplement (GIS). For specific information on these pension benefits, contact your **local Service Canada Centre**.

Canada/Québec Pension Plan

The CPP/QPP pension benefits to you are based on your CPP/QPP pensionable earnings and contributions (up to the YMPE) during the time you spent in the workforce.

The actual amount of your CPP/QPP payments also depends on your age at retirement. Normally, you'll start receiving pension benefits at age 65; however, you can receive reduced pension benefits as early as age 60, or an increased pension benefit after age 65 (you may delay taking CPP for up to five years). Pension benefits are paid monthly— adjusted each Jan. 1 to reflect increases in the cost of living.

You should apply for CPP/QPP benefits about six months before retirement. You can get forms: **Service Canada Centre** or by downloading them from at **www.servicecanada.gc.ca,** or in Québec, at the office of the Régie des rentes du Québec or at **www.rrq.gouv.qc.ca**.

Old Age Security (OAS) and Guaranteed Income Supplement (GIS)

The **OAS** pension is a flat-rate pension you will receive once you reach age 65, in addition to your CPP/QPP pension, provided you meet certain residency requirements. You may delay taking the OAS pension past age 65 for up to five years.

OAS pension benefits are paid monthly - adjusted each quarter to reflect increases in the cost of living. As your total retirement income increases, however, the pension benefit is reduced. Above a certain income level, you are no longer eligible for OAS pension benefits.

You should apply for OAS pension benefits about six months in advance of the date on which you want to start receiving the pension benefit. You can get the necessary forms at a **Service Canada Centre** or by downloading at **www.servicecanada.gc.ca.**

The **GIS** is an additional pension benefit paid to lower-income Canadians. When applicable, it is payable from age 65.

Some Key Terms to Know

Actuarial Valuation

An actuarial valuation compares a pension plan's assets to the value of accrued pension benefit obligations, or liabilities, in two different ways, a "going concern basis" and a "solvency basis."

- A **going concern** valuation determines the funded status of the plan assuming the plan will continue indefinitely. It reflects long-term trends in market conditions and in the plan's experience.
- A **solvency** valuation determines the funded status of the plan assuming the plan had been terminated on the valuation date. This type of valuation is susceptible to short-term market fluctuations.

A solvency valuation is a hypothetical scenario required by legislation – the plan in which you are a member has *not* been terminated.

If an actuarial valuation report filed with the regulator reveals that a pension plan's assets are less than the target liabilities on either a going-concern or a solvency basis, then an unfunded liability (i.e., a "deficit" or "shortfall") exists. The plan sponsor is required to make special payments to fund the unfunded liability in accordance with the rules under the *Pension Benefits Act* (Ontario) and supporting regulations. The regulations set out the period during which the funding shortfall must be funded.

Additional Voluntary Contributions (AVC)

You may elect to make Additional Voluntary Contributions for the purpose of increasing your pension benefits. Such contributions will be permitted up to the maximum allowable under the Income Tax Act.

You may withdraw your Additional Voluntary Contributions provided that the contributions are not locked in.

If you withdraw these contributions, you will not be permitted to make further Additional Voluntary Contributions to the plan. Contributions can be in the form of cash deposits, payroll deduction or RRSP transfers. Additional Voluntary Contributions can be withdrawn in cash, transferred to another plan or RRSP or left in the plan. However, any special transferred contributions which were subject to "locking-in" must remain locked-in. Cash withdrawals are subject to taxation.

Credited Service

The cumulative total period of service (in full or partial years) during which you made pension contributions or where deemed to have made contributions.

Continuous Service

Employment service with the university since the last date of hire without interruption except for paid leaves, authorized sick leaves, approved leaves of absence and absences due to occupational injuries as approved by Workers' Compensation.

Early Retirement

You may take early retirement at the earlier of age 55 or 10 years prior to your normal retirement date. You will receive the greater of the Money Purchase pension or the Minimum Guarantee pension as previously described. If applicable, you will also receive any pension provided by your Additional Voluntary Contributions.

At early retirement, the Minimum Guarantee is based on your Final Average Earnings and plan participation to your Early Retirement Date. This benefit is reduced by actuarial equivalent factors which will range between 5% and 7% per year. These factors apply to current members born after 1957 and those who join the plan on or after July 1, 2012. For members of the Ppan on June 30, 2012, born before 1958, the benefit is reduced by 3% per year (1/4% per month) for each year of early retirement prior to your normal retirement date.

Normal cost

Normal cost is the annual cost of the minimum guarantee benefit based on the ages and earnings of the plan participants in any given year.

Normal form pension

The normal form of pension is payable for your lifetime and guaranteed for a minimum of five years. If you die after your retirement but before receiving 60 monthly payments, the balance of the guaranteed payments will be paid to your beneficiary. This type of pension payment option is the benchmark to which other types of pension payment options are compared to.

Normal Retirement

The Normal Retirement Date under the plan is the July 1 nearest your 65th birthday.

Pension at your Normal Retirement Date

Pensions will be calculated as the greater of (A) or (B) below:

(A) *Money Purchase Pension*: The pension which can be provided by your required Money Purchase Component Account (MPC) contributions and the contributions made to the plan on your behalf by the university, plus any investment returns.

Your MPC balance as shown above varies from year to year according to the investment performance of the fund and contributions made during the year. This means that pension estimates based on the MPC will continually change during the years up to retirement.

(B) Minimum Guarantee Pension:
[(1.29% of Final Average Earnings up to the Final Average YMPE) + (2% of Final Average Earnings in excess of the Final Average YMPE)] x (years of credited service)

- *Final Average Earnings*: the average of your highest five years of earnings.
- *Credited Service*: pension service to date plus future service to retirement.
- *YMPE* - Year's Maximum Pensionable Earnings as defined by the CPP.

As we can't predict what your best five years' average earnings will be at the time of retirement, the Minimum Guarantee Pension is calculated based on the salary listed on your statement. However, for those employees who are within five years of retirement, we have averaged earnings so that your Minimum Guarantee Pension will be estimated more accurately.

If you had made Additional Voluntary Contributions while an active pension member, your annual pension benefit will be adjusted accordingly.

Pensionable Earnings

Pensionable earnings are the regular base (hourly or salary) earnings that are used to calculate how much you (and Carleton University) contribute to your pension. Overtime, premiums, allowances and bonuses are excluded from pensionable earnings.

Plan Year

The Plan year is from July 1 of a calendar year to June 30 of the following calendar year.

Postponed Retirement

If you continue to work past your NRD, you may choose either to continue your contributions to the retirement plan or to cease contributions. If you are over age 65 and exempt from CPP contributions, your pension contributions will be based on 6% of your total earnings to the maximum contribution level. Under current pension legislation, you will be required to start your pension no later than the end of the year in which you attain age 71.

Yearly Maximum Pensionable Earnings (YMPE)

This is the amount the government sets each year and uses to base your contributions and those of Carleton University - as well as benefits from - the Canada or Québec Pension Plan. The government revises this amount **every year**, based on increases in average weekly earnings in Canada.