Pension Plan Summary 2015

The Pension Plan of
The United Church of Canada

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Introduction

The first Constitution of the Pension Plan of The United Church of Canada (the plan) was adopted by the Third General Council in Winnipeg, Manitoba, in September 1928. Over the years this document has been revised many times and expanded to meet changing legislation. This booklet has been written to provide you with a summary of select plan terms.

The United Church's pension plan is a multi-employer, career-average, defined benefit plan. This means that ministry personnel and lay employees who move between participating employers of the United Church's plan continue to contribute to and earn benefits in the same pension plan each year that they are employed by a participating employer. These benefits are paid as a fixed monthly pension starting at retirement based on each year's pensionable earnings.

The plan and the investment of its assets comply with the requirements of all applicable legislation and accord with the investment policies of the Pension Board. The plan is administered by the Pension Board, as established by the Executive of the General Council. The pension plan is operated on a day-to-day basis through the Ministry and Employment Unit at the General Council Office and the third-party administrator. All administrative expenses of the plan are paid out of the plan.

For additional information, contact: **The United Church of Canada Benefits Centre**

Telephone: **1-855-647-8222**
E-mail: **questions@uccan-benefitscentre.ca**
Web site: **www.uccan-benefitscentre.ca**

This summary is intended as a general description of the plan. For detailed information, please refer to the plan text. Should there be any discrepancy between this booklet and the official pension plan text in effect at the time, the pension plan text will apply.

based on the Restated Pension Plan Text
prepared as at January 2013 as amended

Employee Eligibility

If you are an eligible employee working for a participating employer and you work an average of 14* or more hours per week, you must join the plan. Enrolments occur on the first day of a month. There is no waiting period for ministry personnel. Lay employees are enrolled after completing three months of employment.

Once you join the plan, you will remain a contributing member even if you work fewer than 14 hours per week.

*If you are an eligible employee of a participating employer who works less than 14 hours per week, you must join the plan if you meet the earnings and/or hours threshold specified in applicable pension legislation, which varies from province to province.

Contributions to the Pension Plan – Ministry Personnel

If you are **MINISTRY PERSONNEL**, your pensionable earnings are currently based on 140%* of salary (*salary plus 40% of salary for the housing component).*

Ministry Personnel:

Annual salary:	$ 36,500
Pensionable earnings (140% *x* $36,500) **=**	$ 51,100
Annual employer contribution (9.0% *x* $51,100) **=**	$ 4,599
Annual member contribution (6.0% *x* $51,100) **=**	$ 3,066

*For MINISTRY PERSONNEL not living in a manse, a new definition of pensionable earnings, based on 100% of the individual's "integrated salary," will be phased in between July 1, 2015, and July 1, 2018.

Contributions to the Pension Plan – Lay Employees

If you are a **LAY EMPLOYEE**, your pensionable earnings do not contain a housing component. Generally, salary and pensionable earnings are the same amount.

Lay Employee:

Annual salary:	$ 30,000
Pensionable earnings (100% *x* $30,000) **=**	$ 30,000
Annual employer contribution (9.0% *x* $30,000) **=**	$ 2,700
Annual member contribution (6.0% *x* $30,000) **=**	$ 1,800

Contributions to the Pension Plan

Contributions to the plan are based on pensionable earnings. Contribution rates may change from time to time.

Since January 1, 2013, the employer contribution rate is 9% of annual pensionable earnings and the member contribution rate is 6% of pensionable earnings.

Your contributions will be deducted from your salary and be sent to the custodian of the pension fund each month along with the employer contributions made on your behalf.

Earning Pension Credits

The plan is a career-average defined benefit pension plan. The benefit, or “pension credit,” you accrue is based on your pensionable earnings during each year that you are contributing and employed by a participating employer or in search of a call. See the Contributions to the Pension Plan section for the definition of pensionable earnings.

The rate that the pension credit is earned or “accrues” has changed over the years and is now 1.4% of pensionable earnings. Units of pension credit are cumulative. Each year’s pension credit is added to what has already been earned, forming the total amount of annual pension at termination or retirement.

Earning Pension Credits

Example:

Dale joined the plan on January 1, 1990, and will retire on January 1, 2016, at age 65 with 26 years of credited service. Dale's pension will be $12,000 as calculated in the table below:

Year	Pensionable Earnings	Accrual Rate	Annual Pension Credit (Rounded)
1990	$21,000	2.1%	$441
1991	$21,500	2.1%	$452
1992	$22,000	2.1%	$462
1993	$22,500	2.1%	$473
1994	$23,000	1.7%	$391
1995	$23,500	1.7%	$400
1996	$24,000	1.7%	$408
1997	$24,500	1.7%	$417
1998	$25,000	1.7%	$425
1999	$25,500	1.7%	$434
2000	$26,000	1.7%	$442
2001	$26,500	1.7%	$451
2002	$27,000	1.7%	$459
2003	$27,500	1.7%	$468
2004	$28,000	1.7%	$476
2005	$28,500	1.7%	$485
2006	$29,000	1.7%	$493
2007	$29,500	1.7%	$502
2008	$29,750	1.7%	$506
2009	$30,000	1.7%	$510
2010	$30,500	1.7%	$519
2011	$31,000	1.7%	$527
2012	$31,000	1.7%	$527
2013	$31,700	1.4%	$444
2014	$31,850	1.4%	$446
2015	$32,000	1.4%	$448
Total Annual Pension			**$12,000**

The accrual rate was reduced to 1.7% in 1994 to ensure compliance with legislation

The accrual rate was reduced to 1.4% in 2013 in response to economic conditions affecting the plan.

Earning Pension Credits while Receiving Long-Term Disability Benefits

If you become disabled and qualify for long-term disability benefits from the group insurance plan, you will continue to earn pension credits for as long as your long-term disability benefits are approved.

The pensionable earnings at the date of disability are used for the calculation of the pension credit and may be increased by up to 3% in subsequent years at the discretion of the Pension Board.

You will not be required to make member contributions while you are receiving long-term disability benefits under the group insurance plan.

Purchase of Service

Purchase of Service Prior to the Date of Plan Membership

If you had an eligible period of service with a participating employer prior to the date you joined the plan, you may be able to purchase past-service pension credits. This service could be pre-ordination/ commissioning employment, a probationary period, or contract service. Eligible service does not include service during which you previously participated in the plan and for which you received a refund from the pension plan (either in cash or by transfer to another registered plan). Depending on the circumstances, the purchases may be paid for by you, by you and your employer or by your employer. Any portion paid by you is generally deductible for income tax purposes. Purchases of post-1989 periods of service reduce RRSP contribution room.

Purchase of Service

Purchase of Unpaid Employment Leave

You may also purchase pension credit for certain approved periods of employment leave. These include approved leaves of absence, maternity/parental/adoption leaves, periods while in search of a call/ appointment and study leaves. Plan membership must be established prior to the leave.

Forms of Pension

- At retirement, plan members choose from five forms of pension.
- All options provide a monthly payment for your life and come with a minimum guaranteed number of months of payout.
- ***Exception for Small Pensions:*** Your pension can be paid out in a single lump sum (subject to withholding tax) instead of in monthly installments if the amount of the pension or its lump sum value falls below a prescribed amount. This amount varies from province to province.

Forms of Pension

Form of Pension	Number of Guaranteed Payments	Spousal Survivor Pension
Option 1 **Joint and 66 2/3% spousal pension with 5-year guarantee** This is the normal payment form if you have a qualifying spouse* at retirement.	**60** **(5 Years)**	**Yes.** **Continues at 66 2/3% for spouse's lifetime.** For more details, see page 16.
Option 2 **Joint and 66 2/3% spousal pension with 10-year guarantee** The pension payable under this option is less than under Option 1 to reflect the longer guarantee period.	**120** **(10 years)**	**Yes.** **Continues at 66 2/3% for spouse's lifetime.** For more details, see page 17.
Option 3 **Joint and 100% spousal pension with 5-year guarantee** The pension payable under this option is less than under Option 1 to reflect the higher spousal survivor pension payable after your death.	**60** **(5 Years)**	**Yes.** **Continues at 100% for spouse's lifetime.** For more details, see page 18.

**The plan generally defines a qualifying spouse as a legally married spouse or a common-law partner who has cohabited with the member in a conjugal relationship for a specified period of time. The exact definition of "spouse" depends on your province of residence.*

Forms of Pension

Form of Pension	Number of Guaranteed Payments	Spousal Survivor Pension
Option 4 **Lifetime pension with a 15-year guarantee payout** This is the normal payment form if you do not have a spouse* at retirement.	**180** **(15 years)**	**No.** ***If you have a spouse, you cannot choose this form of pension unless your spouse waives their right to a spousal pension in the prescribed form.*** For more details, see page 19.
Option 5** **Life pension integrated with Old Age Security (OAS)** The amount of pension between early retirement and age 65 includes an amount that is equal to the OAS benefit. This optional form of pension, in effect, prepays the estimated amount of the OAS benefit until you actually begin to receive OAS at age 65. The plan recovers this payout by actuarially reducing your pension after age 65 but the reduction will be no more than 50%. *****Not available after December 31, 2015***	**60** **(5 years)**	**Yes.** **Continues at 66 2/3% for spouse's lifetime.** For more details, see page 20.

**The plan generally defines a qualifying spouse as a legally married spouse or a common-law partner who has cohabited with the member in a conjugal relationship for a specified period of time. The exact definition of "spouse" depends on your province of residence.*

Let’s continue with the example of Dale.

Dale's pension is $12,000 per year, or $1,000 per month. The examples below illustrate the pension that Dale and Dale's spouse, Chris, would receive under each option and in certain circumstances.

Option 1 –

Joint and 66 2/3% spousal pension with 5-year guarantee

- Since this is the normal form,* the pension amount will remain at $1,000 and is payable to Dale for life, no matter how long Dale lives.
- If Dale dies before receiving **60** monthly payments and is survived by Chris, Chris will receive $1,000 per month until the 60 guaranteed payments are exhausted, and $667 per month after that for life (66 2/3% of $1,000).
- If Dale dies after receiving **60** monthly payments and is survived by Chris, Chris will receive $667 per month for life.
- If both Dale and Chris die before **60** monthly payments have been made, the value of the remaining guaranteed payments will be paid in a lump sum to Dale's designated beneficiary or, absent a living beneficiary, to Dale's estate.
- On the second death, if **60** monthly payments have already been made, nothing further is payable.

***Note: This is the form of pension payable to members who have an eligible spouse on their retirement date unless another option is chosen (the “normal form”).**

Option 2 –

Joint and 66 2/3% spousal pension with 10-year guarantee

- Since this form of payment offers a **longer guarantee period than Option 1, the pension amount will be slightly reduced.** The exact amount will depend on several factors, including Dale's and Chris's ages.
- The difference between Option 1 and Option 2 is the length of the guarantee period.
- If Dale dies before receiving **120** monthly payments and is survived by Chris, Chris will receive the amount Dale had been receiving per month until the 120 guaranteed payments are exhausted, and 66 2/3% of that amount per month after that for life.
- If Dale dies after receiving **120** monthly payments and is survived by Chris, Chris will receive 66 2/3% of the amount Dale had been receiving per month for life.
- If both Dale and Chris die before **120** monthly payments have been made, the value of the remaining guaranteed payments will be paid in a lump sum to Dale's designated beneficiary or, absent a living beneficiary, to Dale's estate.
- On the second death, if **120** monthly payments have already been made, nothing further is payable.

Option 3 –

Joint and 100% spousal pension with 5-year guarantee

- Option 3 is similar to Option 1 except that, if Chris survives Dale, Chris will receive 100% of Dale's pension rather than 66 2/3%.
- Since this form of pension provides Chris a higher amount of survivor pension, the amount payable to Dale is lower. The exact amount of Dale's initial pension and Chris's survivor pension will depend on several factors, including their ages.
- If Chris survives Dale, Chris will receive the same amount that Dale had been receiving for life.
- If both Dale and Chris die before **60** monthly payments have been made, the value of the remaining guaranteed payments will be paid in a lump sum to Dale's designated beneficiary or, absent a living beneficiary, to Dale's estate.
- On the second death, if **60** monthly payments have already been made, nothing further is payable.

Option 4 – Lifetime pension with a 15-year guarantee payout

- **Since this is the normal form for a plan member without an eligible spouse at retirement**, the pension amount will remain at $1,000 and is payable to Dale for life, no matter how long Dale lives but it **does not provide a spousal pension for Chris**.
- Dale can choose this option only if Chris signs a **waiver** in prescribed form, **giving up** the right to a **spousal survivor pension** from the plan. Before giving up this right, Chris should get independent advice from a financial planner who has pension knowledge.
- If Dale dies before receiving **180** monthly payments the value of the remaining guaranteed payments will be paid in a lump sum to Dale's designated beneficiary or, absent a living beneficiary, to Dale's estate.
- If Dale dies after receiving **180** monthly pension payments, nothing further is payable.

If you have a spouse, you cannot choose this option unless your spouse waives their right to a survivor pension in prescribed form.

Option 5 – Life pension integrated with Old Age Security

- This option only applies on early retirement.
- This form is based on Option 1, but is modified to pay a higher amount before age 65 and a lower amount after age 65.
- The spousal pension and guarantee period work the same as they do under Option 1.
- **This form of payment will not be available after December 31, 2015.**

Pension Commencement

Retirement

- When you are ready to retire, you should contact The United Church Benefits Centre at 1-855-647-8222, by email at questions@uccan-benefitscentre.ca, or by visiting www.uccan-benefitscentre.ca. They will calculate your monthly pension under each available option and send you the forms you'll need to fill out. Your pension will commence after you return all the completed forms and documents to the Benefits Centre. **Please contact the Benefits Centre 3 months before the date you want payments to start.**

- Your pension will be deposited directly into your Canadian bank account on the first day of each month. If you live outside Canada, cheques will be mailed to you.

- To be considered "Retired from the United Church," you must be receiving a monthly pension benefit paid directly from the United Church's pension fund. As a retired member, you may be eligible to join the pensioner health and dental plans, as long as you remain eligible for provincial health coverage.

Pension Commencement

Timing of Retirement	***When***	***Impact on Pension Amount***
Normal Retirement	The first of the month following your 65th birthday.	***No change to your earned pension***
Early Retirement	Any time after age 55 and before normal retirement or unreduced early retirement.	***Reduced to reflect anticipated longer payout period*** Pension is reduced by 4% per year for each year by which your early retirement date precedes your normal retirement date (or your unreduced early retirement date, if earlier).
Unreduced Early Retirement	Attainment of age 60 and 35 years of credited service.* ***OR*** Attainment of 40 years of credited service (regardless of age) if a member joined the plan prior to 1988. *If you terminate service after age 55 but before age 60, with 35 years of credited service, you will become eligible for an unreduced pension on the first of the month following the date you reach age 60.	***No change to your earned pension***
Postponed Pension	After age 65 but no later than the first of December in the year you reach age 71.	**Pension is increased in 2 ways** **1)** Additional pension credits are earned. **2)** For each month retirement is postponed beyond age 65, the pension earned to age 65 is actuarially increased to reflect the anticipated shorter payout period.

Termination Options

Multi-employer Plan

Because the United Church plan is a multi-employer pension plan, moving between pastoral charges and other participating employers will not affect your plan membership.

You will continue to contribute to and earn benefits in the same pension plan each year that you work for a participating employer.

If your employment ends and you have no immediate plan to return to the United Church as an employee, you will become eligible for Termination Options under the plan, which are described below.

Vesting and Locking-in

The plan grants immediate vesting and locking-in of benefits. *Vesting* gives you the right to a pension. Locking-in prevents the value of your pension from being "cashed out" and ensures the pension will be intact to pay a benefit at retirement.

Termination Options

When Employment Ends before Age 55

If your employment ends before age 55, you can choose one of the following options:

- leave your earned pension in the plan and begin to receive it from age 65 or at any time after age 55 on a reduced basis,
- transfer the value of the pension to another employer's pension plan (if that plan accepts transfers), or
- transfer the value of the benefit to an approved retirement savings plan.

Termination Options

When Employment Ends after Age 55 but before Age 65

If you are 55 or more when your employment ends, you will not have the option to transfer your earned pension* out of the plan.

You can begin your pension immediately (with an early retirement reduction, if applicable) or wait until you turn age 65 or become eligible for an unreduced early pension when you reach "60 and 35."

*Only your excess contributions, if any, will be available in cash (see *"Excess Contributions"* on the next page).

Remember "60 and 35"

If you terminate service with 35 or more years of credited service, but before age 60, you will be eligible for an unreduced pension on the first of the month following the date you reach age 60.

Excess Contributions

When your benefit becomes payable (i.e., when you terminate service, retire, or die before retirement), a calculation is performed to see whether the sum of your contributions with interest is higher than 50% of the value of your pension credit. If it is, the amount above 50% is called "excess contributions."

If you terminate service or die before retirement, your excess contributions may be

a) used to purchase a higher pension from the plan, if you are leaving your earned pension in the plan,

b) transferred, along with the lump sum value of the pension, out of the plan to another retirement savings vehicle, or

c) refunded to you in cash (subject to withholding tax).

Excess Contributions

When your benefit becomes payable (i.e., when you terminate service, retire, or die before retirement), a calculation is performed to see whether the value of your contributions with interest is higher than 50% of the value of your pension credit. If it is, the amount above 50% is called "excess contributions."

Example of Excess Contribution Calculation

Your contributions with interest:	$4,600
Value of pension at termination:	$8,000
50% of pension value	$4,000

Contributions + Interest	minus	50% of Value	equals	Excess Contributions
$4,600	-	$4,000	=	$600

Excess Contributions

In the case of retirement, your excess contributions may be

a) used to purchase a higher pension from the plan, or
b) refunded to you in cash (subject to withholding tax) or transferred on a tax-free basis to an RRSP in your name.

In the case of retirement, your excess contributions may be

a) used to purchase a higher pension from the plan, or
b) refunded to you in cash (subject to withholding tax) or transferred on a tax-free basis to an RRSP in your name.

Survivor Benefits – Death Before Retirement

Spousal Benefits

If you have a qualifying spouse (see page 14 for definition of "spouse") and you die before starting your pension, your surviving spouse will receive a death benefit equal to the greater of

- the value of your earned pension on the date of your death, or
- the value of the spouse's survivor pension (generally 2/3 of your earned pension at death) plus any children's pension payable under the plan,

plus

- any excess contributions (see page 27) with interest on the date of your death.

Your surviving spouse may elect to

- receive the benefit in monthly installments for life (see "Exception for Small Pensions" on page 13), or
- take the benefit in a lump sum as taxable income where permitted under applicable pension legislation, or
- transfer the lump sum benefit (tax sheltered) into a retirement savings vehicle or to another employer's pension plan, if that plan accepts transfers.

Beneficiary Benefits

If no pre-retirement death benefit is payable to an qualifying spouse, your designated beneficiary or, absent a living beneficiary, your estate will receive a taxable refund of the value of the pension.

Survivor Benefits - Death after Retirement

Spousal Benefits – Post-Retirement Death

If you have an qualifying spouse and you die after your pension begins, your surviving spouse will receive the survivor benefit according to the form of pension you chose at retirement (for examples, see pages 14 and 15).

Beneficiary Benefits

Any death benefit payable to your designated beneficiary or estate will be paid as a lump sum.

See "Forms of Pension" section for more information.

Survivor Benefits – Dependent Children's Pension

- Each dependent child will receive a monthly child's pension subject to a maximum.
- This applies whether the parent dies before or after retirement.
- A dependent child is a natural or adopted child who is under the age of 18, or over 18 but under 25 if still in school.

Marital Breakdown

Pension assets are family property and can be divided between spouses on marital breakdown, although this is not mandatory in most jurisdictions.

The value of the pension credit you accrue during the spousal relationship is generally included in your assets for the purpose of equalizing family property on marital breakdown. In some jurisdictions, this value is calculated by the pension plan administrator on application by one of the former spouses and payment of the applicable fee. In other jurisdictions, the spouses arrange their own calculation(s).

If a family property equalization payment is owing from the member spouse to the non-member spouse, the member is not required to split his/her pension to satisfy that payment if other assets are transferred to the non-member spouse. Similarly, spousal support/maintenance can but is not required to be satisfied through a pension split.

A court order or separation agreement must specifically require a split of the pension. The pension plan administrator will administer each split within the parameters of the order/agreement subject to the requirements of applicable pension legislation.