

Northern Employee Benefits Services (NEBS)

Pension Plan Summary*



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BENEFITS SERVICES | ለሰው ሀብት ስርዓት ለሰው ሀብት

**This description of the Plan is a summary for communication purposes only. Interpretation is governed by the legal plan documents which the Pension Committee has reserved the right to amend from time to time. In the event of any inconsistency, provisions of the legal plan documents and any applicable legislation will prevail.*

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INTRODUCTION

The Northern Employee Benefits Services Pension Plan (the “**Plan**”) is sponsored by Northern Employee Benefits Services (“**NEBS**”) on behalf of itself and certain other employers in the Northwest Territories and Nunavut. Generally, municipal and community governments, housing authorities and certain other public sector employers in the Northwest Territories and Nunavut that are outside of the territorial or federal public service are eligible to participate in the Plan. An employer that participates in the Plan is known as a “**Participating Employer**”. The Plan is administered by a Pension Committee composed of seven members appointed pursuant to the *Northern Employee Benefits Services Pension Plan Acts* (Northwest Territories and Nunavut) (the “**Pension Committee**”).

The Plan is a defined benefit pension plan. This means that the pension benefit you will be provided with is a regular monthly income after you retire. The benefit formula used to determine your pension benefits is based on your earnings and years of service with a Participating Employer. It is a contributory plan which means that both you and your employer contribute to the cost of your pension. Post-retirement indexing is provided on a consent basis, meaning that it is not guaranteed to be paid in the event the Plan is ever terminated.

The Plan is subject to the *Northern Employee Benefits Services Pension Plan Acts* (Northwest Territories and Nunavut) and the *Income Tax Act* (Canada).

The purpose of this summary is to summarize the Plan and to help you understand the retirement savings program established for your benefit. It does not describe all of the Plan’s features, nor all of the terms and conditions upon which benefits are payable under the Plan. While care has been taken in the preparation of this summary, in the event of a discrepancy between the terms of this summary and the Plan text, the Plan text prevails. A copy of the Plan’s text and other governing documents can be examined by a plan member upon written request to NEBS.

MEMBERSHIP

1. Full-Time Employees

You will become a member of the Plan on your first day of employment* if:

- your employer is a Participating Employer;
- you work in a class of employment that is eligible for membership in the Plan; and
- you are employed on a full-time permanent basis or on a full-time contract basis with a term of 1 year or more (or combined consecutive terms of 1 year or more).

*Some Participating Employers may require their employees to complete a waiting period of up to 6 months prior to becoming members of the Plan.

2. Part-Time

You will become a member of the Plan after you have completed 2 consecutive years of part-time employment with a Participating Employer* if:

- your employer is a Participating Employer;
- you work in a class of employment that is eligible for membership in the Plan;
- you are employed on a part-time permanent basis, on a part-time term basis of 2 years or more (or combined consecutive terms of 2 years or more).
- in each of those 2 years, you earned at least 35% of the YMPE** (The YMPE for 2021 is \$61,600, so 35% is \$21,560); and

*Some Participating Employers may allow their part time employees to become members sooner if they will exceed the minimum earnings requirement under the terms of their employment.

**YMPE or “year’s maximum pensionable earnings” is a term used in the Canada Pension Plan that refers to the earnings on which CPP contributions and benefits are calculated. The YMPE is re-calculated each year and published by the Government of Canada according to a formula based on average wage levels.

CONTRIBUTIONS

You and your employer contribute equally to the Plan. Currently, you contribute 8% of your earnings each month and your employer contributes an equal amount.

Under applicable legislation, the Pension Committee reserves the power to increase or reduce these contribution rates if required by the financial circumstances of the Plan.

VESTING AND LOCKING-IN OF PENSION BENEFITS

Vesting

Your benefits are vested 2 years after joining the Plan. When your pension benefits are vested, this means that you are unconditionally entitled to receive the pension benefits you have accrued under the Plan following termination of employment according to the benefit formula.

If you leave the Plan prior to your benefits becoming vested, you are entitled to receive a lump sum equal to the amount of the contributions you made to the Plan while you were a member, plus interest. This amount may be taken as a cash payment or transferred to an RRSP.

Locking-In/Transfers

Once your pension benefits are vested, they are also “locked-in”. This means that the pension money payable to you is to be used only for the purpose of providing you with a lifetime retirement income. In other words, once your pension benefits are locked in, you normally cannot take the money out of the pension plan as a lump sum cash payment nor can you assign your benefits to someone else. Under certain circumstances described in this summary, you may be able to transfer the value of your pension benefits to a successor employer’s pension plan or to a locked-in retirement savings vehicle (such as a RRSP or a LIF) allowable under applicable legislation.

PENSION BENEFIT FORMULA

The benefit formula determines the value of your annual pension. The amount of your pension benefits depends on your best average earnings*, your years of credited service* and the date you commence receipt of your pension. Some key terms used in the formula are:

***Continuous Service** is your years (including fractions of years) of uninterrupted service as an employee of a Participating Employer. Continuous service is a broad measure of your time as an employee. It includes all periods of employment with a Participating Employer in the Plan even if you are not actually participating in the plan during some of those periods.

***Credited Service** is a measure of your time as a participant in the Plan. In many cases your credited service will be the same as your continuous service, but in some cases it will be less. For example, part time service with an employer will be pro-rated, and there are limits on the number of years on leaves of absence or disability that count as credited service. If you are a Plan member, your credited service will be shown in your annual plan statement.

***Best Average Earnings** is the average of your best 6 consecutive years of earnings while a member of the Plan. Your earnings are your ordinary salary or wages. They do not include, among other things, money paid in lieu of holidays, travelling expenses, subsistence allowances or overtime pay.

Pension Payable at Normal Retirement Date

Your “normal retirement date” under the Plan will be the earliest of:

- age 65;
- age 60, provided you have completed at least 5 years of credited service*; or
- age 50, provided you have completed at least 30 years of continuous service*.

Normal Pension At or After Age 65

If you are age 65 or older when you start your pension, your benefit will be calculated using the following formula:

$$\left\{ \begin{array}{l} \mathbf{2\% \text{ of Best Average Earnings}} \\ \textit{multiplied by} \\ \mathbf{Number of Years of Credited Service} \end{array} \right\} \textit{minus} \left\{ \begin{array}{l} \mathbf{0.7\% \text{ of AMPE}^*} \\ \textit{multiplied by} \\ \mathbf{Number of Years of Credited Service} \end{array} \right\}$$

*AMPE is your “average maximum pensionable earnings”. It is average of the YMPE in the year of retirement (or the year in which you turn age 65) and the YMPE for the preceding 2 years. However, if your Best Average Earnings are lower, your AMPE is your Best Average Earnings.

Normal Pension Before Age 65

If you have a normal retirement date that occurs before you attain age 65, and you start your pension on that date or on any later date before you are age 65, the benefit you will receive until age 65 will be calculated using the following formula:

$$\begin{array}{c} \mathbf{2\% \text{ of Best Average Earnings}} \\ \textit{multiplied by} \\ \mathbf{Number of Years of Credited Service} \end{array}$$

Once you attain age 65, your pension will be reduced by the same reduction factor described above under “Normal Pension At or After Age 65”, namely:

$$\begin{array}{c} \mathbf{0.7\% \text{ of AMPE}} \\ \textit{multiplied by} \\ \mathbf{Number of Years of Credited Service} \end{array}$$

The reason there is a reduction at age 65 is because the Plan is integrated with the Canada Pension Plan. Since at age 65 you will become eligible to receive your Canada Pension Plan benefits, the benefit formula will automatically adjust to reduce your pension to reflect receipt of those benefits. The result is that your income from the Plan, together with CPP, will be roughly level throughout your retirement.

The temporary benefit payable from the Plan from your date of pension commencement until age 65 is also known as a “Bridge Benefit”.

Pension Payable at Early Retirement Date

Provided you have left employment before your “normal retirement date”, are at least age 50 and have completed at least 5 years of credited service, you may start your pension on an early retirement date and begin receiving a reduced pension as follows:

<i>Age / Service</i>	<i>Reduced Pension</i>
Age 50 to 59 and have completed 25 years of continuous service	Pension calculated according to “Pension Benefit Formula” section above, but reduced by the greater of 5% for each year that you are under age 55 or 5% for each year of service less than 30 years
Age 50 to 59 and have at least 5 years of credited service but have not completed 25 years of continuous service	Pension calculated according to “Pension Benefit Formula” section above, but reduced by 5% for each year that you are under age 60

If you left employment and have not reached either a normal retirement date or an early retirement date as each is described above, please refer to the “Terminating Employment Before You Retire” section below. You may still be eligible for an actuarially reduced pension as described in that section.

Pension Payable at Late Retirement Date

If you postpone retirement and continue to work beyond age 65, your pension is calculated as it would be on your normal retirement date, but will be higher, since it includes credited service after age 65 up to your actual pension commencement date.

Under current income tax law, you must start receiving your pension no later than the end of the calendar year in which you reach age 71.

We provide illustrations of how the benefit formula works in the “Illustrations” section at the back of this summary.

FORM OF PENSION

Your pension will be paid as a lifetime annuity in equal monthly payments based on the value determined by the benefit formula described above. The first payment is made on the last day of the month that you commence retirement and the last payment is due the last day of the month in which you die.

If you have a spouse when you retire, your pension benefits must be paid as a “joint and survivor pension” unless you or your spouse waives this right. This means that your surviving spouse will receive a lifetime pension after your death that will be 50% of the monthly pension that was paid to you.

Minimum Death Benefit

Your pension is guaranteed for 60 monthly payments. This means that if you die without a spouse or dependent children before 60 payments have been made, the remaining payments will be made to your designated beneficiaries.

Spousal Waiver

If you and your spouse decide to waive the “joint and survivor pension” benefit, your spouse must give NEBS a written waiver on the proper waiver form. The waiver is effective only if it is submitted before your pension begins. The waiver may also be jointly cancelled before the payments begin. Before waiving the right to a joint and survivor pension benefit, both you and your spouse are encouraged to separately obtain independent legal advice about your individual rights and the effect of the waiver.

Indexing

The Plan also provides for post-retirement indexing. Once you start to receive your pension benefit it will be increased each year by an amount equal to the increase in the Consumer Price Index. If there is no change in the Consumer Price Index or if it decreases, your pension will not be adjusted that year.

Please know that post-retirement indexing is not a guaranteed benefit under the Plan. If the Plan were ever terminated, indexing could be reduced or eliminated.

Notifying the Plan of Your Retirement

There are a number of administrative steps required to process your pension benefits. You should advise your employer at least three (3) months before you plan to retire. Your employer will advise NEBS and will outline the steps that you need to take to ensure that you receive your pension benefits in a timely manner.

TERMINATING EMPLOYMENT BEFORE YOU RETIRE

If you terminate employment with a Participating Employer before you are eligible for an immediate pension as described in the “Pension Benefit Formula” section above and your benefit is not vested (see “Vesting and Locking-In of Pension Benefits” above), you are entitled to a lump sum equal to the amount of the contributions you made to the Plan while you were a member, plus interest. This amount may be taken as a cash payment or transferred to an RRSP as described in the “Vesting and Locking-In of Pension Benefits” section above.

If you terminate employment before you are eligible for an immediate pension as described in the “Pension Benefit Formula” section above and your benefit is vested, you may choose to:

- Leave your pension in the Plan until age 65 and receive a pension payable according to the “Normal Pension At or After Age 65” section above based on your best average earnings and credited service prior to leaving the Plan.

OR

- Leave your pension in the Plan until you are at least age 50 and start to receive a pension on a date of your choice after age 50 and prior to age 65. The amount of the pension payable each month will be less than the amount that would be payable starting at age 65 (as described in the bullet immediately above) but will be the actuarial equivalent of that pension. Like that pension it will be based on your best average earnings and credited service prior to leaving the Plan. The Plan's actuary will apply the standards and practices of the actuarial profession in Canada in calculating the actuarial equivalent amounts.

OR

- Transfer the commuted value* of your pension benefits out of the Plan in a lump sum. If you elect the lump sum option, your benefits will remain locked-in, as described in the "Vesting and Locking-In of Pension Benefits" section above. You will have the option of transferring the funds to any locked-in retirement savings vehicle allowable under applicable legislation. These include:
 - another pension plan that agrees to accept the money;
 - a locked-in registered retirement savings plan that complies with any applicable pension standards statute of Canada or a province or territory;
 - any other retirement savings vehicle permitted by applicable legislation; or
 - an insurance company to purchase a life annuity.

A transfer of your commuted value is in lieu of all other pension benefits described in this summary. Once such a transfer has been made, you and your beneficiaries will cease to have any claim to benefits under the Plan.

OR

- If you go to work for the federal or territorial public service or to an employer in Ontario that participates in OMERS you may be eligible to have your pension credits under the Plan recognized under your new plan, or which case you will receive a pension from your new plan only.

***Commuted Value** means the amount of a lump sum payment payable today that is estimated by an actuary to be equal in value to a future series of pension payments.

If you terminate your employment but go to work for another Participating Employer within 12 months of termination, your pension credit may be transferred from your old employer to your new employer, provided you have not transferred the value of your benefits out of the Plan.

Once you terminate employment, you will no longer be entitled to the benefits provided by any amendments to the Plan after you leave, even though your pension may remain in the Plan.

SMALL PENSION

If your pension benefit is worth less than a certain amount at the time you terminate employment or retire, you may be able to receive your pension money in a lump-sum settlement.

You are eligible for this settlement if the commuted value of your pension is less than 20% of the YMPE for the year of termination.

Example: If you retired in 2021, the commuted value of your pension would have to be less than \$12,230 as the 2021 YMPE was \$61,600 ($\$61,600 \times 0.20 = \$12,320$).

SHORTENED LIFE EXPECTANCY

If you have a medical condition that is expected to considerably shorten your life expectancy, you may be eligible to receive a lump sum settlement or series of payments in lieu of your normal retirement benefits. Please discuss this with NEBS.

DEATH BENEFITS

The benefit payable following your death will depend on whether you have any eligible survivors, and whether you were vested when you died.

Non-Vested: If you die before commencing a pension from the Plan and your benefit is not vested, your spouse or designated beneficiary (if you do not have a spouse) is entitled to a lump sum as described in the “Vesting and Locking-In of Pension Benefits” section above.

Vested: If you die before commencing a pension from the Plan and your benefit is vested or after retirement, then a benefit will be paid to your eligible survivors as explained below.

Eligible survivors are your spouse or dependent children:

Spouse: For the purposes of the Plan, your spouse is the person with whom you live in a conjugal relationship, whether married to you or not, for a minimum of one year. Check with the NEBS office if you have any questions about a spousal status for the purposes of the Plan.

Dependent Children: Any natural child, stepchild or adopted child who is:

- less than 18 years old and dependent on you for financial support;
- between 18 and 25, a full-time student and dependent on you for financial support; or
- any age and dependent on you for financial support due to a physical or mental infirmity that existed prior to October 1, 2015.

<i>If you Have a:</i>	<i>Your Survivor(s) Death Benefit will be:</i>
Spouse	<p>A lifetime pension equal to 50% of the pension payable according to the “Pension Payable at Normal Retirement Date” section above.</p> <p>If you die prior to pension commencement your spouse may elect to transfer the commuted value of the benefit to any locked-in retirement savings vehicle allowable under applicable legislation in lieu of the pension.</p>
Spouse and eligible dependent children	<p>A lifetime pension to your spouse equal to 50% of the pension payable according to the “Pension Payable at Normal Retirement Date” section above. In addition, each eligible dependent child will receive a monthly benefit of 10% of the pension that would have been payable to you up to a maximum value (together with the pension payable to your spouse) of 90% of the pension that would have been payable to you.</p> <p>If you die prior to pension commencement, your spouse may elect to transfer the commuted value of the benefit to any locked-in retirement savings vehicle allowable under applicable legislation in lieu of the pension.</p>
Eligible dependent children. No spouse.	A monthly benefit to each eligible dependent child of 20% of the pension that would have been payable to you up to a maximum of 80% of the pension that would have been payable to you.
No spouse. No eligible dependent children.	<p><i>Pre-pension commencement death:</i> Your designated beneficiary will receive a lump sum benefit equal to the greater of your contributions with interest or the commuted value you are entitled to under the Plan.</p> <p><i>Post-pension commencement death:</i> Your designated beneficiary will receive any remaining payments left in the 60 month minimum death benefit guarantee period referred to in the “Form of Pension” section above.</p> <p>If there is no named beneficiary, the benefit will be paid to your estate.</p>

MARRIAGE BREAKDOWN

If your marriage ends, your spouse may be entitled to a portion of the pension that you earned under the Plan during the period of the marriage as determined by the *Family Law Act* (Northwest Territories or Nunavut, whichever is applicable to you). If you and your spouse agree to the division of your pension by way of a court order or separation agreement, your pension can be divided.

AMENDMENTS TO THE PLAN

The Pension Committee has the right to amend the Plan at any time. No amendment will affect the benefits you already have in the Plan, unless required or permitted by applicable legislation. However, the Pension Committee is empowered to increase contribution rates or reduce the benefits you are eligible to earn in the future, provided that making one or more of these changes is necessary to preserve the funded status of the Plan.

Each time the Plan is amended in a material way, you will receive an explanation of the amendment.

TERMINATION OF THE PLAN

NEBS has the right to terminate the Plan at any time. In the unlikely event of a termination of the Plan, the pension fund will be distributed in the manner set out in the Plan text. Please note that the portion of your benefits derived from annual cost of living indexing is not guaranteed on plan termination.

IMPACT OF YOUR PENSION ON YOUR RRSP ROOM

The *Income Tax Act* (Canada) limits the amount of retirement savings you can shelter from income tax each year. For RRSPs, the *Income Tax Act* limits the contributions to 18% of your prior year's earned income subject to a dollar maximum (which generally increases each year, but for example, in 2021 the maximum was \$27,830) less your pension adjustment ("PA") as reported to you in your T4 for the previous year.

For a defined benefit pension plan, the PA is an estimate of the value of the pension earned during the calendar year. This is determined using the following government prescribed formula:

$$\text{PA} = 9 \text{ times annual pension earned in the year* minus } \$600$$

**Annual pension earned in the year is not how much has been contributed to the pension fund but the amount earned under the defined benefit pension plan formula in the taxation year.*

Your employer reports the PA to the government annually on your T4. Each year, Canada Revenue Agency advises you of your available annual RRSP contribution room and any unused contribution room on your Notice of Assessment.

INCOME TAX

Please be aware that pension benefits that you receive from the Plan in retirement are taxable. Income tax will be deducted from your pension payments. You should always make sure you file a tax return each year, as in some cases some of this tax will be returned to you.

INFORMATION FOR PLAN MEMBERS

As a member of the Plan, you are entitled to information about the Plan, as it applies to you, and NEBS will provide this information in a timely manner. This information includes:

- an annual statement providing information about your pension entitlement, among other things;
- a statement providing you information about your pension entitlement after you are no longer employed by a Participating Employer;
- a retirement statement, after you have properly notified NEBS that you wish to commence your pension;
- a death benefit statement provided to your spouse or beneficiary following your death.; and
- a notice of any material amendment to the Plan within 60 days prior to the anticipated effective date of the amendment.

You are also entitled to inspect plan documents such as the Plan text, plan amendments, and regulatory forms if you provide reasonable notice to NEBS.

MORE INFORMATION

NEBS will keep this summary current as changes to the Plan occur; however, if you have any questions about the Plan or anything you have read in this summary please contact:

Northern Employee Benefits Services
5122 53 Street
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Email: info@nebsnorth.com

ILLUSTRATIONS

The following are illustrations of how your pension benefits would be calculated in different retirement scenarios according to the Plan's benefit formula. Please note the formula does not include indexing of benefits at the pension commencement which may increase your benefit in subsequent years.

Illustration 1: Normal Retirement At or After Age 65

If you were age 65, had exactly 8 years of credited service, your highest earnings was an annual salary of \$65,000 for a 3 year period preceded by an annual salary of \$60,000 for 3 years and retired on October 2, 2021, your monthly pension benefit would be calculated as follows:

Best Average Earnings: $[(\$65,000 \times 3) + (\$60,000 \times 3) \text{ highest earning}] / 6 \text{ years}$
credited service = **\$62,500** best average earnings

AMPE: $(\$61,600 \text{ 2021 YMPE} + \$58,700 \text{ 2020 YMPE} + \$57,400 \text{ 2019 YMPE}) / 3$
= **\$59,233.33** AMPE

$[(2\% \times \$62,500 \text{ best average earnings}) \times 8 \text{ years credited service}] - [(0.7\% \times$
 $\$59,233.33 \text{ AMPE}) \times 8 \text{ years credited service}] = \mathbf{\$6,682.93}$ basic annual pension

$\mathbf{\$6,682.93}$ basic annual pension / 12 months = **\$556.91** monthly pension benefit

\$556.91 monthly pension benefit

Illustration 2: Normal Retirement Before Age 65

If you were age 60, had exactly 30 years of credited service, your highest earnings was an annual salary of \$50,000 for a 3 year period preceded by an annual salary of \$45,000 for 3 years and retired on October 2, 2021, your monthly pension benefit would be calculated in two stages (pre age 65 and post age 65) as follows:

Stage 1: Pre Age 65

Best Average Earnings: $[(\$50,000 \times 3) + (\$45,000 \times 3) \text{ highest earning}] / 6 \text{ years}$
credited service = **\$47,500** best average earnings

$[(2\% \times \$47,500 \text{ best average earnings}) \times 30 \text{ years credited service}] = \mathbf{\$28,500}$
basic annual pension to age 65

$\mathbf{\$28,500}$ basic annual pension / 12 months = **\$2,375** monthly pension benefit to
age 65

\$2,375 monthly pension benefit until
age 65

Stage 2: Post Age 65

AMPE: See calculation of AMPE in Illustration 1, which results in an AMPE of \$59,233.33. However, in Illustration 2, Best Average Earnings is lower than this number, so your AMPE will be same as your Best Average Earnings.

At age 65, the basic annual pension is reduced by $[0.7\% \times (\$47,500 \text{ AMPE}) \times 30 \text{ years credited service}] = \$9,975.00$ reduction at age 65.

\$28,500 basic annual pension prior to age 65 - **\$9,975.00** reduction at age 65 = **\$18,525.00**

\$18,525.00 basic annual pension at age 65 / **12** months = **\$1,543.75** monthly pension benefit at age 65.

\$1,543.75 monthly pension benefit on and after age 65. In addition, you will receive CPP from the Government

Illustration 3: Early Pension Commencement

If you were age 50, had completed 25 years of continuous service, had exactly 25 years of credited service and your highest earnings was an annual salary of \$65,000 for a 3 year period preceded by an annual salary of \$60,000 for 3 years and you retired on October 2, 2021, your monthly pension benefit would be calculated in two stages (pre age 65 and post age 65) as follows:

Stage 1: Pre Age 65

Best Average Earnings: $[(\$65,000 \times 3) + (\$60,000 \times 3) \text{ highest earning}] / 6 \text{ years credited service} = \$62,500$ best average earnings

$[(2\% \times \$62,500 \text{ best average earnings}) \times 25 \text{ years credited service}] = \$31,250$ basic annual pension

Early Pension Reduction: $5\% \times 5 \text{ years (number of years under age 55 and number of years less than 30 are both 5)} = 25\%$

$25\% \times \$31,250 = \$7,812.50$ early pension reduction

\$31,250 basic annual pension – **\$7,812.50** early pension reduction = **\$23,437.50**

\$23,437.50 reduced annual pension to age 65 / **12** months = **\$1,953.13** reduced monthly pension benefit to age 65

\$1,953.13 reduced monthly pension benefit until age 65

Stage 2: Post Age 65

AMPE: $(\$62,500 \text{ 2021 YMPE} + \$58,700 \text{ 2020 YMPE} + \$57,400 \text{ 2019 YMPE}) / 3$
 $= \$59,233.33$ AMPE

At age 65, the reduced annual pension of **\$23,437.50** is reduced by $[0.7\% \times (\$59,233.33 \text{ AMPE}) \times 25 \text{ years credited service}] = \$10,365.83$ reduction at age 65.

\$23,437.50 reduced pension benefit prior to age 65 - **\$10,365.83** reduction at age 65 = **\$13,071.67** reduced pension benefit at age 65

\$13,071.67 reduced annual pension benefit at age 65/ **12** months = **\$1,089.31** reduced monthly pension benefit at age 65.

<p>\$1,089.31 monthly pension benefit on and after age 65. In addition, you will receive CPP from the Government</p>

Please note that as an alternative, you could choose to start your pension at age 60, in which case your pension amounts, both pre-and post-age 65, would be higher than shown in the illustration above.

Illustration 4: Early Termination of Employment; Pension at 65

If you terminated employment from the Plan at age 40, had completed 10 years of continuous service, had exactly 10 years of credited service and your highest earnings was an annual salary of \$45,000 for a 3 year period preceded by an annual salary of \$40,000 for 3 years and you elected to start your pension on October 2, 2021 at age 65, your monthly pension benefit would be calculated as follows:

Best Average Earnings: $[(\$45,000 \times 3) + (\$40,000 \times 3) \text{ highest earning}] / 6 \text{ years credited service} = \$42,500$ best average earnings

AMPE: See calculation of AMPE in Illustration 1, which results in an AMPE of \$59,233.33. However, in Illustration 4, Best Average Earnings is lower than this number, so your AMPE will be the same as your Best Average Earnings.

$[(2\% \times \$42,500 \text{ best average earnings}) \times 10 \text{ years credited service}] - [(0.7\% \times \$42,500 \text{ AMPE}) \times 10 \text{ years credited service}] = \$5,525.00$ basic annual pension

\$5,525 basic annual pension/12 months = **\$460.42** starting at age 65

<p>\$362.80 monthly pension benefit</p>
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FREQUENTLY ASKED QUESTIONS

Who is eligible to join the Plan?

All employees employed by a Participating Employer in a class of employment that is eligible for membership in are required to join the Plan. Full-time employees generally become members of the Plan on the date of their employment. Part-time employees generally become members of the Plan after completing 2 years of employment in which they earn more than 35% of the YMPE in each of those years (In 2021, 35% of YMPE was \$21,560).

Am I required to contribute to the Plan?

Yes, you are currently required to contribute 8% of your earnings each month.

What is my employer's contribution in respect of the Plan?

Your employer is required to contribute an amount equal to your contributions to the Plan. Currently, your employer contributes 8% of your earnings each month.

When do I become entitled to my benefits under the Plan?

You become *entitled* to the pension benefits you have accrued under the Plan according to the benefit formula once you have been a member of the Plan for 2 years. However, you cannot *receive* any money from the Plan until you reach retirement age (subject to some limited exceptions as described in this summary).

How does this impact any other of my RRSPs?

Your membership in the Plan has a direct effect on how much you can contribute to an RRSP. In each year of membership in the Plan your RRSP contribution room is reduced by a certain amount called a Pension Adjustment (PA). You will always know how much RRSP contribution room you have because the Canada Revenue Agency indicates the maximum amount you can contribute to an RRSP on your Notice of Assessment.

When can I start receiving my pension?

When you can start receiving your pension depends entirely on your age. Once you reach age 65, you are eligible to receive your normal pension. However, you can begin receiving your pension earlier in certain circumstances described in this summary.

How is my pension from the Plan affected by early pension commencement?

Depending on a number of factors (described in this summary) such as age and years of uninterrupted service if you retire early, your pension may be subject to a reduction.

What happens to my pension entitlement from the Plan if I no longer work for my employer?

If you leave your employer before retirement and depending on your age and years of service, you can choose to receive a deferred pension benefit calculated in accordance with the standard

formula or transfer the commuted value of your pension out of the Plan to another locked-in retirement savings vehicle.

Should I name a beneficiary?

Yes. You have the right to name any person you wish. However, it is important to know that if you die before pension commencement, and you have a legal or common law spouse, your death benefits from the Plan will automatically go to your spouse, regardless of your named beneficiary. (This is not the same for a RRSP or life insurance, where the benefit is paid to the named beneficiary regardless of spousal status.)

If you die and you do not have a spouse or eligible dependents benefits will be paid to your named beneficiary(ies). If you do not have a living spouse, eligible dependents or a named beneficiary, benefits will go to your estate.

Am I taxed when my employer makes a contribution to the Plan?

No. Your employer's contributions to the Plan are not included in your taxable income and, therefore, are not subject to income tax.

Are my monthly pension benefits taxed?

Yes. Pension benefits you receive are treated as taxable income at the time you receive them. Income tax is usually automatically deducted.

How does the locking-in rule work?

Benefits from the Plan are "locked-in" as required by law. Unless your entitlement qualifies as a "small pension" under pension legislation, locked-in funds cannot be received in cash until you reach retirement age and must be used to provide a lifetime pension.

What else should I know about my pension benefits?

1. All pension benefits, benefits on terminating employment, death benefits, and other amounts payable are designed to provide retirement income.
2. Generally, with the exception of marital breakdown, your benefits cannot be assigned to anyone, nor can they be claimed by your creditors even if you become bankrupt.
3. Contributions by you and your employer are remitted to a pension trust fund. The pension trust fund is held separate from the assets of your employer.

**This description of the Plan is a summary for communication purposes only. Interpretation is governed by the legal plan documents which the Pension Committee has reserved the right to amend from time to time. In the event of any inconsistency, provisions of the legal plan documents and any applicable legislation will prevail.*