



NEWFOUNDLAND AND LABRADOR MUNICIPAL EMPLOYEE BENEFITS INC.

Employee Booklet for Pension Plan Option 9

[November 2016]

**NEWFOUNDLAND AND LABRADOR MUNICIPAL EMPLOYEE
BENEFITS INC. PENSION PLAN
OPTION 9**

Newfoundland and Labrador Municipal Employee Benefits Inc. (previously the Newfoundland and Labrador Federation of Municipalities) has coordinated pension benefits for employees of participating municipalities since October 1, 1978.

The Pension Plan for Participating Employers of the Newfoundland and Labrador Municipal Employee Benefits Inc. (“Plan”) is administered and operated for the benefit of participating municipalities and their eligible employees by NLMEB Inc., operating as TRIO.

The Plan is a registered pension plan conforming with the Newfoundland and Labrador *Pension Benefits Act, 1997* and to the *Income Tax Act (Canada)* and its Regulations. Contributions made by you are deductible for income tax purposes. Contributions and investment earnings are tax-sheltered, which means you pay income tax on those amounts only when you make withdrawals.

In addition to the benefits from this Plan, you may also receive the pensions provided by the *Canada Pension Plan Act* and the *Old Age Security Act*.

The following pages describe the main provisions of the Plan at the date this booklet was prepared. Please read this booklet carefully so that you will be familiar with the benefits to which you may be entitled under the Plan.

Important note: The Plan terms and the legislation governing the Plan may be amended from time to time. Such amendments may affect the benefits described in this booklet. This booklet is a summary only, and the details of benefits are set in the official Plan text. While we have made reasonable efforts to ensure the accuracy of the information in this booklet as at the date it was prepared, if there is any conflict between the terms of this booklet and the official text of the Plan, the text will govern.

SUMMARY OF HOW OPTION 9 OF THE PLAN WORKS

Option 9 is the defined contribution option within the Plan. As a result it operates in a slightly different way to the other options within the Plan. Once you have joined the Plan, you and your employer automatically contribute to your Individual Member Account. You can decide to contribute an extra amount with voluntary contributions. See section B for more details.

Your Individual Member Account will be invested along with the combined Plan funds, and will be credited with the net investment income achieved on these funds (see section C).

If you terminate employment with at least two years of Plan membership, or retire directly from active employment, you are entitled to the value of your Individual Member Account, including employer contributions and any investment income. If you have completed less than two years of Plan membership you are only entitled to the value of your own contributions plus any investment income.

Upon reaching retirement, you decide how to use your Individual Member Account to provide yourself with a retirement income. The amount of retirement income you will receive is only known when you retire. It depends on the value of your Individual Member Account and the type of retirement income you arrange (see section E).

A. ELIGIBILITY

Membership in the Plan is mandatory. If you are a full-time employee, you will be required to join on the earlier of 24 months after the date you are hired or 24 months after the date your municipality joined the Plan.

If you are a part-time employee, you will be required to join the Plan on the earlier of the date you have completed 24 months of employment or 24 months after the date your municipality joined the Plan, provided that you have earned at least 35% of the YMPE in two consecutive calendar years. The YMPE (or “year’s maximum pensionable earnings”) is the maximum level of earnings on which contributions and benefits are based under the *Canada Pension Plan Act*. In 2016, the YMPE is \$54,900 (in 2015, the YMPE was \$53,600, in 2014, the YMPE was \$52,500, and in 2013 it was \$51,100).

Individual municipalities have the option to establish a waiting period of less than 24 months after the date you are hired. You should check with your municipality to determine whether the waiting period is less than 24 months for your municipality.

B. CONTRIBUTIONS

Unless your employer selects a different matching contribution level, you will contribute an amount equal to 3.0% of your salary towards the cost of your pension benefits. The employer will also contribute an amount equal to 3.0% of your salary towards the cost to provide your pension benefit. An employer may select a matching contribution rate that is greater than 3.0% but not more than 9.0% of salary.

You may also make additional voluntary contributions up to the limits permitted under the *Income Tax Act*.

The *Income Tax Act* limits total contributions (member and employer) to the lesser of 18% of income and the Money Purchase Limit (currently \$ 26,010 for 2016).

C. INVESTMENT INCOME AND EXPENSES

All contributions from you and your employer are invested through the Plan. The Plan’s funds for all options combined are invested in line with Trio’s formal investment policies and procedures. Therefore, you have no investment decisions to make. The investment return on your Individual Member Account is equal to the net investment return achieved on the Plan’s combined funds.

You are responsible for expenses associated with investment services and account administration. Those fees are deducted directly from your Individual Member Account. All investment income and fees are expressed as a percentage of your Individual Member Account and are credited (or deducted) on an annual basis.

D. RETIREMENT DATES

Your normal retirement age under the Plan is 65. Early retirement is permitted at any time after age 55.

You may postpone your retirement beyond your normal retirement age but not beyond the end of the calendar year in which you reach age 71. If you continue to be employed, you will continue to contribute and earn benefits during this period of postponement.

E. AMOUNT OF PENSION

When you retire from your employer you may use your Individual Member Account to:

- Purchase a lifetime annuity from a licensed issuer of annuities;
- Transfer the locked-in portion of your Individual Member Account; (you and your employer's non-voluntary contributions plus earned investment income), to another locked-in account, for example, a locked-in retirement account (LIRA) or a life income fund (LIF);
- Transfer the unlocked portion of your Individual Member Account (your additional voluntary contributions plus earned investment income) to another retirement savings option such as a registered retirement savings plan, or take it in cash (subject to applicable taxes).

The actual amount of pension you will receive on retirement will depend on the value of your Individual Member Account and the form of pension you purchase.

F. DEATH BENEFITS

(a) Rules respecting Payment of Death Benefits

Please note that, under the Newfoundland and Labrador *Pension Benefits Act* and other legislation governing the Plan, there are rules that apply to the payment of death benefits, as follows:

- (i) you may designate any person as your beneficiary;

- (ii) if you have a qualifying spouse (please review the definition of “spouse” outlined below) at the time of your death, your spouse may receive certain death benefits from the Plan regardless of any other beneficiary designation;
- (iii) if you do not have a qualifying spouse at the date of your death and you do not designate a beneficiary, any death benefits payable from the Plan will be paid to your estate.

The Newfoundland and Labrador *Pension Benefits Act* prescribes rules to determine who may qualify as a spouse for pension plan purposes. Those rules are summarized here:

- if you are **not** legally married and you have lived in a common law relationship with another person for **one year** or more (and you are currently living with that person), he or she will be recognized as your spouse under the pension plan;
- if you **are** legally married, but you are separated from that person and you have lived in a common law relationship with another person for **3 years** or more (and you are still living with your common law partner), the person with whom you are living in a common law relationship will be recognized as your spouse under the pension plan;
- if you **are** legally married and you live with your legal spouse or, if you are separated but you do not have a common law spouse as described in the paragraph above, the person to whom you are legally married is your spouse for pension plan purposes.

Your spouse may be of the same or opposite sex.

If your situation changes and you enter a relationship with someone who would be considered a spouse or end a relationship with a spouse, it is important to ensure that your spouse on record for pension plan purposes is updated as required. You may also want to complete a new beneficiary designation in those circumstances. Please contact your employer if you would like to change your spouse on record or your beneficiary designation.

(b) Death Before Retirement

If you die before retiring, and before completing 2 years of Plan membership, your beneficiary will receive a refund of your member contributions to the Plan, with interest. The employer contributions to the Plan, with interest will be forfeited.

If you die before retiring, but after completing 2 years of Plan membership, your beneficiary will receive a refund of the balance held in your Individual Member Account. However, if you have a qualifying spouse at the date of your death (as described in the

preceding section), your spouse will receive the payment described above even if you have named a different person as your beneficiary.

(c) **Death After Retirement**

The death benefit your spouse or beneficiary receives will depend on the form of pension you purchase on your retirement, including a transfer to a locked-in retirement account (LIRA) or a life income fund (LIF).

It is possible to purchase a pension that will be guaranteed to be paid for a set period of time, even if you die during that period. It is also possible to purchase a pension that will continue to be paid to your spouse for their lifetime in the event of your death.

If upon your retirement, you transfer your Individual Member Account to a LIRA or LIF, the remaining balance will be paid as a death benefit to your Spouse (or beneficiary or estate, if there is no Spouse).

When you retire you will be able to choose the form of pension that you feel will best suit you and your family's needs.

G. TERMINATION BENEFITS

(a) **Before 2 Years of Plan Membership**

If you terminate employment before completing 2 years of Plan membership, you will normally receive a refund of your member contributions to the Plan, with interest. The employer contributions, with interest will be forfeited.

You may elect to transfer your entitlement to the pension plan of a new employer or to your personal RRSP.

(b) **After 2 Years of Plan Membership**

If you terminate employment after completing 2 years of Plan membership, you will receive a deferred pension in respect of all service, equal to the amount of pension that can be purchased by the balance of your Individual Member Account.

You may elect to transfer the balance of your Individual Member Account to the pension plan of a new employer, to a locked-in RRSP, to a life income fund or to an insurance company for the purchase of a deferred life annuity.

H. GOVERNMENT PENSION BENEFITS

In addition to the benefits provided under the Plan, you may receive pension benefits under the *Canada Pension Plan Act* when you reach age 60, and the *Old Age Security Act* when you reach age 65.

(a) Canada Pension Plan Act (“CPP”)

The pension payable from the CPP to those retiring at age 65 is approximately 25% of earnings for the year that is two years prior to retirement, up to a maximum earnings level equal to the YMPE for the year of retirement. In 2016, the YMPE is \$54,900.

Enhancements to the pension payable from the CPP were made during 2016. These enhancements increase the level of pension from 25% to 33% of earnings. This higher pension will only be paid in respect of contributory years from 2019 onwards. In addition, the maximum earnings level will increase to 107% of the YMPE in 2024 and 114% of the YMPE thereafter.

The CPP benefits may be payable as early as age 60 but, if they begin early, they will be reduced. The early retirement reduction factors have changed in the recent years and when the changes are fully phased in by 2017, the early retirement reduction will be 0.6% for each month (or 7.2% for each year) of early payment.

Check the Service Canada website for up-to-date details on CPP.

(b) Old Age Security Act (“OAS”)

Currently, the maximum OAS benefit payable effective October 1, 2016, is \$6,942 a year. It is paid at age 65 to everyone who meets the residence requirements.

The OAS benefit may be reduced if income exceeds certain levels (\$73,756 in 2016).

Both the Canada Pension Plan and the Old Age Security benefits are adjusted by cost-of-living increases on a regular basis.

I. PROOF OF AGE

You will be required to furnish proof of age before you retire. A baptismal or birth certificate is the best proof of age. A citizenship certificate or passport is also acceptable. If one of these is not available, you may obtain information concerning acceptable proof of age from your employer.

J. FUTURE OF THE PENSION PLAN

Newfoundland and Labrador Municipal Employee Benefits Inc. expects the Plan to be permanent, but necessarily reserves the right to amend or discontinue the Plan in whole or in part if, in its opinion, future conditions should warrant such action. However, this would not affect the benefits earned up to the date of the change.

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