QUFA PENSION NEWS
Queen's University Faculty Association Pension News

Comparison of the Provisions of the QPP and the UPP

A detailed comparison of the provisions of the Queen's Pension Plan (QPP) and the University Pension Plan (UPP)

This document is a summary of one that has been prepared by the labour side of the University Pension Plan (UPP) design group. In form, it resembles part of Schedule II of the formal notification document that you will receive from the administration at the time of a vote by non-unionized employees and retirees on conversion to the UPP (April to June 2019). As a member of QUFA, you will vote on conversion to the new pension and on a new collective agreement (CA) **9-15 February 2019**. Please see the QUFA Web site for a *QUFA Pension News* sheet that explains these different ratification processes (http://www.qufa.ca/ (under "Member Services" > "Pension Information" > "Pension Information Sheets").

Though still complex, this document has been modified to provide a short comparison of the most important features of the two pension plans. We feel that you need this information to make an informed decision. You can see the full labour-side Schedule II document on the QUFA Web site (under "Member Services" > "Pension Information" > "Background Documents").

Disclaimer: if there are any substantive differences between this document and the formal notification from the administration circulated in the spring, the administration document will take precedent.

Schedule II: Comparison of the Current Plan and the UPP

a) **Your summary:** You will receive a summary of your personal pension entitlements as of 30 September 2018 under the UPP, assuming that the conversion took place on that date. Because benefits under the UPP for service prior to the inception date of the UPP will be determined by the provisions of the current plan, the benefits payable under the UPP as of 30 September 2018 will be exactly the same as the benefits payable under the current plan.

b) **UPP contribution rates:** In the QPP, the contribution rate is 7.0% of earnings below YMPE and 9% above YMPE. In the UPP, this will be 9.2% and 11.5%. For QUFA Members, the contribution increases associated with the conversion of the current plan into the UPP are offset by salary increases and other changes negotiated by QUFA. The CPP maximum earnings level (YMPE) is $57,400 in 2019. In 2025, the new enhanced "year's additional maximum pensionable earnings" (YAMPE) will apply. YAMPE is 14% higher than the YMPE. The Canada Revenue Agency (CRA) sets a maximum pension that can be earned per year of service in a defined-benefit plan, which results in a maximum pensionable salary. Based on the design of the UPP, in 2018 dollars this is $165,000.

c) **Comparison of plan provisions (QPP vs. UPP):**

	Queen's University Pension Plan (QPP)	University Pension Plan (UPP)
Basis of pension calculation	The pension that can be purchased, using the plan's actuarial tables, from the balance in your money purchase account plus the difference, if any, between that pension and the minimum guarantee pension.	A best-average-earnings-based defined benefit pension calculated in accordance with the benefit formula multiplied by your years of credited service.
Formula up to the CPP maximum	Minimum guarantee formula: 1.35% of highest average salary up to the CPP maximum before 1 September 1997 and 1.4% after.	Pension formula: 1.6% of highest average salary, up to the CPP maximum.

Formula over the CPP maximum	Minimum guarantee formula: 1.8% of highest average salary over the CPP maximum.	Pension formula: 2.0% of highest average salary over the CPP maximum.
Money purchase pension	The money purchase pension is the annual pension purchased with your money purchase component account. It is reduced by the cost of the non-reduction feature.	Not applicable.
Definition of highest average salary	Best consecutive 48 months of earnings.	Best 48 months of earnings (need not be consecutive).
Definition of average CPP maximum salary	The average YMPE for years used in the calculation of final average earnings.	Before 2025, the average of the YMPE applicable for the 48 months prior to the determination of the pension. After 2024, the annualized average of the YAMPE (or 114% of the YMPE for years in the calculation for which there is no published YAMPE).
Indexation	The annual adjustment amount is based on earnings above 6% per year (excess interest) over the previous 6 years, adjusted for mortality experience in the plan. If excess interest is less than zero, no adjustment is made in that year, and no adjustment will be made in future years until the shortfall has been recovered. Indexing applies to the portion of your pension that is attributable to the money purchase component of your pension. It also applies to the minimum guarantee pension (if any) attributable to service prior to September 2012.	The UPP provides for funded-conditional indexing. “Funded” means that contributions to the UPP are sufficient to fund indexing to 75% of the change in the CPI in the previous year. Adjustments would be effective 1 January. The UPP’s conditional indexing is guaranteed for 7 years after inception. Future adjustments will be subject to the financial condition of the UPP and a funding policy developed and approved by the joint UPP sponsors. If indexing adjustments are reduced because of the financial condition of the plan, those adjustments will be restored when the UPP’s finances permit. These adjustments will not apply to the deferred pensions of former members.
Normal retirement date	The last day of the academic year during which the member reaches age 65.	The last day of the month coincident with or in which the member reaches age 65.
Early retirement	The money purchase component of your pension will be determined as set out above. The minimum guarantee portion of your pension will be reduced as follows: • for service prior to 1 September 2012, by 2% for each year for the first 5 years preceding the Normal Retirement Date and 6% for each year in excess of 60 months. • for service after 1 September 2012, it will be reduced 3% for each year for the first 60	If you are age 60 or more, and your age and service total 80 years or more, you will receive an unreduced pension. Otherwise, for members who retire after age 55, the pension earned to their date of retirement would be reduced by 5% for each year their early retirement date precedes their normal retirement date.

	months and 6% for each year in excess of 60 months.	
Pension payment date	First day of the month following your normal retirement date or early retirement date.	Same.
Post-retirement death benefits without a spouse or partner	If you do not have a spouse or partner as of your retirement date, your pension will be guaranteed for a period of 10 years. Your pension will continue for 10 years or until your death, whichever comes later. If you die within the ten years, your beneficiary or estate will receive the pension you would have received for the remainder of the ten years.	Same.
Post-retirement death benefits with a spouse or partner	The normal form of benefit is a 60% survivor benefit to surviving spouse or dependent children. Your pension will be reduced so that the value of your benefit, including the survivor benefit, is equal to the 10-year guaranteed benefit to a single person without an eligible spouse or dependent.	The normal form of benefit is a 50% survivor benefit. To increase the survivor benefit to the 60% level, which is the legislative default, your pension will be reduced to offset the difference in cost (~1.5%). If your spouse is more than 10 years younger than you, your pension will be reduced so that its total value, including the survivor benefit, is equal to the value of a pension paid to a member with a spouse who is 15 years younger.
Optional forms of surviving spouse benefits	Various options for survivor benefit between 50% and 100% of the member's benefit, with the member's benefit reduced to equate to the cost of the normal form of benefit.	Similar options.
Pre-retirement death	**Post-1986 service** Money purchase component account from contributions after 1 January 1987 plus the amount, if any, by which the commuted value of your minimum guarantee pension (calculated as of your date of death) exceeds the balance in your money purchase component account. This amount is payable to your eligible spouse, beneficiary, or estate as a lump sum, or an immediate or deferred annuity. **Pre-1987 service** **Money purchase component account from before 1987:** If you have an eligible spouse or partner, they are entitled to the share of that account attributable to your contributions. The share attributable to the university's contributions is payable to your beneficiary or to your estate.	**Before early retirement eligibility** Commuted value. **After early retirement eligibility** The greater of the value determined above, or the commuted value of the early retirement pension that the member would have received had they retired immediately prior to their death, taking into account any early retirement benefit reductions that would have applied. **After normal retirement date** The member will be deemed to have retired immediately prior to death, and the form of benefit options applicable to a survivor will be applied.

<table>
<tr><td></td><td>Credited past service: Commuted value or deferred annuity to eligible spouse; otherwise commuted value to beneficiary or estate.

Past service money purchase account: With eligible spouse or partner, lump sum balance or immediate or deferred annuity; without eligible spouse or partner, lump sum to beneficiary or estate.

Additional voluntary contributions or special vested contributions: Lump sum balance to eligible spouse; if no eligible spouse, to beneficiary or estate.</td><td></td></tr>
<tr><td>Benefits on termination</td><td>For termination of employment for reasons other than death, an immediate pension calculated in accordance with the plan formula described above. Alternatively, the pension may be deferred to a later date, not later than the 31 December of the year you turn 71. The minimum guarantee pension is not indexed during the deferral period.</td><td>For termination of employment for reasons other than death, a deferred pension beginning between your early retirement date under the Plan and your normal retirement date. The benefit is the pension earned to the date employment is terminated, beginning at the normal retirement date. A deferred pension may begin at any age after your early retirement date but will be reduced to the same value as a benefit beginning at the normal retirement date. Deferred pensions are not indexed in the deferral period</td></tr>
<tr><td>Portability</td><td>1. Transfer to another pension plan, provided that the administrator agrees to accept the transfer;
2. Transfer to an RRSP;
3. Transfer to an insurance company licensed in Canada for the purchase of an immediate or deferred annuity.

The same options apply to the balance in a past service money purchase account or the commuted value of a credited past service pension. For additional voluntary contributions or special vested contributions, your choice is a lump-sum refund or a transfer to a non-locked-in RRSP. In lieu of the amounts determined above with respect to service prior to 1987, a member who is over age 45 and has completed 10 years of service may elect to receive a lump-sum cash payment of 25% of the amount calculated in accordance with the provisions above and attributable to that service.</td><td>In lieu of a deferred benefit, provided you are not eligible for an immediate pension, you may transfer the commuted value of the benefit to a locked-in retirement income vehicle. There is no commuted value option for a member who is eligible for an immediate (reduced or unreduced) pension (i.e., after age 55).

Transition of portability options for members of the QPP.

In the current QPP plan, you may transfer the commuted value of your pension after you have reached your early retirement date. In the UPP, your entitlement is to a pension, either immediate or deferred. The transition to the UPP rules will take place in three steps:

1. For the first three years of operation of the UPP, the QPP portability</td></tr>
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		options will be available for service both before and after the inception date of the UPP. 2. From the 4th to the 10th years of operation of the UPP, the portability options in the QPP will apply to benefits earned in the QPP, and the portability options in the UPP will apply to service in the UPP. **3.** After 10 years of operation of the UPP, the UPP portability options will apply to all benefits, including benefits earned in the QPP prior to the inception date of the UPP.
Small pensions	If commuted value of a pension payable at normal retirement is less than 20% of the YMPE under the Canada Pension Plan, or the benefit payable is less than 4% of the YMPE, the plan may pay the benefit out as a lump sum.	Same, or transferred to an RRSP or RRIF.
Provisions related to employment after the normal retirement date	If you continue to work after your normal retirement date, you have one of three options. You can elect to continue to contribute to the QPP and accrue credited service until you retire or reach age 71, at which point you must begin to receive your pension. Alternatively, you can elect to cease contributions and pension accrual and either defer your pension until age 71 or begin to receive your pension while continuing in employment.	You must continue to contribute to and accrue service in the UPP until you either retire or reach age 71. Once you have reached age 71, you can continue to work at Queen's University and receive your pension. Prior to age 71, the option of continuing in employment and receiving a pension is not available. If you have already reached your normal retirement date when the UPP commences, your right to receive a pension while continuing to work at Queen's between age 65 and 71 will apply.
Additional voluntary contributions and special voluntary contributions	Members may elect to make additional voluntary contributions and special voluntary lump-sum contributions to the plan in addition to required contributions.	No provision for contributions beyond required contributions.

QUFA can be reached at qufa@queensu.ca.

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