Your Pension and Your Retirement

DALHOUSIE UNIVERSITY

A guide to preparing for your retirement

How to contact us

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This booklet contains only a summary description of the Dalhousie University Staff Pension Plan and a summary of coverage under the Staff Benefits Program. The Plan text and Staff Benefits Program contain numerous provisions not summarized in this booklet, which may apply to you. In the event of any conflict between this booklet and the Dalhousie University Staff Pension Plan text or the Staff Benefits Program, the Plan text and Staff Benefit Program will govern.

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General Information

About the Dalhousie University Staff Pension Plan

The Dalhousie University Staff Pension Plan came into effect in 1959 and has been amended from time to time. Its primary purpose is to provide pension benefits to its Members. The Board of Governors of the University, along with the Pension Advisory Committee, has made every effort to develop a pension plan which will provide effective lifetime security to employees of the University and their beneficiaries.

Defined Benefit Plan

The Plan is a contributory defined benefit plan. This means two things: first, your retirement pension is based on a formula that takes into account your pensionable salary and pensionable service, and second, you must contribute a portion of your salary to help fund your future pension. Dalhousie University, as plan sponsor, is obligated to set funds aside regularly to pay for the pensions that you and other plan members will receive in retirement. An actuary periodically estimates the contribution requirements by making assumptions about future interest rates, salary levels, investment returns, life expectancies, and when members will retire, etc.

The Nova Scotia *Pension Benefits Act* establishes standards for minimum pension contributions and benefits. It ensures compliance by requiring the periodic filing of documents such as annual information returns and actuarial valuations with the Nova Scotia Pension Regulation Division.

How you and your family can use this booklet

IT IS RECOMMENDED THAT YOU KEEP A COPY OF THIS BOOKLET IN A PLACE WHERE FAMILY MEMBERS CAN ALSO FIND IT ALONG WITH COPIES OF OTHER IMPORTANT DOCUMENTS LIKE YOUR WILL. This booklet is geared to the member who is planning to retire within a few years from the Dalhousie University Staff Pension Plan. If you are eligible for, or planning to collect, a pension within the next five years, this booklet will guide you through the decisions you will need to make and the processes that occur while you are still a member. This booklet includes the provisions of the Plan as of March, 2018.

Planning for your retirement

Retirement income needs

Many financial advisors recommend that a comfortable retirement requires a retirement income of 60% to 80% of your pre-retirement employment income. However, that percentage may be lower depending on how you spend your money. Figuring out what expenditures you will and won't have during retirement will help you plan and be prepared for the future. One of the unknowns in retirement planning is future increases in the cost of living. Your pension from the Dalhousie University Staff Pension Plan may be indexed for inflation depending on fund performance. It will not depreciate.

Preparing detailed lists of your expenses and your income will help you form a clearer picture of your financial status. What percentage of your current employment income do you estimate as your retirement income? Will it be enough to pay your expenses and still have money for discretionary items? Will you need to find an alternate source of income during retirement, such as a part-time job? Will your spouse be contributing to your household income? Do you have potential income from RRSPs or an inheritance? Once you have your personal "balance sheet" you can use it as a basis for planning.

Your Estimated Expenses At Retirement	
Long-term debt: include mortgage/rent, loans, credit cards, etc.	$
Estimated living expenses: food , clothing, medical and health, house and car maintenance, etc.	$
Discretionary living expenses: entertainment, travel, etc.	$
Total Household Expenses	
Your Estimated Retirement Income	$
Pension from Dalhousie University Staff Pension Plan	$
Pension from the Canada/Quebec Pension Plan (CPP/QPP)	$
Other pension/annuities	
Old Age Security (OAS)	$
RRSP INCOME	$
Employment Income	$
Non-Registered savings	$
Other investments	$
Total Household Income	$

If you have a spouse, these calculations should include your spouse's expenses and income. This is simply a starting point for determining your financial picture at retirement. By starting the exercise of examining your financial health before retirement, you can take the necessary steps to either increase your savings for retirement or adjust your lifestyle. A certified financial planner can help you do a thorough analysis of your financial situation and assist you with planning for retirement.

Other sources of retirement income

Canada Pension Plan (CPP)

The CPP is a contributory public pension plan that provides a basic level of earnings replacement in retirement for workers throughout Canada, except in Quebec. Workers in Quebec are covered by the Quebec Pension Plan, which provides similar benefits. The CPP is financed by employer, employee and self-employed contributions, as well as income earned on CPP investments. The CPP retirement benefit currently replaces a maximum of 25 per cent of earnings up to the Year's Maximum Pensionable Earnings, which approximates the average Canadian wage and is indexed to average wage growth annually. The CPP is a "career average plan", meaning that earnings over an entire career (with certain exclusions) are taken into account when calculating benefits. A full CPP retirement benefit is available at age 65; however, it can be taken as early as age 60 with a permanent reduction or as late as age 70 with a permanent increase.

In 2018, the maximum new retirement benefit payable at age 65 is $13,610 per year. However, due to variability in earnings levels amongst Canadians, not all contributors receive the maximum CPP retirement benefit. The average CPP retirement benefit that was paid in October 2017 to new CPP beneficiaries aged 65 was $7,700 per year, or slightly less than 60 per cent of the maximum benefit.

There is also a post-retirement benefit paid to recipients of the CPP retirement benefit who continue to work and make contributions to the Plan.

In addition to retirement benefits, the CPP also provides supplementary benefits, including:

- Disability benefits—a monthly benefit provided to those who have made sufficient CPP contributions and whose disability prevents them from working at any job on a regular basis and a monthly benefit for their dependent children;
- Survivor benefits—a monthly benefit provided to the surviving spouse or common-law partner of a deceased contributor and a monthly benefit to their dependent children; and
- A death benefit—a one-time, lump-sum benefit usually paid to the estate of the deceased.

The Government of Canada and the provinces are the joint stewards of the CPP. Major changes to the federal legislation governing the CPP require the formal consent of the Parliament of Canada and at least 7 out of the 10 provinces representing two-thirds of the population of the 10 provinces.

Starting in 2019, the CPP will be gradually enhanced, meaning you will receive higher benefits in exchange for making higher contributions. The CPP enhancement will only affect you if, as of 2019, you work and make contributions to the CPP. Up until 2019, the CPP retirement pension replaces one quarter of your average work earnings. In 2019, this will begin to gradually increase to one-third of your average work earnings. This average is based on your work earnings, up to a maximum earnings limit each year. The maximum limit used to determine your average work earnings will also gradually increase by 14% by 2025. As a result, pension amounts will increase by more than 33%. Your CPP pension will increase based on how much and for how long you contribute to the enhanced CPP. You will get the full increase if you contribute to the enhanced CPP for 40 years. The enhancement also applies to the CPP post-retirement benefit. If you are receiving the CPP retirement pension and you continue to work and make CPP contributions in 2019 or later, your post-retirement benefits will be larger.

Old Age Security (OAS)

In addition to CPP, you may be entitled to a monthly retirement benefit from Old Age Security (OAS). OAS benefits are payable monthly and indexed quarterly. OAS starts at age 65 and cannot be taken any earlier. OAS is financed from general government revenues and provides benefits to most Canadians 65 years of age and over who meet the residency requirements.

To improve flexibility and choice in the OAS program, for those wishing to work longer for example, the government will allow for the voluntary deferral of the OAS pension for up to 5 years, starting on July 1st, 2012.

If your net income exceeds the threshold amount ($75,910 for 2018), you have to repay part or your entire OAS pension. Part or your entire OAS pension is reduced as a monthly recovery tax. You must pay the recovery tax if:

- your annual net income is more than $75,910 (for 2018, in Canadian dollars); and/or
- you live in a country where the non-resident tax on Canadian pensions is 25% or more.

For more information on either the CPP or OAS program, visit Service Canada's website at www.servicecanada.gc.ca

RRSPs, Employment Income, Savings, Home Equity and Insurance

You may have alternate sources of retirement income over and above your employer pension plan and government sponsored pensions. Registered Retirement Savings Plans (RRSPs) can provide a supplement to your pension or they can be kept until age 71 and then converted into Registered Retirement Income Funds (RRIFs) or annuities.

Many pensioners choose to continue employment in either a full-time or part-time capacity as a means of supplementing their pension income. If you choose to work for Dalhousie University through a reduced workload arrangement, please read the section "Reduced Workload Arrangement".

If you own your home, you may decide to downsize to a smaller place to use the home equity for living costs and to reduce expenses. Personal savings can also be a source of more liquid assets in retirement.

Life insurance options are available that offer a variety of packages from term to whole life annuities. This is a competitive field so you should explore your options and research the alternatives available.

How much pension will you get from the Dalhousie University Staff Pension Plan?

Pension Benefit

The basic pension benefit you accrue in the Dalhousie University Staff Pension Plan:

- is based on
  i. the average of your best three years of annual salary and
  ii. your pensionable service credit (to a maximum of 35 years)
- is paid for your lifetime
- may be adjusted for inflation on an annual basis (see section on inflation projection)
- can be paid under a number of optional forms

Calculating Your Pension at Age 65

Your basic pension will be calculated as follows:

2% x (a x b) = annual pension at age 65

a = your best three-year average annual salary

b = your credited service

Your **average annual salary** is the average of your best three years of annual salary.

Example:

Let's assume you are 65 years old and retired on July 1st, 2018 with the following:

- Average annual salary (Best 3): $50,000
- Credited service: 20 years

Using the basic pension formula, your retirement pension would be calculated as follows:

0.02 x $50,000.00 x 20 years = $20,000 per year

Income Tax Limits

Please note that there are certain *Income Tax Act* limits to the amount of pension that can be paid from a Registered Pension Plan.

Credited service is limited to 35 years

There is also a limit on the amount of earnings that may be used in calculating your pension. For 2018 the maximum pensionable earnings is $147,222. This limit is indexed each calendar year.

Normal Form of Pension

The basic pension described above would be payable based on the normal form of pension under the Dalhousie Staff University Pension Plan. The normal form of pension is as follows:

For service prior to June 30, 2004:

Single Members: Life, guaranteed for 10 years

Married Members: Joint and 66.67% survivor pension, guaranteed for 5 years

For service after June 30, 2004:

All Members: Life, guaranteed for 7 years

Please note: You will be provided with a statement prior to retirement which provides you with a variety of pension payment options that are payable under the pension plan. These quotes will be equivalent in value to the "normal form" displayed above.

Contributions

Contributions to the Plan are based on your pensionable earnings (your regular salary not including bonuses and other forms of special remuneration such as shift premia, honoraria, administrative stipends and summer school stipends).

Contributions to the Plan are based on the following :

Member normal contributions:

- 4.65% of the first $5,000.00 of salary plus 6.15% of salary in excess of $5,000.00.

PLUS

Member supplemental contributions:

- 2% of salary

Example

Annual Salary:		**$50,000**
4.65% of the 1st $5,000 of salary:	0.0465 x $5,000.00 =	$232.50
6.15% of salary in excess of $5,000:	0.0615 x $45,000.00 =	$2,767.50
2% of salary:	0.02 x $50,000.00 =	$1,000.00
Total annual member contributions to the fund:		**$4,000.00**

Dalhousie University will contribute the balance, as recommended by the Actuary, required to guarantee the benefits provided by the Plan and additional amounts, if any, required under the Nova Scotia Pension Benefits Act. At a minimum, the University contributions will match your member normal contributions.

When can I retire and what are my retirement options?

Normal retirement age – 65

The normal retirement date under the Dalhousie University Staff Pension Plan is:

- The July 1st following your 65th birthday.

Pension payments start the first month following the month you retire and are payable for your lifetime. See page 8 for information on how your pension is calculated. For example, if you retire on June 15th your pension payments will start in July.

You are also eligible to retire with your full pension (i.e., not reduced for early retirement) on the first of any month following your attainment of age 65.

Early retirement age – 55+

You may retire with a reduced pension as early as the first of the month after you reach age 55. When retiring early, your pension is calculated using the basic pension formula and is then reduced by an adjustment factor for each year you are under exact age 65. The reduction will be prorated for partial years.

The adjustment factors are detailed in the table below:

Full years prior to Exact age 65	Adjustment factor for service up to and including June 30th, 2004	Adjustment factor for service after June 30th, 2004
10	.76	.63
9	.80	.66
8	.84	.69
7	.88	.72
6	.92	.75
5	.95	.78
4	.98	.81
3	1.00	.85
2	1.00	.90
1	1.00	.95

What retirement options are available?

Immediate Pension Commencement

- A Pension is available in a variety of optional single and married forms (e.g. Life only, Joint & Survivorship 60%, etc.) that are actuarially equivalent in value to the basic pension payable under the normal form and adjusted for any early pension commencement prior to age 65.
- Two types of joint & survivor pension are available.
    - "Type I" means the original amount of pension continues to be paid to the member if their spouse predeceases them. This is the standard form of payment.
    - "Type II" forms of pensions are typically higher in amount than Type I pensions because the pension payments are reduced to the stated percentage of the full benefit on the death of either the member or spouse, whichever occurs first. This form of payment is available on request.
- The Nova Scotia *Pension Benefits Act* (NS PBA) requires a minimum of a 60% survivorship for a married member's spouse.

Immediate Pension Integrated with Canada Pension Plan (CPP)

- This option is available only to members who retire prior to age 60 and integration applies only to age 60.
- The Dalhousie University Staff Pension will be enhanced to age 60; thereafter it will be reduced by approximately the amount of the member's CPP benefit upon the member's attainment of age 60.
- The integrated pension amount is based on estimates of payments under the CPP over which Dalhousie University exercises no control.
- Dalhousie University is not liable for any reduction in non-Dalhousie pension which may take place as a result of future changes in the CPP on which the integration is based.
- The pension payable from the Dalhousie University Plan will reduce by the exact amount (plus any indexation applied) indicated at the time of the original calculation regardless of any changes in the actual benefit payable from CPP.

It is recommended that the member apply for CPP at age 60 if they elect this option in order to maintain a level post-retirement income.

Applying for non-standard forms of pension payment

Type II and the integrated optional forms of pension are not presented to members on the standard Retirement Benefit Statement but are available on request from Dalhousie Retirement Services. Should you wish to elect either a type II or integrated optional form of pension, you must contact Dalhousie Retirement Services for additional details.

Deferred Pension Commencement

If you are leaving the employment of the University after age 55 and do not wish to start your pension income immediately, you may choose to postpone the start of your pension until a later date. The Deferred pension option provides a mechanism for adding growth to the value of your pension.

- The pension earned by the Member as of retirement date can be deferred to the Retirees' Trust Fund (RTF) provided you have retired from the University no earlier than age 55. Please note that if you elect this option you will no longer have the option to withdraw your benefits from the plan in a lump-sum.

- The value of your pension entitlement will be transferred to the RTF where your ultimate pension entitlement may increase if favorable rates of return in the RTF allow it. In no event will the ultimate pension you receive exceed the maximum pension payable under the Income Tax Act. The minimum that you will receive is what the defined benefit formula generates based on your service and average earnings at retirement and your age on the date that pension payments start.
- This option is not available if you leave the University prior to age 55.
- You must start your pension no later than December 1st of the year in which you reach age 71.

Withdrawal of Pension from the Dalhousie University Staff Pension Plan

You can choose to withdraw the greater of 1) twice your contributions with interest (Sum of Contributions Compounded) or 2) the Commuted Value (CV) of your Dalhousie University Staff pension as long as you have not reached the latest date determined by the termination notice provision of the applicable Collective Agreement. On or after this date, the withdrawal/transfer option is not available. If this option is available, the amount available for transfer will be presented on your Dalhousie University Staff Pension Plan Termination Benefit Statement. A discussion paper on the advantages and disadvantages of receiving a pension versus transferring your pension from the Dalhousie University Staff Pension Plan is included as an appendix to this guide, however below are a few highlights to consider when making the decision as to whether to transfer your entitlement from the Plan (if this option is available to you):

- You cannot cash out the entire transfer value of your pension unless the entire amount is “unlocked”.
- You may transfer the transfer value to a locked-in retirement account with a financial institution.
- The federal government sets a maximum transfer amount, based on your age and the amount of your annual pension. If the transfer value is greater than this maximum, the pension plan will refund the excess to you in cash, and you will pay income tax on this amount.
- In cases where an employee has both “Locked-in” and “Unlocked” pension funds, a partial withdrawal (pension from locked-in) or withdrawal in two portions (Unlocked withdrawal followed by locked-in withdrawal at later date) is permitted.
- You may be able to transfer the transfer value to another registered pension plan. Some restrictions may apply.
- You can't draw income from it until you reach the minimum retirement age (age 55).
- Once you are within 10 years of your normal retirement age (age 65), you can use your locked-in funds to purchase a life annuity or a life income fund from an insurance company or financial institution.
    - A life annuity is a contract that makes regular payments for the purchaser/annuitant’s lifetime.
    - A life annuity is reduced to pay for extra features like inflation protection and survivor benefits.

Important! If you transfer your transfer value out of the Dalhousie University Staff Pension Plan, your pension plan membership ceases and you forfeit your rights to a Dalhousie pension and any other Dalhousie benefits. You will be responsible for managing this money, including any investment risk and costs. You cannot reverse this decision. In addition, it is important to note that there is no continuation of other University benefits if there is no pension payable from the Dalhousie University Staff Pension Plan. The additional benefits that you may be eligible to receive are discussed later in this document.

What is Sum Of Compound Contributions (SOCC)?

The SOCC is equal to your basic member contributions to the plan, accumulated with interest, plus the vested portion of matching basic employer contributions, accumulated with interest on the same basis as your member contributions. After one year of pensionable service, you are entitled to 8.33% of employer matching contributions for each month of additional pensionable service. Once you have attained 2 years of pensionable service, you are entitled to the full share of employer matching contributions.

What is a Commuted Value?

A commuted value is the "present-day" dollar value of your future pension. It is an actuarial estimate of the amount of money that must be put aside today to grow with investment earnings to provide for your future pension (including survivor benefits).

- Calculating a commuted value includes estimating how long you will live and how much pension you would receive. Since your actual life expectancy is unknown, this is based on assumptions determined by actuaries.
- The commuted value is an actuarial calculation and doesn't bear any direct relationship to your contributions, your employer's contributions, or interest.
- At the very least, the commuted value will be equal to your regular and supplemental pension contributions plus interest.

Continuation of Non-Pension Post Retirement Benefits

Continuation of benefits may be available (unless withdrawing all pension entitlements) as well as access to university facilities, where specified eligibility rules are met. Example: Health and dental coverage, tuition waiver for member and dependents. Please refer to the section on additional benefits that may be elected upon retirement later on in this document.

Reduced Workload Arrangements

A pension plan member who has completed at least three years of continuous full-time or regular part-time employment since their last date of hire may apply to participate in an approved Reduced Workload Arrangement (RWA). The Reduced Workload Period shall be for a fixed term. Participation in and approval of such an RWA is by mutual consent, and is not extended as a matter of right. During such RWA periods you shall not be considered retired for the purposes of the pension plan.

The specific workload reduction will be a matter of agreement between the member and Dalhousie University, but the workload will not be reduced to less than 50% of the full-time equivalent.

In respect of any member working under an RWA, the following shall apply:

- The calculation of the member's pension benefit shall be based on the member's nominal salary (pre-RWA Salary with adjustments for salary increases) rather than the actual salary received by the member under the RWA.
- The member will make pension contributions through payroll deduction based on the actual salary received during the period rather than the member's nominal Salary on which the benefits are based.
- The University will make contributions on behalf of the member on the nominal salary and in respect of the difference between the member's actual salary and nominal salary.

This provision does not mean that a member can retire and commence receipt of pension benefits and continue to accrue benefits simultaneously. Such action is not permitted.

Working past age 65

If you continue to work past the age of 65 you will continue to contribute to the Plan (provided you have not yet attained 35 years of pensionable service) and add pensionable service. However, by December 1st of the year in which you reach age 71, the Income Tax Act requires that you stop making contributions to a registered pension plan. Your active membership in, and contributions to, the Plan must end at this time (provided they have not ended previously due to your attainment of 35 years of pensionable service) and pension payments must begin.

You are not required to stop working at age 71, however your pension payments must start.

Inflation protection – increases to your pension

The Dalhousie University Staff Pension Plan has a provision in place to increase pensions in pay in order to maintain the purchasing power of your income.

The pension plan uses an Excess returns formula to determine the amount available to increase pensions. In order to determine the increase to be applied to pensions, the following steps are performed:

1) The rate of return on the Retirees' Trust Fund (RTF) assets is calculated as of June 30th.
2) The 3-year average rate of return is then determined.
3) If the 3-year average rate of return exceeds 5.05%, the excess is available for indexing pensions in pay effective the following January 1st.
4) If the 3-year average rate is less than 5.05%, this shortfall has to be made up with future excess returns prior to the granting of any increases.
5) The maximum increase in pensions is limited (by the Income Tax Act) to the one-year increase in the Consumer Price Index (CPI) as of June 30th.

For example, if the RTF 3-year average rate of return as of June 30th, Year X is 7.05% there will be 2% (7.05 -5.05) available for indexing pensions effective January 1st of Year X+1. If the CPI increased by 1.5%, pensions would be increased by 1.5% on January 1st. If CPI was greater than 2% then pensions would increase by 2% (the maximum based on the RTF rate of return).

There is a provision in the pension plan ("discretionary use of surplus") where the Trustees of the RTF may authorize the use of surplus funds to provide increases to pensions to make up for years when full cost-of-living indexing was not provided.

You are first eligible for an increase in your pension benefit on the second January 1st following the start of your pension payments. For example, if you start receiving pension payments effective July 1st, 2018 you are first eligible to receive pension indexing on January 1st, 2020. There is an adjustment to the first indexing rate applied based on the date of your retirement. If you retired on July 1st, 2018 then 100% of the approved indexing is applied to your first increase. If you retired on January 1st, 2018 you would receive an increase of 150% of the first indexing rate.

Indexation – Timing and First Adjustment:

Month of Retirement	Percentage to be applied to Rate of Adjustment
January	150.00%
February	141.67%
March	133.33%
April	125.00%
May	116.67%
June	108.33%
July	100.00%
August	91.67%
September	83.33%
October	75.00%
November	66.67%
December	58.33%

Consider the pension needs of your spouse

Survivor benefits payable to your spouse

If you have a spouse, their retirement needs will likely be part of your overall retirement plan. Your spouse's age and his/her own retirement income may affect your decision regarding the amount of the survivor pension you wish to provide. The Dalhousie University Staff Pension Plan provides a variety of joint and survivor pension amounts ranging from a 50% to 100% survivor benefit. Note that the Nova Scotia Pension Benefits Act requires a minimum 60% spousal survivor pension and if you elect a form of pension that provides a lesser benefit to a surviving spouse, you and your spouse must complete a spousal waiver at the time of your retirement.

Division of pension on marriage breakdown

If your spousal relationship ends, your spouse may be entitled to a portion of the pension earned during your spousal relationship under the Divorce Act and Nova Scotia Pension Benefits Act. If you enter into a domestic contract or are a party to a court order requiring a split of your pension, you must provide a copy of this document to Dalhousie Retirement Services. This document must clearly identify how the pension is to be split. Pension law will not permit the payment of more than 50% of the pension benefit earned during the period of the spousal relationship, to be paid to your former spouse for the equalization of family property.

- After retirement - If you were in a spousal relationship at the time you first began to receive your pension (and unless he or she waived it at the time), your ex-spouse is eligible to receive a full survivor pension after your death. In all cases of separation, you and your spouse should obtain independent legal advice about your pension rights and obligations.
- Before retirement - If your spousal relationship ends before you retire, your former spouse, under the terms of a court order or separation agreement, may be able to receive the same options for pension benefit payments as you have when you retire or terminate from the Plan.
- If you die - If you die before your pension begins, your former spouse may be eligible for a portion of the death benefit payable under the Plan, depending on the terms of the domestic contract, court order, or beneficiary statement.

How to retire from the Dalhousie University Staff Pension Plan

Obtaining a pension estimate

A pension estimate will give you a general idea of your retirement income. It is based on a snapshot of your current records. Many members want this general information before making a decision whether to retire earlier than 65 or as a tool for planning retirement needs. Usually the same information about your earned pension and estimated pension at retirement appears in your *Annual Pension Statement*.

Copies of your Annual Pension Statement are available on the Dalhousie Pension Projection website which is accessed through Dal online. This site also contains a pension projection tool which allows you to run up to 3 retirement estimates at different dates at one time, building in assumptions for future salary increases and work percentages. In some instances you may not be able to obtain an estimate from the Pension Projection website. You may submit a request for specific information to Dalhousie Retirement Services by sending an e-mail to Pensions@Dal.ca.

You've Made the Decision

You should inform Dalhousie Retirement Services, in writing, of your intention to retire at least 2-3 months prior to your retirement date. If you require a meeting to discuss all the options and requirements necessary to commence your retirement, please contact a pension advisor at Pensions@Dal.ca.

You will need to provide copies of some personal documents. Some of the retirement forms require additional documentation as proof, such as a birth certificate or information establishing your spousal relationship. Gather all of the relevant pieces of documentation and provide them to Dalhousie Retirement Services so they can be included as part of your retirement package.

- Member's proof of age (one of: Birth Certificate, Baptismal Certificate, or valid Passport)
- Spouse's documentation (see below)
- Marriage Certificate
- Spouse's Social Insurance Number

For spousal benefits:

- Because spousal benefits are provided under the Plan, Dalhousie needs confirmation of your marital status when you retire. We need a copy of an eligible spouse's birth certificate and a completed Declaration of Marital Status form from everyone – married or common-law, same or opposite sex, or single.

For pension payroll:

- Your pension payments will be paid from the Retirees Trust Fund. Unless your banking information has changed or is changing, your pension payments will continue to be deposited to the same account that your active pay was deposited. Changes in your banking information must be reported to Dalhousie Retirement Services by completing a new Direct Deposit Application form. A void cheque must accompany the Direct Deposit Application form.

From your employer:

- Dalhousie University will provide you with a retirement package which will include the following documents:
  - Retirement Benefit Statement
  - This Retirement Guide
  - A Package of forms that may include:
    - Declaration of Marital Status
    - Spousal Waiver of Joint and Survivor Pension
    - Election to Defer Pension Benefits
    - Direct Deposit Application
    - Canada Revenue Agency - TD1 income tax forms
    - Beneficiary Designation
    - Application for Continuation of Benefits
    - Group Benefits Life Conversion Option application
    - Membership Application for Association of Dalhousie Retirees and Pensioners
    - Disclaimer form

The following documents may also be included:

- Termination Benefit Statement
- Request for Transfer from a registered pension plan form

Once your options have been selected and all of the forms and documentation have been received, your file will be processed.

Taxes

When you retire and pension payments begin, your pension income is taxable. Pensions are considered income and as such are subject to income tax. Unless you inform us otherwise, we only deduct income tax based on your Dalhousie University Staff Pension Plan pension income. Income tax will be deducted based on the basic and pension income amounts. If you are collecting CPP and OAS and have other income, you may be in a higher tax bracket and may consider having additional income tax deducted. If you would like to have additional income tax deducted from your pension payment, or if you have additional tax deductions that would serve to reduce the amount of tax that should be deducted, you may complete and submit a TD1 form to the Payroll department. Please note that there is a federal TD1 and a Nova Scotia TD1 form to be completed. These forms are available from the Payroll department as well as online via the Human Resources webpage.

What is the Pension Income Tax Credit?

All individuals who are in receipt of regular pension payments are entitled to the basic tax credit. When you reach age 65, you may also be entitled to an age-related tax credit, as long as your net retirement income is below a certain amount. Other credits may apply and you need to review the tax credit forms carefully at the time you retire, and periodically thereafter.

The pension income tax credit is non-refundable and may not be carried forward each year. In other words, you need to use it or lose it.

In order to claim the credit, the taxpayer must be in receipt of certain specified income. Your pension from the Dalhousie University Staff Pension Plan qualifies as eligible pension income.

If your tax situation is complex, we would recommend that you seek the advice of a tax advisor.

NOTE - If you will be receiving pension income from more than one source and/or will be engaging in post-retirement employment you need to ensure that you are claiming all tax credits ONLY ONCE. Claiming the same tax credits more than once will result in an incorrect amount of tax being withheld and you may end up owing a significant amount of income tax at the end of the year.

What is the Pension Income Splitting?

Your pension income from the Dalhousie University Staff Pension Plan qualifies as income that is eligible for splitting with your spouse. This is an election that you jointly make with your spouse when completing your annual income tax returns. The extent to which pension income splitting will be beneficial will depend on the marginal tax bracket of you and your spouse, as well as the amount of qualifying income that can be split. Information regarding pension income splitting is available from the Canada Revenue Agency at the following link: http://www.cra-arc.gc.ca/pensionsplitting/

What happens to my benefits at retirement?

This summary has been prepared to give you an informal summary of the benefits available upon retirement. This program is governed by the official documents, such as the insurance contracts, as well as by applicable legislation. In the event of any inconsistency between this summary and the official documents, the latter will prevail. Please note, should you accept a post-retirement position of 50% full-time equivalent or greater, some benefits may apply for the duration of the appointment. Further information is available upon request.

Health, Dental, and Travel

In order to be eligible for post-retirement benefits the retiree must;

- Have participated in the health plan at Dalhousie University as the primary subscriber for at least five years, and be enrolled in the coverage prior to retirement.
- Be within ten years of normal retirement
- Have at least ten years of Dalhousie University service

Health Coverage (other than prescription drugs)

- If eligible, health coverage may continue into retirement. For coverage details, please reference the applicable brochure.
- Brochures are available online: https://www.dal.ca/dept/hr/Retirees.html

Prescription Drug Coverage

- Drug coverage ceases after normal retirement or upon age 65 for early retirees. It is recommended that all members and their spouses enroll in their provincial drug program upon retirement or age 65.
- If the retired member or a spouse is younger than age 65, drug coverage will remain active for the individual under 65 only.

Travel Coverage

- Should health coverage be continued, travel coverage will also continue.

Dental Coverage

- Coverage ceases at retirement or the end of the month in which the retired member reaches age 65. There is no conversion option, however Medavie Blue Cross does provide a basic private dental plan. For further details, contact Medavie Blue Cross at 1-800-667-4511.

Health Spending Account

- This account will cease upon retirement. Conversion privileges are not available.
- Medavie Blue Cross will provide a grace period of 90 days for members to submit expenses incurred during the claim period.

Survivor Spouse Coverage

- In the event of the retired employee's death, benefits for a surviving spouse may continue if the surviving spouse continues to receive a pension provided they have subscribed to the health plan for five years.

Life Insurance

Coverage ceases the earlier of the day you reach age 70 or at retirement.

Conversion privileges are available during the first 31 days following your retirement. You have the option to convert the amount of your basic life insurance, optional life insurance, and the commuted value of your survivor income benefit (if applicable), subject to a combined maximum amount of $200,000 to an individual policy with Manulife Financial (Dalhousie's Insurer) without submitting evidence of health.

Manulife Financial provides three individual policies: (a) Permanent life, (b) Non-convertible level term life to age 65, and (c) One-year non-renewable convertible term insurance. The premium rate you will be required to pay will be determined based on your age at the time of conversion. For further information regarding the policy options, contact Manulife Financial.

The Group Life Insurance – Application for Conversion form should be completed and forwarded to Employee Benefits to confirm prior employment and coverage status. Employee Benefits will return the form to you, and you are then responsible for remitting the application and premium to Manulife Financial within the 31 day deadline.

Survivor Income Benefit

- Coverage ceases the earlier of July 1st, following age 65 or at retirement. Conversion privileges are available as noted under Life Insurance.

Optional Life Insurance

- Coverage ceases the earlier of the date you reach age 70 or at retirement. Conversion privileges are available as noted under Life Insurance.

Long Term Disability

- Coverage ceases the earlier of July 1st, following age 65 or at retirement. Conversion privileges are not available.

Accidental Death & Dismemberment

- Coverage ceases the earlier of the date you reach age 70 or at retirement. Conversion privileges are not available.

Voluntary Accidental Death & Dismemberment

- At retirement, you may continue coverage at your pre-retirement level until the end of the month in which you reach age 65. After attaining age 65, coverage may continue until age 70 but is restricted a maximum amount of $100,000.

Other Benefits Available To Retirees

Tuition Waivers

- Employees who were employed on a regular full-time or part-time basis for five years or more, may be entitled to receive tuition waivers:
- Retirees – Up to twelve credit hours in one academic year, ending August 31st
- Spouses & Children – 50% of tuition fees may be waived in undergraduate programs offered at Dalhousie University.

Dalplex

- A discount rate is available to employees who wish to access Dalplex. Details may be obtained from (902) 494-3372.

Johnson Insurance

- Deductions shall continue into retirement. Should you choose to continue the deductions, please notify the pensions department upon retirement.
- If you are receiving a PSSP pension, you will want to contact Johnson Insurance directly to continue coverage and make new payment arrangements.

GoodLife Fitness

- A discount rate is available to employees who wish to access GoodLife Fitness. Details may be obtained from http://www.goodlifefitness.com/locations/novascotia

Association of Dalhousie Retirees & Pensioners

- Open to all retirees from Dalhousie University, non-academic and academic (active & adjunct), regardless of source of any remuneration. Membership is also open to surviving spouses and partners, whether or not they have worked at Dalhousie University.
- Associate membership is available to those within five years of retirement.
- Further details can be found on: http://retireesandpensioners.dal.ca/

What should be done when a pensioner dies?

Contact Dalhousie Retirement Services

If a pensioner dies, the family or other authorized person should notify Dalhousie Retirement Services immediately.

We will require the following information:

- the date of the death
- if there is a surviving spouse
- who is handling the estate along with his/her name, address and phone number

Documents required

Dalhousie Retirement Services will require the following documentation:

- a copy of the death certificate
- the surviving spouse's Social Insurance Number, if applicable
- the surviving spouse's banking information (i.e. account number for direct deposit of the payments), if applicable.

It is important to note that while many spouses have joint banking accounts, these can be frozen as part of an estate settlement, so it may be advisable for the survivor to set up his/her own account. The financial institution can help with this when the survivor is ready to deal with it. Until this is done, Dalhousie Retirement Services will arrange to have the pension payment sent to the surviving spouse by regular mail.

Payments to surviving spouse, beneficiaries or the estate

Typically survivor pension benefits are automatically payable to your eligible spouse once the information is provided, avoiding any gaps in pension payments. If you die after you have started receiving a pension, and you do not have an eligible spouse, any further benefits will be paid to your beneficiaries or estate, depending on the form of pension you elected and any guarantee period associated with it.

How to plan ahead to avoid delay and reduce costs

It's important to know that benefits that flow from the Dalhousie University Staff Pension Plan are not subject to probate fees if there is an eligible beneficiary; neither can they be claimed by other creditors. A surviving spouse will receive benefits, if eligible, and in cases where there is no surviving spouse there may be benefits payable to another listed beneficiary. If there is no named beneficiary, any further monies payable will then be paid to the Estate. If Dalhousie Retirement Services are not informed of a pensioner's death, the full pension will continue to be paid, which will result in an overpayment. When that happens, all overpayments will be recovered by Dalhousie Retirement Services.

Handling life changes

Retirement is a major life change. Two of the most important elements of your life that will change are time and money. These two factors will have an impact on the other areas of your life – family, friends, home, interests, leisure activities and health.

Staying active is a key component of a happy retirement. Although your time may be less structured, managing your time is as necessary for success in retirement as it was while you were working. The years before retirement are an ideal time to think about the things you want to do during retirement and to determine whether you will have the financial resources to do them. As a starting point, think of all the things you like to do outside of work. How will you fit those activities/events into your daily and weekly schedule? How will you deal with your spouse and family if you will be at home more of the time? Do you have dreams and interests that you haven't had time to pursue but want to investigate in retirement? Now is a good time to start thinking about them and see if you can incorporate them into your retirement.

There are many books, videos and internet sites on planning for retirement. These can help to provide different ways to examine the lifestyle issues that occur in retirement. Thinking about how you envision the future will help you to plan for it and achieve your retirement goals.

Pension Plan Terminology

Accrued pension/benefit – the amount of annual pension earned by a plan member based on credited service and salary rate up to a given date.

Actuarial Valuation - the assessment of the financial health of a pension plan by an independent actuarial consulting firm.

Actuary - a specialist who is skilled in the application of mathematics to financial problems faced by individuals, regulators, pension plans and insurance companies with respect to property loss and damage, retirement, sickness, disability, investment risk and other areas.

Additional voluntary contributions (AVCs) - a pension fund contribution that is made by a pension plan member, and that is in excess of any amount that the member is required to contribute up to the limits set out in the *Income Tax Act*. The University does not match these contributions. You may use these contributions to provide yourself with additional pension at retirement. Additional voluntary contributions may only be withdrawn when you terminate membership in the Plan or retire.

Annuity - a contract that provides a series of payments (income) for a specified period of time such as a number of years or for life. The process of annuitizing refers to the conversion of a lump sum to a series of periodic payments under an annuity contract.

Beneficiary - a person who, on the death of a plan member or pensioner, may become entitled to a benefit under the plan.

Commuted value - the amount of money that needs to be set aside today, at current market interest rates, to provide sufficient funds to pay for a pension when a plan member retires, i.e., how much a benefit is worth today. Commuted values express the lump sum value of a promised benefit from a defined benefit pension plan. The commuted value takes into account the benefits, interest and mortality. The lower the current interest rates, the higher the commuted value will be, because it is assumed that the amount today will earn less from now until retirement; and, conversely, the higher the current interest rates, the lower the commuted value.

Consumer Price Index (CPI) – a statistical device that measures monthly and yearly changes in the cost of goods and services commonly bought by Canadians. If the combined cost of this "basket" of items goes up, then there has been inflation. The greater the increase, the higher the inflation rate has become.

Continuous Service - period during which an employee is continuously employed by the same employer; may be defined in the pension plan (or by law) to include certain periods of absence, and/or service with an associated or predecessor employer. To be distinguished from Credited Service.

Credited Service - length of service used in the plan formula to calculate a defined benefit.

Deferred pension – a pension payable at a later date, either because the plan member terminates employment before the earliest date at which the pension may begin, or because the plan member chooses to have the pension commence at a later date.

Defined benefit plan – a plan that defines specific pension benefits that the member will receive at retirement based on years of plan membership, average earnings, etc., in accordance with the terms of the plan but not the total contributions.

Eligible spouse – spouse is defined (under the NS PBA) as either of two persons who:

(i) are married to each other,
(ii) are married to each other by a marriage that is voidable and has not been annulled by a declaration of nullity,
(iii) have gone through a form of marriage with each other, in good faith, that is void and are cohabiting or, where they have ceased to cohabit, have cohabited within the twelve-month period immediately preceding the date of entitlement,
(iv) are domestic partners within the meaning of Section 52 of the Vital Statistics Act, or

(v) not being married to each other, are cohabiting in a conjugal relationship with each other, and have done so continuously for at least (A) three years, if either of them is married, or 2011, c. 41 pension benefits 9 MAY 4, 2016 (B) one year, if neither of them is married

Immediate pension – a pension payable at the first of the month following the month of termination from the Plan. An immediate reduced pension is payable as early as age 55.

Inflation – the term used to describe rising prices of goods and services within an economy, usually measured as the annualized increase in the Consumer Price Index (CPI).

Inflation protection – the annual adjustment applied every January to Dalhousie University Staff Pension Plan pensions, when applicable, that reflects the increase in the cost of living in Canada.

Joint and Survivor Pension Option: a mandatory reduced pension that will continue after the member's death for the lifetime of the spouse. In most cases if, at the date of commencement of pension, the member has a spouse, the pension must be in the form of a joint and survivor pension paying at least 60% of the pension to the survivor. The benefits are not assignable. The rights to the pension benefits may be waived but the spouse cannot be compelled to do so.

Life Income Fund (LIF) – a type of RRIF, subject to pension legislation, under which the owner of the LIF must withdraw, each year, a minimum amount up to a maximum amount, as prescribed by pension legislation.

Locked-in Pension - A legislative requirement that vested benefits under the pension plan must be used to provide a lifetime retirement income and are not available as immediate cash.

Locked-in Registered Retirement Savings Plan (LRRSP) - has all the essential characteristics of a regular RRSP with the exception of a cash surrender provision. A locked-in RRSP cannot be surrendered for cash but must be used to purchase an annuity payable for life or transferred to a LIF by the end of the year during which the owner of the locked-in RRSP turns 71, at the latest.

Locked-in Retirement Account (LIRA) - has all the essential characteristics of a regular RRSP with the exception of a cash surrender provision. A LIRA cannot be surrendered for cash but must be used to purchase an annuity payable for life or transferred to a LIF by the end of the year during which the owner of the LIRA turns 71, at the latest.

Mortality Table - a table that shows the rate of deaths occurring in a defined population during a selected time interval, or survival from birth to any given age. Statistics included in the mortality table show the probability a person's death before their next birthday, based on their age. There are two types of tables - (A) Life Tables for Canada - developed by Statistics Canada from census data - show mortality rates for the general population of Canada. (B) Group Annuity Mortality Tables - developed by life insurance companies show mortality rates for employed individuals.

Normal form of pension - the normal form of pension is the usual way the member's pension will be paid as specified in the plan terms.

Normal Retirement Date - the date or age specified in the pension plan as the normal retirement date of members.

Optional forms of pension - the optional forms of pension are those over and above the normal form(s) of pension that the employer offers to its members and are actuarially equivalent in value to the normal form of pension. The optional forms may be specified in the plan terms and allow the members to tailor to their needs the size of their benefit payments, the length of the guarantee period, and the amount of continuing survivor benefits. Generally, the longer the guarantee period and/or the greater the amount continuing to the spousal survivor, the lower the monthly/annual benefit payment.

Past service – defined benefit plan provisions may provide benefits for periods of eligible service that occurred in a year before the current year. The period of service before the current year is an example of what would be considered past service. In a plan that contains a defined benefit provision, past service can be purchased any time an employer allows a plan member to recognize additional eligible service as an employee retroactively.

Pension Benefits Act (PBA) - the provincial statute designed to protect the interests of pension plan members of Nova Scotia. The PBA sets minimum standards for pension plans in areas such as eligibility, vesting, portability and disclosure to members and sets out rules for the solvency and investment of pension plans.

Pension Formula - the formula used by a pension plan to determine the amount of the retirement pension benefit.

Pension Trust Fund (PTF) –Trust Fund which invests the accumulated contributions in respect of active Members and supports benefits payable during the period of active membership

Pensionable Earnings - The portion of a plan member's total earnings upon which contributions are based and the pension benefit is calculated (e.g., regular earnings, excluding overtime).

Pensionable Service - the portion of the plan member's eligible service that is used for benefit purposes in a given pension plan. A plan sponsor or plan administrator determines what constitutes pensionable service by defining it within a pension plan text. All pensionable service must be eligible service. However, the plan terms might be more restrictive; for instance, not all eligible service is necessarily pensionable service under the plan.

Pensioner - Retired Plan Member in receipt of a pension benefit

Portability – the legislated right to transfer vested and locked-in benefits to another registered retirement plan when a member leaves the employer's service.

Retiree Trust Fund (RTF) – Trust fund which invests the assets required to support pension payments after retirement. These assets are those transferred from the Pension Trust Fund after retirement.

Year's Maximum Pensionable Earnings (YMPE) – the maximum earnings from employment on which CPP contributions and benefits are calculated. The YMPE is changed every year according to a formula based on average industrial wage levels.

Frequently asked questions - FAQ

The following are answers to those questions most frequently asked by University employees preparing for retirement.

Do I have to notify Dalhousie Retirement Services if my spouse dies?

Yes, please provide proof of death – either a copy of the Death Certificate or the Funeral Director's Certificate. Dalhousie Retirement Services require this information to update your beneficiary information, or adjust pension payments in cases where a type II pension was elected.

How much notice do I need to give of my intention to retire?

As much notice as is possible to assist the University with planning, but 3 months is considered ideal. The notice period needed to allow your pension entitlement to be calculated and set up for payment is about 2 months. In the event that a shorter notice period than 2 months is provided, the commencement date of your pension payments may be delayed.

Who do I have to notify of my intention to retire?

Depending on your employment status, you should notify your immediate supervisor, department head as well as Dalhousie Retirement Services.

When do I have to decide in what form I want my pension to be paid?

The form of pension payment you choose is one of the most important decisions you will have to make in relation to the financial aspects of your retirement. The decision concerning how your pension will be paid will have long term implications and CANNOT be changed after payments commence. For this reason, you should start reviewing your options before retirement, consulting with a financial planning professional if necessary. The decision on how you wish to have your pension paid should be made well in advance of your retirement and you should be comfortable that you are making a choice that is most appropriate for you, and your spouse, if applicable.

What is the usual form of pension that employees choose?

There is no "typical" choice of pension payment, as this decision is highly individual, based on personal circumstances. In choosing the form of pension that is most appropriate for your circumstances you should consider many factors including, but not limited to, the following:

- Marital Status
- Individual(s) dependent upon you for support, if any
- Post-retirement employment plans, if any
- Spouse's pension from his/her employer, if any
- Other sources of income (investments, inheritance, etc.)
- Assets (house, cottage, etc.)
- Your and your spouse's health.

When can I expect my first pension payment?

Monthly pension payments are payable on the 27th day of each month. For example, if you are retiring effective July 1st, your first pension payment will be due on July 27th.

Can I transfer my full pension entitlement from the plan?

Under the current terms of the Dalhousie University Staff Pension Plan and the Nova Scotia *Pension Benefits Act*, you may transfer the value of your pension entitlement from the Pension Plan to a LIRA (Locked-In Retirement Account), or a LIF (Life Income Fund) provided that you have not reached the latest date determined by the termination notice of your applicable collective agreement. The amount transferred may also be subject to the maximum transfer limits set out under the *Income Tax Act*. Transfer options are not available after your normal retirement date.

When should I apply for my government benefits?

You should apply for your Canada Pension Plan retirement benefits six months in advance of the date on which you wish the payments to commence. To qualify for the commencement of CPP retirement benefits you must be at least age 60. If you are under age 65 at the time your CPP payments commence your CPP pension will be reduced, and if you are over age 65 at the time your CPP payments commence your CPP pension will be increased.

To apply for your CPP pension, or to get more information on the changes to the CPP, call Service Canada at 1-800-277-9914 or go to: https://www.canada.ca/en/employment-social-development/corporate/contact/cpp.html

If you are age 65 or over at the time of retirement/application, you may also apply for Old Age Security benefits. Your OAS benefits will be subject to a "claw back" if your NET income is in excess of a specified amount.

I am taking early retirement, should I apply for my CPP benefits now or should I wait until I reach age 65?

Collecting CPP benefits upon early retirement versus delaying receipt of these benefits until a later date is a personal decision, and if you cannot decide which option is in your best interest, you should consult a professional financial planner. In making your decision, you may wish to consider the value of the CPP pension payments you will be foregoing due to the delayed payment date versus the increased payments you will receive from a later date.

Should I apply for my CPP benefits even though I do not plan to retire?

As of January 1, 2012, you no longer have to have an interruption in your earnings in order to start collecting CPP between the age of 60 and 65; however, you will have to continue to pay into the CPP. If you are at least age 65 when you start collecting CPP retirement benefits, you may choose to continue paying into the CPP or cease making further contributions. Collecting CPP benefits while still working is a personal decision and there are many considerations. If you are not sure whether collecting CPP benefits while still working is in your best interest you should consider consulting a professional financial adviser.

Can I change my beneficiary designation after my pension payments start?

Yes. You may change your beneficiary designation for purposes of a guarantee period at any time before or after your pension payments commence. If you need to make a change notify Dalhousie Retirement Services and you will be provide d with the appropriate change form.

Will my health coverage continue beyond my retirement date?

Coverage under the MMI plan will terminate. To be eligible for benefits under the MMI Retiree Plan, the retiree must have participated in the MMI plan at Dalhousie for at least five years, be within ten years of normal retirement and have at least ten years of Dalhousie service. Please advise Dalhousie Retirement Services if you wish to continue coverage after retirement.

Can I convert my group life insurance to an individual life policy?

Yes. During the first 31 days following your retirement, you may convert the amount of your basic and optional group life insurance and the commuted value of your survivor income benefit, subject to a combined maximum amount of $200,000,to an individual policy with Manulife Financial (Dalhousie's insurer) without submitting medical evidence of health. Provided you are under the age of 70, you may convert your group coverage to one of the following individual policies:

1) Permanent life;
2) Non-convertible level term life , or
3) One-year non-renewable, convertible term insurance.

You are responsible for paying all premiums for this coverage.

Do my dependents and I continue to qualify for the tuition benefit program after I retire?

Faculty and staff members who were employed regular full-time or regular part-time for 5 or more years, and their spouses and children may receive tuition fee waivers on the following basis:

1. Retirees – Up to 12 credit hours in the 12 month period ending August 31st each year in any Faculty of Dalhousie University.
2. Spouses and children – 50% of tuition fees in all courses offered at Dalhousie University in any undergraduate program in any Faculty other than Dentistry (excluding the School of Dental Hygiene), Law and Medicine.

The same benefits are available to the spouses and children of eligible former faculty and staff who are deceased and who were employed with Dalhousie University for 5 or more years

Is there an Association for University Retirees?

Yes, the Association of Dalhousie Retirees and Pensioners (ADRP) welcomes as members all retired academic and support employees who are eligible to receive benefits from the University Pension Plan.

For information on the Association of Dalhousie Retirees and Pensioners please go to http://retireesandpensioners.dal.ca/

This document does not deal with all of the features of the Dalhousie University Staff Pension Plan. Those who require greater detail about the Plan should refer to the complete Dalhousie University Staff Pension Plan text, which is available from Employee Benefits and can be accessed via the internet. Any official interpretations or determinations regarding the requirements and features of the Dalhousie University Staff Pension Plan are based on the actual Plan text

Appendix

Advantages and Disadvantages of Receiving Your Pension from the Dalhousie University Pension Plan

Paul. B. Huber
(on behalf of the Working Subcommittee of the Pension Advisory Committee)
27 January 2005

Introduction

In recent years, many Dalhousie employees have withdrawn all or part of their pension entitlements from the Dalhousie University Staff Pension Plan at termination or retirement and transferred to an RRSP as much as the CRA (formerly CCRA and before that Revenue Canada) will permit. For some, this choice has turned out well; others have later realized that they made a major mistake. But – once made – the decision cannot be reversed. This may be the most important financial decision you make in your lifetime.

Should you take your money out of the Dalhousie Pension Plan when you retire? The Dalhousie Pension Plan is complicated and the overlapping regulation of pensions and other retirement options by the Province of Nova Scotia and by the Federal CRA is quite complex. Moreover, financial markets are unpredictable. So it is not easy to compare the alternatives. **The University cannot provide financial advice, but it can try to ensure that you have adequate information.** And it can point out that some sources of advice that you may consult may be misinformed or biased. Most financial advisors receive commissions or bonuses if they successfully persuade you to locate your retirement funds with their firm. (If you doubt this, ask your advisor how she or he gets paid for giving advice to you.)

Five considerations to help channel your thoughts

1) Assessment of your financial retirement options ought to be undertaken in relation to your overall financial situation, not in isolation. Almost all Dalhousie people who have reached their sixties have other assets besides their pension entitlements: such as a house or condominium, an RRSP, a savings account, life insurance, mutual funds, GICs or other securities.

2) Retirement arrangements operate within a federal and provincial regulatory framework and serve to assure retirees and their spouses an income for as long as they live, while minimizing taxes prior to death of the second partner and possibly protecting against inflation.

3) The future is uncertain, of course, but you and your spouse may reasonably expect to live from one to three decades beyond age 65.

4) Virtually everyone desires the greatest possible pension income over one's remaining lifetime, together with the least possible risk.

5) Those retiring from Dalhousie are a varied lot: some quite affluent, others in modest circumstances; some healthy, others with chronic medical problems; some clever and informed about financial matters, others not. Some are single and without dependents, others are supporting parents, children or grandchildren, and so on. So "one size will not fit all."

Only you know your preferences, constraints and expertise. So only you can determine your most appropriate course of action. What your colleagues or friends did may have suited their situations, but could be quite wrong for you. Take the trouble to make a careful comparison of the advantages and disadvantages of removing your pension entitlements from the Plan.

What happens if you leave your pension entitlements in the Dalhousie Pension Plan?

1) Your potential pension is determined by your salary, length of pensionable service and age at the time you retire or terminate your employment. The sum of money needed to fund your potential pension – which is called the "commuted value" (CV) of your pension entitlements – is transferred within the Plan from the Pension Trust Fund to the Retirees' Trust Fund.

2) You may start your pension payments immediately if you are at least 55 years old, or you may delay their beginning – but not beyond the end of the year you reach age 71. If you choose the deferral option, then the actual pension payments will generally exceed the level that would have prevailed if you had started the payments immediately. This payment increase arises from two sources: first, the period during which you receive pension payments will be shorter; second, during deferral, the amount of your monthly pension may increase as the Retirees' Trust Fund earns investment returns.

3) The "normal" form of pension at Dalhousie for all years of service through June 2004 includes a 66 2/3% continuation pension to your spouse with a 5-year guarantee of payments, or a 10-year guarantee of payments if you are single. (This means that the pension payments continue for a *minimum* of 10 years, so if you die in less than 10 years, the remaining payments are made to your estate.). **But you do not need to accept the "normal" form of pension; you can convert it into any optional form of pension permitted by the CRA. Conversion to an optional form of pension offers you considerable flexibility in tailoring your pension to your circumstances, but must be cost-neutral to the Pension Plan. More expensive optional forms of pension than the "normal" one will decrease your monthly pension payments and less expensive options will increase them. Your CV remains the same regardless of the option selected.**

Table I: Some Optional Forms of Pension for a Dalhousie Retiree

(Final Average Salary = $50,000 Years of Pensionable Service = 25)

		Annual Pension	
		Type I	Type II
Married, Normal Form (same age spouse)	Joint & Survivor 66.67%, no guarantee	25,084	26,694
	Joint & Survivor 66.67%, guaranteed 5 years	25,000	26,507
	Joint & Survivor 75%, no guarantee	24,758	25,915
	Joint & Survivor 100%, no guarantee	23,829	23,829
Single, Normal Form	Life Only	26,033	
	Life, guaranteed 10 years	25,000	

Under a Type I form of pension, monthly pension payments to the retiree's spouse (or partner) are reduced to the percentage shown when the member dies, but if the spouse dies first, there is no reduction in payments to the retiree. Under Type II form of pension, pension payments to either survivor are reduced upon the death of the first partner; consequently, the monthly payments with a Type II pension are higher than under a Type I pension, which is reduced only on the death of the retiree.

When a retiree opts for a "guarantee," this means that the retiree's beneficiary or estate will receive a benefit, whenever the retiree (and spouse, if married both) dies(s) before the end of the guarantee period (e.g., 5, 10, 15 years). The benefit will equal the pension payments due in the remaining number of unpaid months in the guarantee period. If the retiree (or spouse, if married) outlives the guarantee period, then no benefit is due to the beneficiary or estate.

Note: Conversion of pension payments to an optional form must be cost neutral to the Dalhousie Pension Plan under the prevailing actuarial assumptions; should these change, then the conversion ratios change.

4) In the second January after you start your pension – and annually thereafter – your pension payments will be considered for indexation to keep pace with inflation. Such indexation is not automatic, but depends on the investment performance of the Retirees' Trust Fund (which has consistently exceeded the average of Canadian pension funds over the past two decades). **This indexation feature of the Plan partially ties indexation of your pension to the investment success of the Retirees' Trust Fund.**

5) **Whatever level your pension payments attain, Nova Scotia law requires that they not be reduced thereafter (except on the death of your spouse, if you chose a type II pension). So you enjoy a pension that will continue as long as you live.** This key feature of pension legislation applies to defined-benefit pensions, such as Dalhousie's, but not to RRSPs.

6) A pension is like reverse life-insurance. When you and your spouse both have passed away – whether at age 70, 85 or 105 – none of the pension will be left for your estate. An exception occurs if you have opted for a guarantee of payments (maximum 15 years), which you have not yet outlived. (**Remember, however, there is a trade-off: if you increase the length of the guarantee period for payments, you will reduce your monthly pension payments; reducing or eliminating the guarantee will increase the monthly amounts.)** If it is important for you to provide a lump sum benefit to your estate, one way is to purchase a life insurance policy.

7) Finally – and not trivially – receiving your pension through the Dalhousie Retirees' Trust permits you to focus on enjoying retirement rather than having the responsibility of managing an investment portfolio. And it is convenient. Tax deductions are made at source and premiums for extended health benefits and other University programs (e.g., Dalplex, University Club) can be deducted from your pension cheque.

What happens if you withdraw your pension entitlements from the Plan?

1) The total amount you can transfer out of the Plan is the **greater** of two amounts (which the Employee Benefits office at Dalhousie will calculate for you):

   (a) the "commuted value" (CV) of your pension entitlements, i.e., the amount otherwise needed to fund your pension via the Retirees' Trust Fund, or
   (b) twice your contributions plus the accumulated compound interest thereon.

   For many Plan members, the latter calculation (2 x contributions plus interest) exceeds CV. Some members have therefore concluded that the decision to withdraw their entitlements is a "no-brainer." Not so! The largest possible inflation-adjusted value of pension payments over the remaining lifetime of yourself and your spouse does not necessarily result from the largest possible pension entitlements at retirement or termination of employment. That is one important factor, but there are others:

   1. net investment results during retirement (and deferral),
   2. inflation,
   3. taxation,
   4. the ages when you and your spouse die.

   These factors are also critical to the outcome. The first three generally favour leaving one's funds in the Plan rather than withdrawing them; the last can cut in either direction.

2) Federal (CRA) regulations limit the amount that you can "roll-over" from a pension plan into a tax-sheltered RRSP (or LIF or RRIF). This limit is calculated by multiplying a "Limit Factor," which varies with age, times the future (unreduced) pension to which you have become entitled at the date of transfer – using the pension entitlement formula:

   2.0% x number of years pensionable service x best 3-year average salary

   For many Dalhousie retirees, the excess that cannot be rolled-over may be substantial and will be subject to tax either in the year you retire (or terminate) or in the year thereafter. If you have significant other earnings in those years, the highest marginal tax rate will likely apply. Table II provides these "Limit Factors" and an example.

Table II Federal (CRA) Limits on "Roll-overs" to an RRSP or RRIF/LIF

Attained Age	*Limit Factor*	*Attained Age*	*Limit Factor*	*Attained Age*	*Limit Factor*
Under 50	9.0	55	10.4	61	11.7
50	9.4	56	10.6	62	12.0
51	9.6	57	10.8	63	12.2
52	9.8	58	11.0	64	12.4
53	10.0	59	11.3	65	12.4
54	10.2	60	11.5		

NOTE: Limit factors for each additional month of attained age are interpolated between the values shown.

Example

Take a Dalhousie employee, exact age 62, with 25 years pensionable service and a three-year best salary of $80,000. Assume also that the employee is married to a spouse of the same age and has made pension contributions of $160,000 to date and has accumulated $165,000 of earnings on these contributions.

The earned annual pension entitlement at normal retirement would therefore be $40,000. The Federal "roll-over" limit would be 12.0 times that amount, i.e., $480,000.

The CV of the pension entitlements of this employee would be $579,931 and twice contributions plus accumulated compound interest would be $650,000. Subtracting the CRA maximum "roll-over" of $480,000 from the greater of these two calculations yields $170,000. That amount of the employee's entitlement on termination would therefore have to be a cash payment, subject to immediate tax.

3) Most of your "rolled-over" entitlements will be "locked-in"; Nova Scotia law requires them to be used to provide pension income, not withdrawn early. Your pension funds from Dalhousie will normally be transferred into a "locked-in" RRSP which will offer you options similar, but less favourable than, those outlined in the discussion concerning Dalhousie pension plan payments. Specifically, you may start your pension payments immediately if you are at least 55 years old, or you may defer their beginning. If you choose the deferral option, then the actual pension payments when you start them may or may not exceed the level that would have prevailed if you had started the payments immediately. **Unlike deferred pensions from the Dalhousie Retirees' Trust, which cannot go down, your "locked-in" RRSP could lose so much money that your ultimate payments decrease significantly.** Before the end of the year you reach age 71, you must either convert the RRSP into an annuity or into a Registered Life Income Fund or LIF.

4) If you are thinking about purchasing an annuity, you should consider several issues:

   a) Annuity providers (e.g., life-insurance companies) often limit the options they offer; for example, inflation-adjusted annuities are very uncommon. Pricing varies – sometimes substantially – so you may need to hire an annuity broker (for a fee) to find the best offer.

   b) Even with the most favourable pricing, a life annuity with the same guarantees and payouts as Dalhousie's Retirees' Trust Fund is more costly than the CV of your pension entitlements. (Currently the difference is about 11%.) Why? Simply, because insurance companies have to build a profit into their businesses.

   c) An annuity provider may quote a higher initial pension than you would get through the Retirees' Trust Fund, but with no protection against inflation.

5) A LIF (or RRIF for non-locked-in funds) permits considerable flexibility in investments. Flexibility in pension payments from a LIF is very restricted, however. Minimum annual payments (as a percentage of the value of the fund at the beginning of the year) are fixed by the CRA, while maximum payments are set by Nova Scotia's rules at each age. For example, at age 75, the minimum annual withdrawal is 7.85% of the value of your fund and the maximum 9.1% (as of early 2004). Furthermore, payments from a LIF depend crucially on its investment success. **Without substantial investment earnings, protection against inflation is impossible; indeed, the funds in your LIF may rapidly shrink if you or your spouse live beyond your average life expectancies**. There is certainly no guarantee of even a constant pension. However, since the maximum annual withdrawal from a LIF (at age 88 or above) is 20 percent of the declining balance, a LIF technically never can become completely depleted. Whatever remains when the surviving partner dies is likely to be subject to maximum incremental income tax rates; the after-tax amount will go to your estate.

6) Both levels of government have in the past changed the rules that govern retirement income arrangements; new rules may be introduced in the future that affect LIFs, RRSPs and pension plans in ways that may benefit or restrict plan members and beneficiaries. The current Provincial and Federal rules regarding LIFs may be found the Regulations under the Nova Scotia Pension Benefits Act.

Consideration of the possible advantages of taking your money out of the Plan

Now we are in a position to consider possible advantages of withdrawing your entitlements from the Dalhousie Pension Plan.

- Possible advantages: If I take the money out of the Plan, I'll enjoy a higher pension.

To make a proper comparison to receiving a pension from Dalhousie's Retirees' Trust Fund (RTF), one must consider two quite different scenarios:

(i) investing in an annuity outside the Plan, and
(ii) using a LIF for post-retirement income and making the maximum payments from it that Nova Scotia's Pension Regulations permit.

In both scenarios, assumptions have to be made regarding rates of return that are implicitly earned in an annuity and explicitly earned by a LIF and by the Retirees' Trust Fund. In addition, any excess amounts provided by 2 x contributions plus interest - see the withdrawal of pension discussion – and CRA's "rollover" restrictions (Table II) influence the results.

Under reasonable assumptions, annuity payments or LIF payments outside the Plan when you first retire cannot exceed the pension via the RTF. Because some of your monies may be subject to tax when you transfer your funds out of the Plan, the amount of tax-sheltered funds to annuitize or put in a LIF may be smaller than the amount that goes into the RTF. Furthermore, your Dalhousie pension almost certainly will increase as you age and prices rise. An annuity, on the

other hand, will likely not be indexed and returns on a LIF may well be insufficient to permit annual (maximum) LIF payments to increase at the rate of inflation – or even to increase at all.

An offset exists to the lower pension payments if you take your funds out of the Plan: you will receive an up-front lump-sum payment before taxes. This may be modest or large. Some affluent retirees have received as much as $400,000 before taxes; after the tax claim by the CRA, they still got $220,000. So a fundamental feature of withdrawing your funds from the Plan is that it alters the timing of your post-retirement income flows and decreases the extent of tax-sheltering.

- Possible advantage: To leave an estate for my children, I have to take my money out of the Plan.

When you and your spouse actually die makes a difference here. Suppose you have taken your money out of the Plan. If you both die soon after retirement and you have not chosen to defer pension payments, your estate will indeed be larger; if, on the other hand, one of you survives to age ninety or more, that partner may have to become dependent on government support programmes. **A significant financial risk in retirement is outliving one's retirement savings and leaving a surviving partner with insufficient income. Taking your money out of the Plan implies taking on substantial financial risk.**

Even if you could guarantee that you would die "on time", this supposed advantage makes little sense. Tunnel vision applied to financial planning is dangerous. You almost certainly have other assets besides your LIF to leave to your children. Furthermore, if you enjoy a higher post-tax pension by taking your pension through the Retirees' Trust Fund, you can build up non-registered assets for your estate from savings after retirement. Except for possible capital gains taxes, these assets will pass to your heirs tax-free. A LIF, in contrast, is heavily taxed when the surviving partner passes away.

- Possible advantage: To get good investment performance, I need to control the investments. So I have to take my money out of the Plan.

Whoa! There are two issues here: investment performance and control of investments. The Retirees' Trust Fund has consistently outperformed the average Canadian pension fund and enjoys a management expense ratio of only 0.3%. It is professionally managed. Managed investment accounts for affluent clients ($500,000 and up), on the other hand, typically charge annual fees of 3% of assets. Mutual fund "management expense ratios" (MERs) for balanced fund management run about 2.5% annually on average and there are often sales commissions as well. Many studies have shown that the gross investment return of mutual funds before these charges is only slightly above the average result for the market. In other words, most mutual fund managers add very little value before charging their expenses; after expenses, they underperform the market by almost the full amount of the MER. Of course, there are exceptions; some investment managers do outperform and have done better than the Retirees' Trust Fund. Whether this will prevail in the future one cannot say, but overcoming a 2.2% difference in the annual expense ratio makes this a big challenge – particularly in a low return environment.

If you withdraw your funds from the Plan, you do gain greater control of your financial situation. This is not entirely positive however. You also become responsible for investing the funds and paying the associated administration costs. You may be good at investing today and on top of the "market"; will that still be true when you reach 80? 90? If you hand over your portfolio to an advisor, will you be able to pick – and retain – a superstar?

- Possible advantage: Inflation is only about 2% a year. Why should I worry about it?

One of the major financial risks in retirement is that even modest rates of inflation may erode the ability to maintain one's lifestyle. The following example demonstrates the impact that indexing will have on pension payments, assuming an initial pension of $1,500 per month.

Date	Monthly Pension Indexed at **2%** per year	Monthly pension Indexed at **4%** per year	Monthly pension No Indexing
July 1, Year 1	$1,500	$1,500	$1,500
January 1, Year 10	$1,758	$2,052	$1,500
January 1, Year 20	$2,143	$3,038	$1,500
January 1, Year 30	$2,612	$4,497	$1,500

In thirty years with four percent annual indexation, pension payments would have tripled; without indexation, they would have remained unchanged.

How has indexation worked at Dalhousie? Earnings of the Retirees' Trust Fund that exceed 5.05% per annum on average (over the three years ending the previous June 30th) result in increments to pensions – that are capped by the increase in the Consumer Price Index (CPI). Such indexation is one of the Plan's best features – yet it is often ignored by personal financial advisors with a vested interest in persuading you to transfer your benefit entitlements out. This excess-interest approach to indexation does not guarantee pension increases equal to the rate of inflation in every year, but Dalhousie's experience to date has been excellent. The price level in April 2004 is 87.3 percent higher than in 1982, when these indexation arrangements were introduced; a 1982 Dalhousie retiree whose initial monthly pension was $1000 received $1798 in 2004, an increase of almost 80 percent since retirement. Although full indexation did not occur in every year since 1983, retroactive catch-up payments were made later. (In addition, that 1982 retiree would have received a special one-time distribution from the RTF of over $10,000 in fiscal year 2000-2001.)

Summary

Taking your pension through the Retiree's Trust Fund provides you and your spouse with an assured retirement income for your joint lives, along with significant inflation protection. Both the assurance and the inflation protection are significant benefits that cannot be inexpensively and easily duplicated outside the Plan. This choice relieves you from the worries and hassles associated with managing your own investments to try to generate a sufficient and prolonged stream of income to support you through your retirement years. And you have convenience and the flexibility to choose among various optional forms of pension. Your retirement funds remain fully tax-sheltered and you pay taxes only as you receive your monthly pension payments.

The Retirees' Trust Fund has consistently earned above-average returns, and it enjoys an actuarial surplus at present, even though the Dalhousie Pension Trust Fund suffers from a large actuarial deficit. Indeed, only once in the course of more than 20 years has the Retirees' Trust Fund experienced an actuarial deficit. It is both soundly funded and managed. But even if its investments should perform poorly, your pension is guaranteed by Dalhousie University.

Taking your pension entitlements out of the Plan is a risky choice. You forego an assured pension income (unless you annuitize outside the Plan) and subject your retirement income to both investment risk and the risk of outliving your assets. You also are making a tax-inefficient choice since withdrawal of a lump-sum from the Plan will trigger an immediate large income tax liability in almost all cases. Your post-retirement income may initially be larger than you would receive through the Retirees' Trust Fund, but if you annuitize outside the Plan, this situation is unlikely to last very long. **If you put your entitlements into a LIF, this favourable outcome depends on your success at earning above average returns on your investments.**

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