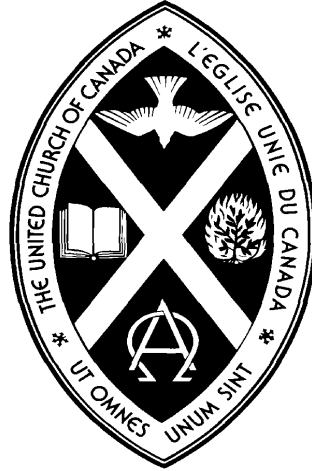


Ministry and Employment Policies and Services

- pension and benefits -

THE UNITED CHURCH OF CANADA

YOUR PENSION PLAN



A Summary of The Pension Plan Constitution

based on 1994 Plan Text with revisions at January 2003

INTRODUCTION

The first Constitution of the Pension Plan of the United Church of Canada (the Plan) was adopted by the Third General Council in Winnipeg, Manitoba in September 1928. Over the years this text has been revised many times and expanded to meet changing legislation. The information contained in this document provides you with a summary of your pension benefit entitlements. Should there be any discrepancy between the benefits described in this summary and the official plan document, the official document, The Pension Plan Constitution will apply.

The Plan and the investment of its assets comply with the requirements of all applicable legislation and are in accordance with the investment policies of the Church. The Plan is administered by the Pension Board as established by the General Council Executive. The Plan is operated on a day to day basis by the church through the Ministry and Employment Policies and Services Unit. All administrative expenses of the Plan are paid out of the Plan.

EMPLOYER PARTICIPATION & EMPLOYEE ELIGIBILITY

Pastoral Charge Employers and Employees

All pastoral charge employers participate in the Pension Plan of the United Church of Canada (the Plan) on behalf of their employees. Enrolment in the Plan is mandatory and a condition of employment for all ministry personnel (also referred to as 'minister' in this document) serving 14* or more hours per week in a pastoral charge. Enrolment in the Plan is mandatory and a condition of employment for all lay employees, hired after December 31, 1988 and working 14* or more hours per week in a pastoral charge.

When a pastoral charge is employing a minister, earning \$5,000 or more per year but not contributing to the Plan, such as a retired supply, the pastoral charge will pay a "charge only" pension assessment into the Plan, unless it is already contributing to the Plan on behalf of another member.

Administrative Employers and Employees

Administrative employers include the General Council Offices, Conference and presbytery offices whose employees are on the national payroll. All employees of administrative employers who work 14* or more hours per week are required to enrol in the Plan unless they have been hired on a contract basis that specifically excludes benefits.

Organizational Employers and Employees

Organizational employers are employers who have a relationship with the United Church of Canada, who wish to provide pension benefits for their employees and who have been approved for participation. Approval includes offering all current employees working 14* or more hours per week Plan participation. All employees hired after the approval date, who work 14* or more hours per week must participate in the Plan.

Conditional Employers and Employees

A Conditional employer does not necessarily have a relationship with the United Church but agrees to pension participation on behalf of the minister in its employ for the duration of the minister's employment. The plan member must first receive presbytery/Conference approval that the work is recognized ministry. A conditional employer does not offer participation in the Plan to any of its other employees.

14* (see Note 1 at end of document)

CONTRIBUTIONS TO THE PENSION PLAN

Contributions to the Plan are based on pensionable earnings. Each employer contributes 7.0% of the member's annual pensionable earnings to the Plan. Each plan member contributes 4.0% of annual pensionable earnings to the Plan. The required member contributions are deducted from the member's salary and, along with the required employer contributions are remitted on a monthly basis.

Pensionable Earnings for **MINISTERS** are based on 140% of basic salary (salary plus 40% of salary for the housing component). Example:

annual salary: \$30,000
pensionable earnings (140% x \$30,000) = \$42,000
annual employer cost (7.0% x \$42,000) = \$ 2,940
annual member cost (4.0% x \$42,000) = \$1,680

Pensionable earnings for **LAY EMPLOYEES** do not contain a housing component. Generally, salary and pensionable earnings are the same amount. Example:

annual salary: \$25,000
pensionable earnings = \$25,000
annual employer cost (7.0% x \$25,000) = \$ 1,750
annual member cost (4.0% x \$25,000) = \$ 1,000

CREDIT ACCRUAL

The Plan is a career-average defined benefit pension plan. The benefit, known also as **pension credit**, **accrued credit**, or **unit of pension** is based on pensionable earnings. Units of pension credit are cumulative. Each year's accrual is added to what has already accumulated, forming the amount of annual pension at termination or retirement.

The pension credit earned in the Plan is 1.7% of pensionable earnings. For example, **MINISTERS** with pensionable earnings of \$42,000 will earn an annual pension credit of \$714. **LAY EMPLOYEES** with pensionable earnings of \$25,000 will earn an annual pension credit of \$425. This accrued credit (\$714 or \$425 respectively) will be paid as pension for each year the Plan member lives after normal retirement, along with any survivor benefits payable after the member's death.

CREDITED SERVICE DURING DISABILITY

Pension credit continues to accrue during the time a plan member is receiving long term disability benefits from the church's group insurance plan. The pensionable earnings at the date of disability is used for the calculation of the pension credit and may be increased by up to 3% in subsequent years. The disabled member is not required to make member contributions.

PURCHASE OF SERVICE

Purchases of Service Prior to the Date of Plan Membership

Plan members may purchase pension credit for service prior to the date of plan membership during which they were not contributing to the Plan. This service could be pre-ordination/commissioning employment, a probationary period or contract service. It does not include service for which a refund has previously been received. Purchases may be member paid, member/employer paid, or employer paid. The portion paid by the plan member is generally deductible for income tax purposes. Purchases of post 1989 periods reduce RRSP contribution room.

Purchases of Unpaid Employment Leave

Pension for certain approved periods of employment leave may be purchased. These include study leave, maternity/parental/adoption leaves, without appointment when In search of a call/appointment, and approved leaves of absence. Plan membership must be established prior to the leave. For this reason post graduate study, prior to plan membership, is not recognized for purchase.

FORMS OF PENSION

At retirement, plan members choose from four forms of pension. (see also Note 2) All pensions come with a minimum guarantee number of months of payout.

1) *Joint & Survivor Pension: Normal Form*

The plan member elects to receive the accrued benefit, payable in monthly installments, and in the event of the member's death, the spouse (see Note 3) generally receives a lifetime pension of 2/3 of the amount the member was receiving at the date of death. If both the member and spouse die before the guarantee period is over, the beneficiary will receive the balance of the guarantee period in a lump sum equivalent.

2) *Joint and 100% Survivor*

The plan member elects to receive a reduced pension, payable in monthly installments, and in the event of the member's death, the spouse generally receives a lifetime pension of the same amount the member was receiving at the date of death. If both the member and spouse die before the guarantee period is over, the beneficiary will receive the balance of the guarantee period in a lump sum equivalent.

3) *Waiver of Joint & Survivor*

A plan member and spouse may elect to waive the right to a surviving spousal pension and choose the Life with a 15 Year Guarantee pension. The spouse must sign a waiver form to effect this. The plan member receives the accrued benefit, payable in monthly installments for life, but in the event of the member's death before receiving the benefit for a total of 180 months, the named beneficiary or estate will receive the balance of the guarantee period in a lump sum equivalent.

4) *Lifetime Pension with a 15 Year Guarantee Payout*

For plan members who do not have a spouse at retirement, the pension comes with a 15 year guarantee. The plan member receives the accrued benefit, payable in monthly installments for life, but in the event of the member's death before receiving the benefit for a total of 180 months, the named beneficiary or estate will receive the balance of the guarantee period in a lump sum equivalent.

PENSION COMMENCEMENT

Normal Retirement

For benefit purposes, the Plan recognizes the normal retirement date as the first of the month following the member's 65th birthday. For ministers, the church also recognizes the normal retirement date as the end of the Conference year following the member's 65th birthday. Beyond that, annual approval is required from presbytery for continuation of employment (except in Quebec and Manitoba). Lay employees should consult with their individual employers for continuation of employment beyond age 65.

Unreduced Early Retirement

The Plan has a provision whereby a member who has attained at least age 60 and has at least 35 years of CREDITED service in the Plan may retire and receive a pension that is unreduced and based on the earned credit to the date of retirement. The pension will be paid beginning the first of the month immediately following termination of employment or in the case of a vested deferred member, the first of the month following the date the pension becomes an unreduced pension.

Early Retirement

Plan members may retire anytime after age 55 and begin to receive their pension benefit. For every year the pension goes into pay prior to age 65 or the projected attainment of "60/35", which ever first occurs, it is reduced by 4% to reflect the longer pension payout period.

Bridged or Integrated Pension

The Plan will allow a member who is choosing early retirement and the normal form of pension to bridge/integrate the pension with the equivalent of the Canada Pension Plan benefit and/or Old Age Security benefit. This optional form of pension, in effect, prepays the member the estimated amount of the government benefits until they come into pay on their own. The Plan recovers this payout by actuarially reducing the member's pension after age 65.

Postponed Pension

When retirement is postponed beyond age 65, contributions continue to be made to the Plan and additional pension credits accrue. In addition, for each year retirement is postponed beyond age 65, the pension accrued to age 65 is actuarially increased. However, the pension must go into payment no later than the first of January immediately following the attainment of age 69.

Pension Payment

Pensions are paid in equal monthly installments of 1/12 of the annual amount, on the first day of each month in which they are due. Payments are electronically deposited into the pensioner's bank account unless the pensioner lives out of country. In this situation, cheques are mailed to the pensioner.

TERMINATION OPTIONS

Vesting confers on the Member the right to a pension. The United Church pension plan grants immediate vesting of a member's benefits. ***Locking-in*** ensures the pension is intact to pay a benefit at retirement. Once locked-in, monies cannot generally be cashed out but must be used to provide income at retirement. Locking-in occurs after two years' membership in the Plan.

A terminating Member usually has four options (see also Note 2)

- 1) leave the pension entitlement in the fund and begin to receive it in the form of a pension from age 65 or anytime after age 55 on a reduced basis,
- 2) transfer the value of the pension to another employer's pension plan,
- 3) transfer the value of the benefit to an approved retirement savings vehicle, or
- 4) purchase a life annuity or life income fund.

Members who terminate plan membership with less than two years' plan membership may forfeit their right to a pension and receive a cash refund of the greater of the value of the pension and the member's contributions with interest.

EXCESS CONTRIBUTIONS

At the date of termination, retirement or death a calculation is made to ensure the plan member's contributions with interest do not exceed 50% of the value of the accrued benefit. If they do, the amount by which it is higher is declared to be "excess".

In the case of termination or death, the excess may be:

- a) used to purchase a higher church pension,
- b) transferred, along with the commuted value of the pension, out of the Plan to another retirement savings vehicle, or
- c) received back in cash.

In the case of retirement, the excess may be:

- a) used to purchase a higher Church pension,
- b) received back in cash

Example of Excess Contribution Calculation

- Accrued benefit at termination: \$6,000
- Plan member's contributions with interest: \$4,600
- Committed value of benefit at termination: \$8,000
- 50% rule: employer funds half the value or \$4,000

Formula:

$$\begin{array}{r r r r r} \text{(Contributions + Interest)-} & \text{(50\% of Value)} & = & \text{Excess Contribution} & \\ \$4,600 & - & \$4,000 & = & \$600 \end{array}$$

SURVIVOR BENEFITS - PRE-RETIREMENT DEATH

Spousal Benefits (see also Note 2)

When death occurs before the commencement of pension the surviving spouse's benefit will be equal to the greatest of:

- 1) the value of the member's accrued pension at death,
- 2) the value of the spouse's pension (generally 2/3 of the member's accrued pension at death) plus any children's pension, or
- 3) the member's contributions with interest at the date of death.

The spouse may elect to:

- a) receive the benefit in monthly installments for life (see also Note 2), or
- b) take the benefit in a lump sum as taxable income where permitted under provincial legislation, or
- c) transfer the lump sum benefit (tax sheltered) into a retirement savings vehicle.

Children's Pensions

Each dependent child will receive a monthly child's pension subject to a maximum. A dependent child is a natural or adopted child who is under the age of 18 or 25, if still in school.

Beneficiary Benefits

If no spousal pension is to be paid, the named beneficiary will receive a taxable refund of the value of the accrued pension.

SURVIVOR BENEFITS - POST-RETIREMENT DEATH

Spousal Benefits (see also Note 2)

When death occurs after the payment of pension has begun, the surviving spouse generally will receive, for life, the survivor benefit chosen at retirement.

Beneficiary Benefits

If the form of pension was not joint & survivor and if the member had been receiving pension for less than 180 months, the named beneficiary will receive the benefit installments for the balance of the 180 months, or receive an equivalent lump sum payment.

Children's Pensions

Same as Children's Pensions section above.

MARITAL BREAKDOWN

Pension assets are family property and as such can be divided between spouses on marital breakdown although this is not mandatory or automatic. The Plan Administrator will provide the concerned parties with the data required for an independent actuary to place a value on the pension benefit. The value is a factor in the equalization of assets but the pension may not require splitting if other assets are traded. A Court Order or Separation Agreement must specifically require a split of the pension. The Administrator shall administer each split within the parameters of the Order/Agreement and enabling legislation.

NOTE

Note 1: Participation is mandatory if hours worked are at least 14 per week, or if less than 14, the employee earned at least 25% of the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE) during each of the last two years; or, worked at least 700 hours during each of the last two years.

Note 2: Pension legislation permits a pension plan to pay out a pension in a lump sum instead of in monthly installments if the amount of the pension falls below a prescribed minimum. This minimum varies from province to province. If the annual pension fails to meet the minimum standard, the Plan will pay the member or the spouse, whichever applies, a lump sum equivalent instead of a monthly pension for life.

Note 3: The Plan defines spouse as a legal spouse, a common law spouse or a same gender partner in a conjugal relationship of at least one year.

Should there be any discrepancy between the benefits described in this summary and the official plan document, the official document, The Pension Plan Constitution will apply. To obtain a copy of The Pension Plan Constitution contact:

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