MINISTRY AND EMPLOYMENT UNIT

THE UNITED CHURCH OF CANADA

YOUR

PENSION PLAN

A Summary of The Pension Plan Text

Revised 2011

INDEX

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. This booklet has been written to provide you with a summary of your pension benefit entitlements.

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 Pension Board. The plan is administered by the Pension Board as established by the Executive of the General Council. The pension plan is operated on a day to day basis through the Ministry and Employment unit at the General Council Office and the third party administrator, Aon Hewitt. All administrative expenses of the plan are paid out of the plan.

For additional information, contact:

The United Church Benefits Centre

Telephone: 1-866-859-5025

Website: http://ybrcanada.hewitt.com/UCC

Should there be any discrepancy between the benefits described in this booklet and the official plan document, the official document, The Pension Plan Text will apply.

based on the Plan Text
at January 2011

Employer Participation and 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 and lay employees serving 14* or more hours per week in a pastoral charge. Once enrolled, a plan member remains a contributing member regardless of the number of hours paid.

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 to 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.

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 its ministry personnel employees for the duration of the employees' 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.

*or less than 14 hours per week if during each of the last two years:

- the employee earned at least 25% of the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE), or
- worked at least 700 hours

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 **MINISTRY PERSONNEL** are based on 140% of basic salary.
(salary plus 40% of salary for the housing component)

Example: Annual basic salary:	$30,000
Pensionable Earnings = (140% *x* Basic Salary $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, or pension credit, is based on pensionable earnings. See the *Contributions to the Pension Plan* section for the definition of pensionable earnings.

Currently, the pension credit earned each year in the Plan is 1.7% of Pensionable Earnings. Units of pension credit are cumulative. Each year's pension credit is added to what has already accumulated, forming the amount of annual pension at termination or retirement.

Continuing with the examples from page 5:

For **MINISTRY PERSONNEL** with pensionable earnings of $42,000 the annual pension credit is $714.

For **LAY EMPLOYEES** with pensionable earnings of $25,000, the annual pension credit is $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 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 at the discretion of Pension Board. *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. All pensions come with a minimum guaranteed number of months of payout.

1) Joint and 66 2/3 percent Spousal Pension with 5-year guarantee

This is the automatic payment form if a plan member has a qualifying spouse.* This option provides a monthly payment until the plan member's death. After the plan member's death, 66 2/3 percent of the plan member's monthly lifetime pension will be paid to the member's qualifying spouse as long as he or she lives. If the plan member and spouse die before 5 years of payments are made, the plan member's primary beneficiary will receive a lump sum of the balance remaining. If the plan member and spouse die after receiving 5 years of payments, no further benefits will be paid to any beneficiary.

*The plan defines a qualifying spouse as a legal spouse or a partner in a conjugal relationship of at least one year.

2) Joint and 100 percent Spousal Pension with 5-year guarantee

This option provides a monthly payment until the plan member's death. After the plan member's death, 100 percent of the plan member's monthly lifetime pension will be paid to the member's qualifying spouse as long as he or she lives. If the plan member and spouse die before 5 years of payments are made, the plan member's primary beneficiary will receive a lump sum of the balance remaining. If the plan member and spouse die after receiving 5 years of payments, no further benefits will be paid to any beneficiary. The pension payable under this option is reduced to reflect the higher spousal pension payable after the plan member's death.

3) Lifetime Pension with a 15-Year Guarantee Payout

This is the automatic payment form if a plan member does not have a spouse. This option provides a monthly payment until the plan member's death. If the plan member dies before receiving payments for 15 years, the named beneficiary will receive the value of the remaining payments in a lump sum. If the plan member and all of the plan member's beneficiaries die before 15 years of payments are made, the value of the remaining payments will be paid as a lump sum equivalent to the beneficiary's estate. If the plan member dies having received 15 years of payments, no further benefits will be paid to any beneficiary.

A plan member with a spouse can elect this option if the plan member and spouse waive the right to a surviving spousal pension from the plan within the 12 months leading up to retirement. The spouse must sign a waiver form to effect this.

4) Life Pension Integrated with Old Age Security

This option provides a monthly pension until the member's death. The amount of pension between early retirement and age 65 includes an amount that is the equivalent of the Old Age Security benefit. This optional form of pension, in effect, prepays the member the estimated amount of the Old Age Security benefit until they come into pay at age 65. The plan recovers this payout by actuarially reducing the plan member's pension after age 65, but the reduction will be no more than 50%. In the event the plan member dies prior to receiving 60 monthly installments, the spouse will receive 100% of the plan member's monthly pension under option 1 until the number of monthly payments made to the plan member and the spouse totals 60. After the plan member's death and 60 monthly payments have been made, 66 2/3% of the plan member's monthly pension under option 1 will be paid to the spouse as long as he or she may live.

Note: Exception

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.

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 ministry personnel, 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 plan membership, 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”, whichever first occurs, it is reduced by 4% to reflect the longer pension payout period.

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 December in the year the member reaches age 71.

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

The plan grants immediate vesting and locking-in of a member's benefits.

Vesting confers on the member the right to a pension. *Locking-in* ensures the pension is intact to pay a benefit at retirement.

A terminating member usually has four options:*

1) leave the pension entitlement in the plan 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.

*See "*Exception*" page 7.

Excess Contribution

At the date of termination, retirement, or death a calculation is made to ensure the plan member's contributions with interest does not exceed 50% of the value of the accrued benefit. If it does, 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 pension from the plan, if the pension entitlement remains in the plan,
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 plan 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
• Commuted value of benefit at termination:	$8,000
• 50% rule: employer funds half the value or	$4,000

Formula:

(**C**ontributions + **I**nterest)	– (50% of **V**alue)	= **E**xcess **C**ontribution
(C + I)	– (50% V)	= EC
$4,600	– $4,000	= $600

Survivor Benefits: Pre-retirement Death

Spousal Benefits
When death occurs before the commencement of pension payments 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 "Exceptions" on page 7), 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
When death occurs after the payment of pension has begun, the surviving spouse generally will receive, for life, the survivor benefit chosen at retirement (see also "*Forms of Pension*" and "*Exception,*" page 7).

Beneficiary Benefits
If the form of pension was not joint & survivor and if the member had been receiving pension for less than 15 years, the primary beneficiary will receive a lump sum of the remaining balance.

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. Generally, the 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.