

TO: All MUNFA Members
FROM: The MUNFA Executive
DATE: February 24, 2010
SUBJECT: Recent Amendments to the MUN Pensions Act (Bill 38)

Attached is a summary of recent amendments to the MUN Pensions Act (Bill 38) which received Royal Assent on December 22, 2009. This summary is also available on the MUN Human Resources website:

www.mun.ca/humanres/about/Amendments_background_Feb_2010.pdf

Note in particular, that item (vi) "Suspension of Pension Upon Re-employment of Retirees" could affect those ASMs who have retired and return to MUN on a contract of six (6) months or longer.

If you have questions, the MUNFA Executive advises that you contact the Pensions Division of Human Resources.

**AMENDMENTS TO THE
MEMORIAL UNIVERSITY PENSIONS ACT**

SUMMARY INFORMATION

The following summary information is provided in relation to a series of amendments to the *Memorial University Pensions Act* (the Act) that became effective in December 2009. The enabling legislation can be viewed at:

www.mun.ca/humanres/about/2009_BILL_38.mht

The various general categories of change to the Memorial University Pension Plan (the Plan) are explained below:

i) Definitions

The definition of “pensionable salary” has been changed and a new definition of “salary” has been added. The purpose is to clarify the existing calculation of the best five year average salary and does not impact in any way the pension calculation.

The definition of “pensionable service” has been amended to reflect the requirements of eligible service under the Income Tax Act (Canada).

New definitions for the “year’s basic exemption” and “year’s maximum pensionable earnings” have been added to set out earnings limits under the Canada Pension Plan. These limits are referred to in the calculation of lifetime pension benefits and bridging benefits, as set out in a later amendment.

ii) Participation of Employees of Certain Employers Associated with Memorial

Certain employees of the following non-University employers have formally been recognized under the Act:

- Memorial University of Newfoundland Students’ Union (MUNSU);
- Medical Practice Associates (MPA); and,
- Geological Association of Canada, Newfoundland Section.

Plan membership is limited to only those employees who are either members of the Plan or in receipt of a benefit from the Plan on the date of enactment of the enabling legislation. As is currently the case, there will be no new entrants from any of these employers.

iii) **Removal of Disability Pension Provision**

The disability pension provision has been removed from the Act. Plan members who become disabled are protected from income loss by the University's mandatory long term disability plan.

iv) **Incorporation of Existing Canada Pension Plan Integration into the Act**

The Plan is integrated with the Canada Pension Plan (CPP). The integration formula and associated rules were previously set out in a former regulation to the Act. For purposes of increased transparency, CPP integration has now been included in the Act with the pension formula structured as a lifetime pension plus a "bridge benefit" to age 65. Such a structure is not only consistent with how pensions are paid from the Plan, but is also in line with regulatory language contained in the *Income Tax Act* [Canada]. This approach more closely reflects the Plan's actual pension promise in that additional "bridging benefits" are paid to age 65, being the time at which CPP pensions normally start. These changes do not alter the existing pension formula, rather they change the way in which it is presented.

v) **Payment of a 60% Survivor Pension on the Bridge Benefit**

Survivor benefits under the Plan have been improved to pay a survivor benefit on the bridge amount. That is, the Plan will pay a 60% survivor pension on the bridge benefit up to the date at which the deceased retiree or employee would have reached age 65.

Prior to this change, survivor benefits were not paid on the bridge amount where retirees or employees died before age 65. Instead, their pensions would have been immediately integrated with the Canada Pension Plan (or reduced), and 60% of the residual paid to the surviving principal beneficiary.

vi) **Suspension of Pension Upon Re-employment of Retirees**

The Plan has been amended such that the pension of a retiree who is rehired into a pensionable position may be suspended during the term of their re-employment. Under this provision, where the pension is suspended, the re-employed retiree would begin active participation in the Plan once again, accrue additional service and upon subsequent retirement their pension would be re-calculated as if the first retirement had not occurred. It is important to note that this provision does not automatically require mandatory suspension of the pension of a re-hired

retiree. The nature of the employment and the particular position will be taken into account for purposes of this provision.

vii) Inclusion of *Income Tax Act [Canada]* Limits for Periods of Unpaid Leave and Reduced Pay

The leave of absence provisions under the Act have been amended to provide for the maximum limits allowable under the *Income Tax Act [Canada]* for periods of unpaid leave of absence and reduced pay. Subject to the prescribed compensation limits set out in the regulations to the *Income Tax Act*, the Plan now allows a member to receive pensionable service credit for up to a cumulative maximum of 5 years in respect of periods of unpaid leave or reduced pay plus an additional 3 years in respect of periods of parenting. Prior to this change the Plan limited eligible periods of leave to a maximum of two consecutive years.

This change does not alter existing University policy or collective agreement provisions for periods of leave of absence or reduced pay, but rather sets out what can be recognized as eligible service under the Plan.

viii) Changes to Reflect *Pension Benefits Act, 1997* Survivor Benefit Requirements

Certain sections of the Act dealing with survivor benefits have been amended to comply with the requirements of the *Pension Benefits Act, 1997 (PBA)*. This is legislation with which all pension plans registered in Newfoundland and Labrador must comply. Prior to these PBA requirements being reflected in the Act, the Plan was being administered in accordance with the PBA. The following changes have been made:

- i) Upon the death of a retired employee who has no surviving principal beneficiary, a 60% survivor benefit will be payable to dependent children under the age of 18 (age limit extended to 24 where the child(ren) is attending a school or post-secondary institution or is infirm).
- ii) Where an employee dies after becoming entitled to a pension but before it begins, the survivor benefit applicable to service after 1996 may be increased such that its commuted value is at least as great as the commuted value of the employee's pension.
- iii) Where an employee dies after becoming entitled to a pension but before it begins, the surviving principal beneficiary may choose to receive their survivor benefit as a lump cash payment in lieu of a lifetime pension.

- iv) Where an employee dies before becoming entitled to a pension, the employee's contributions and interest are payable to the deceased employee's surviving principal beneficiary. In the event that there is no surviving principal beneficiary, the contributions and interest are payable to the deceased employee's estate. Previously, the Act allowed this payment to be paid to the guardian of dependent children.
- v) Estate provisions have been added for deferred pensioners which coincide with the provisions applicable to employees.

ix) **Miscellaneous Changes Required by the Canada Revenue Agency**

As part of its regulatory responsibility for registered pension plans, the Registered Plans Directorate of the Canada Revenue Agency reviews plan texts and advises plan sponsors where language changes are required to ensure compliance with the *Income Tax Act [Canada]*. As a result of past reviews, certain sections of the Act have been amended. Prior to these changes the Plan was being administered in accordance with the *Income Tax Act [Canada]*.