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# Your Pension Plan



**Pension & Benefits**

The Presbyterian Church in Canada

L'Église presbytérienne au Canada

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# Your Pension Benefits at a Glance

		For details, turn to page
PLAN MEMBERSHIP	Compulsory for ordained ministers, members of the Order of Diaconal Ministries, and employees of the National Office. Available to other Church workers whose employers agree to participate in the plan.	4
YOUR CONTRIBUTIONS	You contribute a percentage of your pensionable income to the plan every month by payroll deduction. This percentage is approved each year by General Assembly. Your contributions are tax-deductible.	4
EMPLOYER CONTRIBUTIONS	Your congregation or employer also makes contributions to the pension plan. The amount of employer contributions is approved each year by General Assembly.	4
RETIREMENT AGE	Normal: First day of the month following your 65th birthday. <i>Reduced early:</i> Anytime after you reach age 55 – with a reduced pension. <i>95-point early:</i> Anytime after your age and pensionable service total 95 – with no reduction. <i>Postponed:</i> Anytime after age 65, but under current law, pension payments must begin no later than the year in which you reach age 71.	5
AMOUNT OF YOUR PENSION	Your pension is based on a formula that uses your pensionable income, pensionable service, and maximum qualifying income.	6
IF YOU DIE BEFORE RETIREMENT	If you have been a member of the plan for at least two years, your spouse or child(ren) will receive a survivor's pension or a lump sum will be paid to your beneficiary or estate.	11
IF YOU LEAVE	If you have been a member of the plan for less than two years, you will receive a refund of your contributions plus interest. If you have been a member of the plan for at least two years, you will receive the full value of the pension you have earned.	12

## Welcome to the Plan

The Church is very pleased to be able to offer a “defined benefit” pension plan to our clergy and employees. Plans such as this, which offer a clearly defined benefit tied to earnings and service, are becoming rare in Canada. In fact, only 25% of Canadians not employed by the government now have a pension plan of any kind.

The Church’s pension plan was established in 1927. It now provides a monthly pension to over 850 retirees, and has over 850 active members.

The plan has been designed to give you and your family a solid foundation for building a safe and secure financial future. Among other things, it offers you:

- a clearly defined lifetime pension
- a range of death benefits to protect your family, including a pension for your spouse and children.

Whether you’re just beginning your career with the Church or you are a long-time plan member, we urge you to take a few minutes to review this booklet and share it with those closest to you.

## A Commitment to Good Governance

Managing a pension plan is a complex task, but the goal is simple: to make sure there is enough money in the pension today to cover all of the pensions to be paid from the plan at some point in the future.

Our plan is managed by the Pension and Benefits Board. The Board is appointed by the General Assembly of the Church and is responsible for the administration of both the pension plan and the group benefits plan. It is composed of church representatives from across Canada, and meets three times each year.

Under its various sub-committees, the Board interprets the pension plan constitution and decides on issues that affect plan members. Details of the Board’s responsibilities are documented in the constitution.

The pension plan is also partly governed by a Trustee Board, which is also appointed by the General Assembly of the Church. The Trustees meet four times yearly. Under its mandate, the Trustee Board establishes the pension plan investment policy, selects the plan’s professional investment managers, and reviews investment performance.

The Pension and Benefits Board Office looks after the day-to-day operations of the plan. This includes signing up new members, receiving contributions from employers, answering questions, and preparing statements.

The plan is regulated by federal and provincial legislation. It is registered under the Income Tax Act and the Ontario Pension Benefits Act (Registration No. 0368902). The plan may be changed or discontinued at any time with the approval of General Assembly. Any pension benefits already earned at the time of a change are fully protected under the plan.

## Joining the Plan

If you are an ordained minister or a member of the Order of Diaconal Ministries, you must join the plan. Employees of the National Office must join the plan after one year of employment, but may choose to join earlier (anytime after three months of employment). Other Church workers or congregational employees may also join, provided their employers agree to participate in the plan.

### REJOINING THE PLAN

If you left your pension benefits in the plan at the end of your previous period of employment, your full period of previous pensionable service is recognized automatically.

If you transferred a lump-sum payment from the plan when you left, you may buy back your previous pensionable service as follows:

- repay the lump sum with interest within one year of rejoining the plan; or
- with the agreement of the Pension and Benefits Board, spread your repayment over a period of up to five years (but not past your normal retirement date).

“Your employer” means the Church, a congregation, a board of the Church, or any other affiliated employer, organization or institution that contributes to the pension plan.

## How the Plan Works

When you join the plan, you make monthly contributions to the pension fund by payroll deduction. Your employer also makes regular contributions to the fund.

When you retire, you receive a pension from the plan based on your pensionable income and your period of pensionable service. Other important sources of retirement income include government programs, such as the Canada Pension Plan and Old Age Security, and your own personal savings plans.

### CONTRIBUTIONS

Your pension is paid from your contributions and contributions made by your employer. These contributions, together with the investment income they earn, provide the funds for your pension (see pension formula on page 6).

The amount to be contributed by members and employers is approved by General Assembly. Currently, you contribute 6% of your pensionable income to the plan. This is automatically deducted from your before-tax pay. The Church also makes contributions to the plan based on the advice of the plan actuary. When you retire or leave the plan, a test is done to check that the Church has contributed at least as much as you have (see page 10).

#### Example of annual member pension contribution:

Your pensionable income in current year: \$60,000

Your pension contribution in current year:  $\$60,000 \times .06 = \$3,600$

You may wish to think of your retirement income as a three-legged stool made up of your Church pension, government-paid pensions, and personal savings.

Your contributions to the pension plan are automatically deducted from your before-tax pay.

# When You May Retire

## NORMAL RETIREMENT

Your normal retirement date is the first day of the month following your 65th birthday.

## REDUCED EARLY RETIREMENT

You may retire with a reduced pension anytime after you reach age 55.

## 95-POINT EARLY RETIREMENT

You may retire early with an unreduced pension if your age plus pensionable service total 95 or more. For example, if you are age 62 and have 33 years of pensionable service, your pension will be calculated using the normal retirement formula and your actual pensionable service, with no reduction.

## POSTPONED RETIREMENT

If you continue working after age 65, you may continue to earn pensionable service and receive an increased pension when you retire. However, the Canada Revenue Agency requires that pension payments begin by the end of the calendar year in which you reach age 71.

## POSTPONED RETIREMENT: QUEBEC

If you live in Quebec and continue working part time after age 65, you may choose to begin payment of all or part of your pension. These pension payments may not exceed the amount by which your earnings are reduced. Your full pension will begin when you stop working altogether.

If you take this payment option, your contributions will stop and you will not earn any additional pension benefits.

### Three key terms

To understand how your pension plan works, it is important to know the meaning of the following three terms:

#### Maximum qualifying income

The maximum income used to calculate contributions and pensions.

#### Pensionable income

“Income” means either your stipend (plus an allowance of 60%) or your salary (excluding bonus or overtime payments but including payments for health and dental insurance). “Pensionable income” is your income up to the maximum qualifying income.

#### Pensionable service

The period during which contributions are made to the pension plan (pro-rated for part-time service, see page 14).

# Amount of Your Pension

The formula for calculating your pension is shown below. To apply this formula, you need a record of your income during your plan membership and the maximum qualifying income each year.

To help you keep track of your pension, a pension statement is sent to you every year. This statement shows how much pension you have earned to date. It also gives you an estimate of your pension if you stay in the plan until you retire.

## NORMAL RETIREMENT FORMULA

The current pension formula went into effect on January 1, 1990. If you were actively contributing to the plan on December 31, 1989, your pension will be calculated using both the old and new formulas, and you will receive the larger of the two amounts.

## CURRENT FORMULA FOR ANNUAL PENSION

1.5% of the average maximum qualifying income  
*multiplied by*  
your highest income ratio  
*multiplied by*  
your pensionable service

Your “income ratio” is the ratio of your pensionable income each year to the maximum qualifying income. Your “highest income ratio” is the average of your five highest income ratios (not necessarily consecutive).

If you have an income ratio of one (your pensionable income is equal to the maximum qualifying income) for five or more years, you will automatically receive the maximum pension based on your pensionable service.

## EARLY RETIREMENT FORMULA

If you retire before age 65 and you do not have 95 points, your pension is calculated the same way as a normal retirement pension, but it is reduced by 6% for each year (1/2% per month) that you fall short of age 65.

## PENSION EXAMPLE: EARLY RETIREMENT WITH A REDUCED PENSION

Age: 62

Amount of monthly pension (based on normal retirement formula): \$1,500  
Reduced by 18% (3 years x 6%): \$270  
Total monthly pension: \$1,230

The “average maximum qualifying income” is the average of the maximum qualifying income in the year when you retire and the preceding four calendar years.



# Example of Pension Calculation At Mid-Career

The member in this example is in mid-career (still active). For examples of pension calculations at retirement, please see pages 8 & 14.

This example illustrates how your pension is calculated. You do not have to do this calculation yourself. Each year, we update your pension calculation for you and send you a personal statement showing the amount of your pension earned to date.

Date of joining plan – January 1, 2001  
 Date of calculation – December 31, 2010  
 Pensionable service – 10 years

Year	Pensionable Income	Maximum Qualifying Income	Income Ratio
2001	43,468	51,600	0.8424
2002	44,827	52,920	0.8471
2003	47,403	53,400	0.8877
2004	49,632	54,860	0.9047
2005	52,962	56,140	0.9434
2006	55,357	58,560	0.9453
2007	57,995	60,180	0.9637
2008	60,194	61,260	0.9826
2009	62,580	62,580	1.0000
2010	63,720	63,720	1.0000
Average over last five years		\$61,260	
Average over highest five years (not necessarily consecutive)			0.9783

## HOW FORMULA IS APPLIED

1.5% of average maximum qualifying income  
*multiplied* by highest income ratio

*multiplied* by pensionable service

total annual pension earned to December 31, 2010

total monthly pension earned to December 31, 2010

$$\begin{array}{r}
 1.5\% \times \$61,260.00 = \quad \$ 918.90 \\
 \times 0.9783 \\
 \hline
 \quad \quad \quad \quad \quad \quad \quad \$ 898.96 \\
 \times 10.00 \\
 \hline
 \quad \quad \quad \quad \quad \quad \quad \$ 8,989.60 \\
 \hline
 \quad \quad \quad \quad \quad \quad \quad \$ 749.13
 \end{array}$$

If you have an income ratio of one (your pensionable income is equal to the maximum qualifying income) for five or more years, you will automatically receive the maximum pension based on your pensionable service.

EXAMPLE OF PENSION CALCULATION AT RETIREMENT – Full-time throughout (see page 14 for part-time)

Year	Pensionable Income	Maximum Qualifying Income	Income Ratio	Pensionable Service
1986	11,750	23,500	0.5000	0.50
1987	26,500	26,500	1.0000	1.00
1988	29,170	29,170	1.0000	1.00
1989	34,260	34,260	1.0000	1.00
1990	35,820	35,820	1.0000	1.00
1991	39,240	39,240	1.0000	1.00
1992	42,780	42,780	1.0000	1.00
1993	45,660	45,660	1.0000	1.00
1994	46,440	46,440	1.0000	1.00
1995	46,560	46,560	1.0000	1.00
1996	46,620	46,620	1.0000	1.00
1997	47,820	47,820	1.0000	1.00
1998	48,000	48,000	1.0000	1.00
1999	48,418	48,418	1.0000	1.00
2000	50,580	50,580	1.0000	1.00
2001	51,600	51,600	1.0000	1.00
2002	52,920	52,920	1.0000	1.00
2003	53,400	53,400	1.0000	1.00
2004	54,860	54,860	1.0000	1.00
2005	56,140	56,140	1.0000	1.00
2006	58,560	58,560	1.0000	1.00
2007	60,180	60,180	1.0000	1.00
2008	61,260	61,260	1.0000	1.00
2009	62,580	62,580	1.0000	1.00
2010	31,860	63,720	0.5000	0.50
Average over last five years		\$61,260		
Average over highest five years (not necessarily consecutive)			1.0000	
Total pensionable service				24.00

This example illustrates how your pension is calculated. You do not have to do this calculation yourself. When you apply for your pension, we will send you a personal statement showing the amount of the pension you have earned.

Date of joining plan – July 1, 1986  
 Date of calculation – July 1, 2010  
 Pensionable service – 24 years  
 Retirement age – 65

HOW FORMULA IS APPLIED

1.5% of average maximum qualifying income	1.5% x \$61,260.00 =	\$ 918.90
<i>multiplied</i> by highest income ratio		x 1.000
		<u>\$ 918.90</u>
<i>multiplied</i> by pensionable service		x 24.00
total annual pension earned to July 1, 2010		<u>\$ 22,053.60</u>
total monthly pension earned to July 1, 2010		\$ 1,837.80

Since this member was contributing to the plan on December 31, 1989, the pension will also be calculated using the old formula, and he or she will receive the larger of the two amounts.

# Your Pension Payment Options

## Choosing a Pension That is Right For You

When you retire, you have several different pension payment options to choose from. The option you select will have an impact on the amount of your monthly pension and how much your spouse or beneficiary receives after your death. Here are some things you should consider before you choose a payment option:

1. You cannot change your payment option once you begin receiving your pension, even if your personal family situation changes.
2. Whatever form of pension you choose, your pension will always be paid for at least as long as you live. If you like, you can add a guarantee period that will provide a certain number of monthly payments, even if you die.
3. **If you have a spouse when you retire:** If you die first, 66 2/3% of your pension at retirement will be paid to your spouse. If the spouse you have at retirement dies before you, a new spouse will qualify for a spouse's pension only if that person has been your spouse, as defined by the Plan, for at least a full year before your death. It is very important to keep the Pension and Benefits Board Office up to date, or your new spouse will be required to provide additional proof after your death.

You may choose to take a reduced pension at retirement to continue a higher percentage of your pension (up to 100%) to your spouse if you die first. You may also take a reduced pension and add a guarantee of five, 10 or 15 years to your spouse's pension options. If you die within the guarantee period, your spouse will receive the same amount of pension that you were receiving for the remainder of the period. After that, your spouse will begin receiving a pension at the level you chose at retirement. This pension will continue for your spouse's remaining lifetime.

4. **If you don't have a spouse:** your pension will be paid for your lifetime with your choice of a five-, 10- or 15-year guarantee. If you die within the guarantee period, your pension will continue to be paid to the beneficiary (ies) of your choice until the guarantee ends.

You cannot change your pension option after you retire.

The definition of "spouse" is governed by provincial pension law.

## Understanding The Impact

This table shows the possible impact of some of the different pension options on a member who retires at age 65 with a 63-year-old spouse and a monthly pension of \$1,000. **This is an example only.** Amounts will vary depending on your age at retirement, your spouse's age and interest rates in effect when you retire. Please contact the Pension and Benefits Board Office to request a personal pension estimate.

Pension payment option	Description	Monthly pension at retirement
66 2/3% spouse's pension	Pension paid for your life with 66 2/3% continuing to your spouse for his/her lifetime after your death	\$1,000
66 2/3% spouse's pension with five-year guarantee	Pension paid for your life with 100% continuing to your spouse if you die within the first 5 years of retirement. At the end of the five-year period, 66 2/3% continues to your spouse for life.	\$997
66 2/3% spouse's pension with 10-year guarantee	Pension paid for your life with 100% continuing to your spouse if you die within the first 10 years of retirement. At the end of the 10-year period, 66 2/3% continues to your spouse for life.	\$986
66 2/3% spouse's pension with 15-year guarantee	Pension paid for your life with 100% continuing to your spouse if you die within the first 15 years of retirement. At the end of the 15-year period, 66 2/3% continues to your spouse for life.	\$968
100% spouse's pension	Pension paid for your life with 100% continuing to your spouse for his/her lifetime after your death	\$944

If you are single when you retire, you have four pension options from which to choose. The table below shows the possible impact of the different pension options on a member who retires at age 65 and a monthly pension of \$1,000. This is an example only. Amounts will vary depending on your age at retirement and interest rates in effect when you retire. Please contact the Pension and Benefits Board Office to request a personal pension estimate.

Pension payment option	Description	Monthly pension at retirement
Lifetime only	Pension paid for your lifetime. There is no death benefit.	\$1,000
Life with five-year guarantee	Pension paid for your lifetime. If you die before 60 monthly payments have been made, the rest will be paid to your beneficiary or estate.	\$989
Life with 10-year guarantee	Pension paid for your lifetime. If you die before 120 monthly payments have been made, the rest will be paid to your beneficiary or estate.	\$959
Life with 15-year guarantee	Pension paid for your lifetime. If you die before 180 monthly payments have been made, the rest will be paid to your beneficiary or estate.	\$916

## CASH BENEFIT

If your pension qualifies as a “small” pension under pension law, you will receive the full value of your pension in the form of a single, taxable payment instead of in monthly instalments. The rules for a small pension vary by province.

## PAYMENT OF YOUR PENSION

Pension payments begin on the first of the month following the month in which you retire. You may have your pension cheque mailed to you or deposited directly into your bank account at the start of each month.

To avoid missing payments, please make sure to notify the Pension and Benefits Board Office of any changes in your address or banking arrangements.

## TAX AND YOUR PENSION

Pension payments are taxable. You can choose the amount of tax to be deducted when you complete the pension application form. If you choose 0%, you are responsible for paying the tax at the end of the year when you file your return. You can increase or decrease the amount of tax to be deducted by contacting the Pension and Benefits Board Office and completing the appropriate form.

## PENSION INCOME SPLITTING

Also, keep in mind that when you file your taxes, you can split up to 50% of your pension income with your spouse. That means that you claim part of the income as yours and your spouse can claim up to half of your pension income as his or hers. If your spouse is in a lower tax bracket than you, you will pay less income tax overall.

We recommend that you consult an accountant or other qualified advisor before you and your spouse decide to split your income for tax purposes.

## EXCESS CONTRIBUTIONS

When you retire (or leave the plan), if the total of your required plan contributions made after 1986 (1984 in Manitoba) plus interest is greater than 50% of the value of your pension earned over the same period, the excess contributions will be refunded to you with interest. These funds may be transferred tax-free to an RRSP or taken as a taxable cash payment.

## PENSION INCREASES AFTER RETIREMENT

It has been the Church's practice to increase pensions for retired members whenever investment earnings allow. Although these increases are not guaranteed, they have greatly improved our pensioners' income.

## Life Events

### DEATH BEFORE RETIREMENT

If you die before your pension begins and you do not have a spouse, your beneficiary or estate will receive the larger of the following two amounts:

- your total contributions plus interest, or
- the cash value of your pension earned after 1986 (after 1984 in Manitoba and during your entire plan membership in Saskatchewan).

Keep in mind that if benefits are paid to your estate, they may be exposed to probate fees and creditors. This is not the case if they are paid directly to a beneficiary.

#### Family benefits

If you are an active plan member at the time of your death, the following benefits will be paid from the plan:

In most provinces, your death benefits must be paid to your spouse, even if you have named someone else as your beneficiary.

### Family Death Benefits

If you have a spouse

Your spouse will receive a pension equal to 66 2/3% of the pension you have earned up to the date of your death. This pension will be paid for the lifetime of your spouse and is not affected by remarriage. An additional pension of 1/6 of your spouse's pension will be paid to your first child, with smaller amounts for each additional child (up to four children in total).

If you do not have a spouse but you have a child or children under age 18 and supported by you

Your first child will receive a pension equal to 66 2/3% of the pension you have earned up to the date of your death. An additional pension of 1/6 of your first child's pension will be paid to your second child, with smaller amounts for each additional child (up to four children in total).

Child (ren)'s benefits stop at age 18. However, the Pension and Benefits Board may allow benefits to continue to age 25 if the child is attending school full-time.

Your family benefits are guaranteed to be not less in value than the death benefits that would be paid if you did not have a spouse or child (ren) at the time of your death. If you have fewer than 12 years of pensionable service, death benefits will be calculated based on 12 years of pensionable service or your total pensionable service if you had lived to age 65 (whichever is less). Child (ren)'s benefits stop at age 18. However, the Pension and Benefits Board may allow benefits to continue to age 25 if the child is attending school full-time.

After you retire, death benefits (if any) depend on the form of pension you chose at retirement.

## DOCTORAL LEAVE

If you take a leave from active service as a minister or a member of the Order of Diaconal Ministries in order to become a doctoral student, you may choose to continue contributing to the plan. Your contribution rate will be 2% more than the normal rate. Your “income” will be your income for the last complete calendar year of employment before you became a doctoral student. This income will be adjusted each year based on increases to the maximum income for pension contributions.

## DISABILITY

You are not required to make contributions to the plan if you are receiving disability benefits from the Church’s long term disability plan or from the Canada/Quebec Pension Plan Disability. You continue to earn pension benefits based on your pensionable income just before you became disabled. This income is increased each year by the same percentage as any increase in the maximum qualifying income. (Also see “Shortened Life Expectancy” on page 13.)

## LEAVING THE PLAN

If you leave before you have been a member of the plan for two full years, you will receive a refund of your contributions with interest. You may transfer this money tax-free to a registered retirement savings plan (RRSP) or take it as a taxable cash payment.

If you leave after you have been a member of the plan for two years, you are entitled to the full cash value of the pension you have earned to the date you leave. In Quebec, you are immediately entitled to the full cash value of your pension if you leave, and in Saskatchewan, you require only one year of pensionable service if your age plus pensionable service total 45 or more when you leave.

Your pension is calculated using the average maximum qualifying income in place at the time you leave (the average of the maximum qualifying income in the year your membership ends and the preceding four calendar years).

You have the following payment options:

### 1. Leave your pension in the plan

You may leave your benefits in the plan and take a pension anytime after you reach age 55.

If you die before taking your pension, your death benefit will equal your total contributions plus interest or the cash value of your pension earned after 1986 (1984 in Manitoba), whichever is greater.

### 2. Transfer your benefits out of the plan

If you are under age 55, you may transfer the cash value of your pension, tax-free, to one of the following:

- a locked-in retirement account (a LIRA), which is an RRSP that does not allow withdrawals and must eventually be used to provide a retirement income;
- an insurance company to buy an annuity that will guarantee a lifetime income anytime from age 55; or
- your new employer’s pension plan, if that plan allows transfers.

You will also receive any “excess contributions” (see page 10). These funds may be transferred tax-free to an RRSP or taken as a taxable cash payment.

The “cash value” of your pension is sometimes known as the “commuted value” or “transfer value.” This is the total value in today’s dollars of the pension you are entitled to receive at age 65.

## DIVORCE OR SEPARATION

Your pension is considered a family asset. This means that any pension you earn while you and your spouse are together may have to be divided based on the court order.

Under current pension law in most provinces, your ex-spouse may receive up to 50% of the pension you earned while the two of you were considered “spouses.” The date at which your ex-spouse can receive his or her share of your pension depends on the province in which your pension is earned.

Please inform the Pension and Benefits Board Office of any changes in your marital status. You should also update your beneficiary information at the same time.

## MATERNITY OR PARENTAL LEAVE

Your leave counts as pensionable service as long as you make arrangements to continue your contributions while you are away. Your pension during this period is based on your income immediately before the leave began. You may take up to a total of three years of leave during your career.

If you wish, you can choose to stop making contributions and opt out of the plan during your leave. If you opt out, the period of leave will not count towards your pensionable service. To do this, you must notify the Pension and Benefits Board Office in writing before your leave begins.

## SHORTENED LIFE EXPECTANCY

If you have a shortened life expectancy, (before or after retirement) you may withdraw the pension you have earned as a single, taxable payment. To do this, you must:

- obtain a written statement from your doctor confirming that you have less than two years to live;
- if you have a spouse, get written consent (signed within 60 days before you submit your application).



## PART-TIME WORK

If you work part-time, your contributions are based on what you would have earned if you had been working full-time, reduced by the ratio of your actual hours of employment to full-time hours of employment. In the example (below), the member's contribution in 2010 would be: \$63,720 x 0.06 x 50% = \$1,911.60. To calculate your pension, your pensionable income is based on what you would have earned if you had been working full-time, and your pensionable service is based on the ratio of your actual hours of employment to full-time hours of employment each year.

Year	Pensionable Income	Full-time Equivalent Pensionable Income	Maximum Qualifying Income	Income Ratio	Pensionable Service
1986	11,750	23,500	23,500	0.5000	0.50
1987	26,500	26,500	26,500	1.0000	1.00
1988	29,170	29,170	29,170	1.0000	1.00
1989	34,260	34,260	34,260	1.0000	1.00
1990	35,820	35,820	35,820	1.0000	1.00
1991	39,240	39,240	39,240	1.0000	1.00
1992	42,780	42,780	42,780	1.0000	1.00
1993	45,660	45,660	45,660	1.0000	1.00
1994	46,440	46,440	46,440	1.0000	1.00
1995	46,560	46,560	46,560	1.0000	1.00
1996	46,620	46,620	46,620	1.0000	1.00
1997	47,820	47,820	47,820	1.0000	1.00
1998	48,000	48,000	48,000	1.0000	1.00
1999	48,418	48,418	48,418	1.0000	1.00
2000	50,580	50,580	50,580	1.0000	1.00
2001	51,600	51,600	51,600	1.0000	1.00
2002	52,920	52,920	52,920	1.0000	1.00
2003	53,400	53,400	53,400	1.0000	1.00
2004	54,860	54,860	54,860	1.0000	1.00
2005 (part-time as of July 1 <sup>st</sup> )	42,105	56,140	56,140	1.0000	0.75
2006 (part-time)	29,280	58,560	58,560	1.0000	0.50
2007 (part-time)	30,090	60,180	60,180	1.0000	0.50
2008 (part-time)	30,630	61,260	61,260	1.0000	0.50
2009 (part-time)	31,290	62,580	62,580	1.0000	0.50
2010 (part-time)	15,930	63,720	63,720	0.5000	0.25
Average over last five years			\$61,260		
Average over highest five years (not necessarily consecutive)				1.0000	
Total pensionable service					21.50

Date of joining plan –  
July 1, 1986  
Part-time (50%) as of –  
July 1, 2005  
Date of calculation –  
July 1, 2010  
Pensionable service –  
21.5 years  
Retirement age – 65

## HOW FORMULA IS APPLIED

1.5% of average maximum qualifying income	1.5% x \$61,260.00 =	\$ 918.90
<i>multiplied</i> by highest income ratio		x 1.000
		<u>\$ 918.90</u>
<i>multiplied</i> by pensionable service		x 21.5
total annual pension earned to July 1, 2010		<u>\$ 19,756.35</u>
total monthly pension earned to July 1, 2010		<u>\$ 1,646.36</u>

# Planning Your Retirement

Most experts agree that you'll need to replace 50%-70% of your annual income when you retire — depending on your lifestyle. As valuable as the Church's plan is, it may not meet all of your retirement income needs. For Canadians, the three main sources of retirement income are:

1. employment-based pension plans (like your Church plan),
2. government programs, and
3. personal savings.

## GOVERNMENT PROGRAMS

Government programs include the Canada/Quebec Pension Plan (CPP/QPP), Old Age Security (OAS) and, for low income Canadians, the Guaranteed Income Supplement (GIS).

### Canada/Quebec Pension Plan (CPP/QPP)

Under the current CPP/QPP system, all working Canadians between the ages of 18 and 70 contribute to the CPP/QPP. Contributions are based on earnings between the basic exemption (\$3,500 in 2010) and the CPP/QPP earnings limit (\$47,200 in 2010). Your contributions are matched by your employer.

The CPP/QPP is designed to replace about 25% of the average industrial wage. The size of the pension you actually receive from the CPP/QPP depends on your level of income, how long you contribute, and how old you are when you retire. In 2010, the maximum CPP/QPP pension at age 65 is \$11,210 (about \$934 per month).

### Old Age Security (OAS)

OAS is paid in addition to CPP and provides a small pension for almost every senior at least 65 years old. It replaces another 15% or so of the average industrial wage, although the exact amount you get depends on how long you have lived in Canada. Unlike CPP, which you receive regardless of your other retirement income, OAS starts to be "clawed back" if your retirement income exceeds a certain level (\$66,733 in 2010). In 2010, the maximum OAS pension is approximately \$6,204 (about \$517 per month).

### Guaranteed Income Supplement (GIS)

GIS is paid to people receiving OAS who have an income below a certain level (\$15,672 for singles and \$37,584 for couples in 2010). Spouses and survivors of GIS recipients may qualify for an additional allowance.

## PERSONAL SAVINGS

If there's a gap between your retirement income goals and your combined government and Church pensions, this is where personal savings come in. There are two tax-effective ways to save for retirement:

### Registered retirement savings plan (RRSP)

In Canada, one of the most tax-effective ways to save for retirement is a registered retirement savings plan (RRSP). Simply visit any major financial institution and ask to open an RRSP account. Any contributions you make to an RRSP come straight off your taxable income (up to government limits) and can greatly reduce the amount of income tax you pay. The money you leave in your RRSP, including investment income, grows tax free until it is withdrawn.

In 2010, the combined maximum CPP and OAS retirement pension is roughly \$17,414. For more information about government pensions, contact Service Canada at 1-800-277-9914 or visit the website at [www.servicecanada.gc.ca](http://www.servicecanada.gc.ca).

## Impact of your Church pension on your RRSP contribution room

You pay no income tax on the contributions made by you and your employer to the pension plan. However, the amount you are allowed to contribute to an RRSP in the current year is reduced by the value of your membership in the pension plan in the previous year. The value of your membership is reported on your T4 as a “pension adjustment.” It is calculated using a formula established by the Canada Revenue Agency (CRA).

Your annual RRSP contribution limit each year is 18% of your previous year’s “earned income” up to the dollar limits shown below minus your pension adjustment from the previous year:

Tax year dollar limit
2010 - \$22,000
2011 - \$22,450
2012 and later - indexed to inflation

Your available RRSP contribution room for the year is shown at the bottom of your annual income tax assessment. If you contribute less than the maximum to an RRSP in any year, you may carry forward your unused contribution room to future years.

It is important to keep track of your RRSP contributions to avoid over-contributing. Tax law allows a lifetime over-contribution limit of \$2,000. Amounts above this limit are subject to a 1% monthly penalty.

## Tax-free savings account (TFSA)

All Canadian residents aged 18 or over can contribute up to \$5,000 a year to a tax-free savings account (TFSA). Like an RRSP, a TFSA lets you save and invest your money without having to pay tax on your investment income or capital gains. The main difference between a TFSA and an RRSP is that:

- an RRSP gives you a tax deduction on contributions, but withdrawals are counted as taxable income
- a TFSA gives you no tax relief on contributions, but withdrawals are tax free.

The \$5,000 per year TFSA contribution limit is scheduled to increase after 2010 in line with inflation. Unused contribution room can be carried forward for as long as you wish.

How much is enough?  
How much should you contribute each year to your RRSP? That depends on many things, including your current age, your retirement goals, and whether you have other savings or sources of income. For personal advice on retirement planning, we strongly recommend that you consult a qualified, independent financial advisor.

## Also Worth Knowing

### KEEPING US INFORMED

You are responsible for informing the Pension and Benefits Board Office of any changes in personal status. Please notify your employer immediately of any changes in your:

- name,
- address,
- marital status,
- beneficiary.

### PRIVACY

It is impossible to administer your pension plan without using personal information. However, the Church is committed to protecting your privacy and has strict safeguards in place to protect your information from unauthorized access or use.

In addition, you have the right to see the information on file for you, and to update or correct it as necessary.

For more information, please contact the Privacy Officer.

### QUESTIONS

If you have questions or require information about your plan membership, please call 1-800-619-7301 or 416-441-1111. If you prefer, you may write to:

Pension and Benefits Board Office  
The Presbyterian Church in Canada  
50 Wynford Drive  
Toronto, Ontario  
M3C 1J7

You may also contact the Pension and Benefits Board Office by sending an e-mail [pension@presbyterian.ca](mailto:pension@presbyterian.ca).

**PROVINCIAL  
PENSION LAWS**  
Pension regulations vary from province to province. This guide includes information on some of the more important differences. However, you may have to comply with some provisions in your province that are not covered here.



# Definitions

## **Beneficiary**

In most provinces your death benefits must be paid to your spouse, even if you have named someone else as your beneficiary.

## **Cash value**

The “cash value” of your pension is sometimes known as the “commuted value.” This is the lump-sum value today of the pension you are entitled to at age 65 if you leave your pension benefits in the plan.

## **Employer**

The Church, a congregation, a board of the Church, or any other affiliated employer, organization or institution that contributes to the pension plan.

## **Highest income ratio**

The average of your five highest income ratios (not necessarily consecutive).

## **Income ratio**

The ratio of your pensionable income for each year to the maximum qualifying income.

## **Locked-in retirement account (LIRA)**

A registered retirement savings plan from which no withdrawals are allowed. Money transferred to a locked-in RRSP must be used to provide an income at retirement or a death benefit before retirement.

## **Maximum qualifying income**

The maximum income used to calculate contributions and pensions. The “average maximum qualifying income” is the average of the maximum qualifying income in the calendar year in which you retire and the preceding four years.

## **Pension adjustment (PA)**

The amount subtracted from your overall retirement savings limit to find out how much you may contribute to an RRSP. Your PA is calculated for you using a Canada Revenue Agency formula and is reported on your T4.

## **Pensionable income**

“Income” means either your stipend (plus an allowance of 60%) or your salary (excluding bonus or overtime payments but including payments for health and dental insurance). “Pensionable income” is your income up to the maximum qualifying income.

## **Pensionable service**

The period during which contributions are made to the pension plan. This may include previous periods of pensionable service for which you have taken a deferred pension or which you have “bought back.”

## **Registered retirement savings plan (RRSP)**

A savings plan registered under the Income Tax Act that allows you to put aside a portion of your income tax-free until withdrawn. Investment earnings also accumulate tax-free.

### **Spouse**

Each province has its own definition of “spouse” for pension purposes. These are available from the Pension and Benefits Board Office. The doctrinal position of the Church on marriage can be found in the Acts & Proceedings of the 123rd General Assembly, p.251-272, Committee on Church Doctrine – Re: Human Sexuality Report.

### **Tax-free savings account (TFSA)**

All Canadian residents aged 18 or over may contribute up to \$5,000 each year to a tax-free savings account (TFSA). A TFSA gives you no tax relief on contributions, but allows you to save and invest your money without having to pay tax on investment income or capital gains. Withdrawals are also tax free. Unused contribution room may be carried forward.



This guide gives a summary of the main provisions of the plan. It is not a legal document and does not cover every detail, but it does give you the basic facts. Key terms are defined throughout the text and in the final section.

We have tried to provide an accurate description of your pension benefits. However, if there is a discrepancy between the information in this guide and the Constitution, the Constitution will govern.

# Notes