PENSION PLAN BENEFITS ON RETIREMENT

MARCH 2024

The University of Manitoba

Pension Plan (1993)

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University of Manitoba

How is Your Pension Benefit Determined?

The University of Manitoba Pension Plan is a hybrid plan. Your retirement benefits are calculated using two different methods, Annual Defined Benefit (DB) Pension and Annual Plan Annuity. The benefits resulting from each method are compared, with the plan member receiving the greater of the two.

Assumptions Used in Preparing a Pension Estimate

1) The Annual DB Pension is based on the assumption that:
   - The Canada Pension Plan Year's Maximum Pensionable Earnings (CPP YMPE) will be the actual rate for the current year.
   - Your annual salary rate at retirement will be the same as your current salary.
   - You will continue to accrue service until the date of retirement.
2) Your Contribution Accounts balance is projected to retirement assuming contributions will continue to the date of retirement.
3) An Annual Plan Annuity is calculated using your contribution accounts and our annuity factor assumptions and is used to determine the Supplementary Pension.

Annual Defined Benefit (DB) Pension

Your Annual Defined Benefit (DB) Pension at normal retirement date is 2% of the average best 5-year salary for each year of credited service less an offset based on the Canada Pension Plan. Your Annual DB Pension is reduced by ¼% for each month between your actual pension commencement date and your Normal Retirement Date. Your Annual DB Pension is subject to the Plan's maximum pension.

Annual Plan Annuity

The Annual Plan Annuity is the amount of retirement income based on:

- your Contribution Accounts balance,
- your age at retirement, and
- an annuity factor based on how long you are expected to live and an interest assumption (known as the "base rate"). The Plan's actuary, who is trained and qualified to determine the appropriate assumptions, provides this to the University.

Base Rate

The base rate is an important variable in determining your Annual Plan Annuity. It is based on long-term Government of Canada bond yields subject to a maximum annual rate of 6%.

The base rate is reviewed monthly and may change from month to month. Variability in the base rate affects the Annual plan annuity.

The final amount of your Annual Plan Annuity is determined in the month of your retirement using the applicable base rate for the month of retirement.

Supplementary Pension

If your Annual DB Pension is greater than your Annual Plan Annuity you will receive a Supplementary Pension.

Your supplementary pension and its value are based on current market-related assumptions used to calculate your pension at this time. Your supplementary pension and its value will be recalculated at the time of your retirement based on market conditions at that time. This will result in a higher or lower amount and can change significantly due to market volatility.

Excess Money Purchase

If your Annual Plan Annuity is greater than your Annual DB Pension and you elect to a monthly pension from the plan, you will receive a one-time payment of the excess contributions.

Example 1
Assumptions

Member Age	65
Five Year Average Earnings	$70,000
Credited Service	32.5 years
CPPYMPE (for 2024)	$68,500
Account Balance	$482,200
Base Rate	4.0%

Annual DB Pension Calculation

$70,000 x 2% multiplied by 32 .5 years	= $45,500
- $68,500 x 0.7% multiplied by 32 .5 years	= $15,584
Annual DB Pension No Reduction as retirement date at age 65	$29,916

Annual Plan Annuity

Account Balance / Annuity factor $482,000 ÷ 15.1685	$31,776

Excess Money Purchase

(Required if the Annual Plan Annuity is greater than the DB Formula Benefit)

One-time payment ($31,776 – 29,916) x 15.1685	$28,213

Example 2
Assumptions

Member Age	59
Five Year Average Earnings	$103,000
Credited Service	31.5 years
CPPYMPE (for 2024)	$68,500
Account Balance	$658,627
Base Rate	4.0%

Annual DB Pension Calculation

$103,000 x 2% multiplied by 31.5 years	= $64,890
- $68,500 x 0.7% multiplied by 31.5 years	= $15,104
Annual DB Pension	$49,786
Reduction for early retirement at age 59 (6 years or 72 months multiplied by ¼%)	18%
Reduced Annual Pension at age 59 ($49,786 multiplied by 82%)	$40,825

Annual Plan Annuity

Account Balance / Annuity factor $658,627 ÷ 17.0544	$38,619

Supplementary Pension

(Required if the Annual DB Pension is greater than the Annual Plan Annuity)

$40,825 – 38,598 (annual amount)	$2,206

Processing Your Pension Benefit

Processing Your Contributions

How are your contributions from your salary transferred into the Pension Administration System?

The Human Resource System processes your salary each pay cycle (semi-monthly, bi-weekly and hourly) and pension contributions are deducted from your salary. The pension contributions are loaded in the Pension Administration System via an interface file and these contributions are allocated to the month in which they were paid to you—the Paid Date.

For bi-weekly paid employees, the paid date is for work completed during the previous two week period of time. The tables below illustrate the timing of the contributions assuming various scenarios.

PLEASE NOTE:
Your Pension Commencement Date, whether you elect a monthly pension payment or a lump sum transfer, is transacted the month following the last contribution received from the University.

1) If your last day of work is April 26, 2024, the following process would occur:

Effective Dates of Pay	Date Paid	Month Processed
March 30, 2024 to April 12, 2024	April 19, 2024	April
April 13, 2024 to April 26, 2024	May 3, 2024	May

Since contributions are received by the Pension Plan in May, your account will be settled in June with a June 1, 2024 Pension Commencement Date.

2) If your last day of work was May 15, 2024, the following process would occur:

Effective Dates of Pay	Date Paid	Month Processed
May 11, 2024 to May 24, 2024	May 31, 2024	May

Since contributions are received by the Pension Plan in May, your account will be settled in June with a June 1, 2024 Pension Commencement Date.

When you select your retirement date please be aware of the timing in processing contributions to your pension account so that your cash flow needs are met during your transition to retirement.

Processing Your Settlement

What happens to your account in the pension plan during the time between your last contributions and when you transfer your funds out of the fund or start receiving a monthly pension payment?

a) For plan members electing to transfer their funds out of the pension plan the following process applies:

- On the 10th working day of each month, the Pension Office receives the pension statements from the custodian on the investment performance of the fund.
- The monthly investment income, positive or negative, for the pension fund is determined and allocated to each account during the 3rd week of each month. For example, the April 2024 statements are received around May 15 and the investment rate is determined and allocated to the accounts during the week of May 20.
- In preparation for transfers during the month, the Pension Accounts are adjusted from the last trading day of the most recently completed month to the last trading day of the week immediately prior to the week of the benefit calculation by an interim rate (positive or negative) based on a weighted average return of the market indices based on the Pension Fund's asset mix.

b) For plan members electing to receive a monthly pension from the pension plan the following process applies:

- On the 10th working day of each month, the Pension Office receives the pension statements from the custodian on the investment performance of the fund.
- The monthly investment income, positive or negative, for the pension fund is determined and allocated to each account during the 3rd week of each month. For example, the April 2024 statements are received around May 15 and the investment rate is determined and allocated to the accounts during the week of May 20.
- Your monthly pension is determined after the investment income (positive or negative) has been allocated to your account. The Annual plan annuity amount is determined by using the base rate for the month and the pension funds available in your account. If you Annual Plan Annuity is greater than your Annual DB benefit, you will receive the Annual DB benefit from the plan as monthly payment and a one-time Excess Money Purchase payment which is the difference in values. Your pension is adjusted to reflect the form of pension elected. Your monthly pension is paid at the end of the month by the custodian.

Direct Payments from the Plan

One of your options is to receive your retirement income as a direct payment from the Pension Plan. If you elect this option, the value of your pension entitlement is transferred to the Pensioner Account in exchange for the monthly pension determined as described in the section "How is Your Pension Benefit Determined?" This pension is payable for your lifetime with 60 months certain, or you can choose another form of pension payment but the pension payment will be adjusted for the change in form.

What Does Form of Pension Payment Mean?

If you elect to receive your pension benefit from the Plan, you may elect a form of pension payment, either a Life Certain or Joint and Survivor that best suits your needs subject to the requirements of the Canada Revenue Agency and the Manitoba Pension Benefits Act. If you have a spouse when you retire, you must elect as a minimum a Joint and 60% Survivor form of pension. If you want to receive a form of pension that guarantees your spouse less than 60% of your monthly pension for life, then your spouse must sign a Spousal Waiver form waiving this requirement. Each form of pension payment provides a different benefit to the member or the survivor or the beneficiary. All pensions are for your lifetime.

Life 60 Months Certain

The normal form of pension payment option is a Life 60 months certain. This type of pension payment provides you with lifetime income. However, should your death occur before 60 payments have been made, the monthly payments will continue to your beneficiary until a total of 60 payments have been made to you or your beneficiary.

You may choose a longer "certain period" (guarantee period). The guarantee period may be 60, 120, or 180 months (5, 10 or 15 years).

Joint and Survivor Pension Payments

Under this form of pension payment, pension income is received throughout the lifetime of both spouses. Payments continue after the death of the first spouse and stop only after the death of the second. You may choose a form which provides for a reduction in the monthly amount after your death only or after the first death of either you or your spouse.

Certain Period or the Guarantee Period

Joint and Survivor pension payments may be enhanced by arranging for a certain period (guarantee period) of 60, 120, or 180 months (5, 10 or 15 years). The guarantee period ensures that a minimum number of payments will be made in the event that both you and your spouse die before the end of the guarantee period.

In addition, during the guarantee period, there is no reduction in the amount of pension to the survivor even though the form of pension may provide for a reduction. The reduction occurs at the end of the guarantee period.

Spousal Waivers

The Manitoba Pension Benefits Act requires a Joint and 60% survivor pension for spouses/common-law partners, unless both the plan member and the plan member's spouse/partner sign a Spousal Waiver form waiving this requirement.

When do I need to have a Waiver completed?

If you have a spouse or common-law partner, and elect a pension from the Plan which provides for less than a 60% survivor **OR** if you transfer your funds to a Life Income Fund (LIF) your spouse/ common-law partner must sign a form waiving this requirement.

How do I Receive the Monthly Payments?

Our custodian, CIBC Mellon, is responsible for issuing the monthly pension payment to pensioners. CIBC Mellon provides electronic fund transfers for your convenience.

Increases to Pension After Retirement—Excess Interest Increases

The Pensioner Account is the account in the pension fund from which pensions are paid.

The Pensioner Account operates as follows:

- When a member retires and elects to receive a pension from the Plan, the total value of their pension entitlement, which includes the employee and University contribution accounts, is transferred into the Pensioner Account.
- The Pensioner Account is credited with interest in the same way as all other accounts in the Plan and is debited with the monthly pensions paid.
- Each year, effective April 1, the pensions in payment are eligible for an increase based on the excess of the average rate of return in the preceding four years over a base rate (the "excess interest" increase). The base rate is the rate of interest used in the initial pension calculation.
- However, before the increase is granted, the Plan's actuary prepares a valuation of the Pensioner Account in which the Account's assets are compared with the Account's liabilities (i.e., how much will be required to provide the pensions of the current pensioners until the last pensioner dies). If the actuary determines that the Account's assets are sufficient, the increase is granted in full. If not, the increase may be reduced or eliminated, but the pension itself will not be reduced.

Deficiencies in the Pensioner Account

The pension from the Plan is based on assumptions about life expectancy and investment return. If pensioners live longer than expected, or if the actual return on the fund is less than the assumed investment return, the Pensioner Account will go into deficit (i.e., the present value of future pension payments will exceed the assets in the Account). In determining the ability of the Pensioner Account to provide future increases, the Plan provides, as required by the Income Tax Act, that only the assets in the Pensioner Account can be considered.

PLEASE NOTE:

Due to investment returns and mortality losses, no increases have been provided since 2001. There is no guarantee that the Pensioner Account will be sufficient to provide for increases in the future.

Did You Know?

Income Security Programs

Canada Pension Plan—Old Age Security… inquires?

(English) Toll free 1-800-277-9914

(Français) Sans frais 1-800-277-9915

(TTY/TTD) 1-800-255-4786

Or by mail

Social Development Canada
P.O. Box 818
Station Main
Winnipeg, MB R3C 2N4

Other Retirement Settlement Options

Life Income Fund and Prescribed Registered Retirement Income Fund

The Life Income Fund (LIF) is a restricted registered retirement income fund that is used to hold and payout pension funds upon retirement. The LIF provides an alternative to the traditional life annuity purchased from an insurance company and the opportunity to maintain control over pension capital, its investment, and the flow of income. The fund cannot be cashed out in one lump sum, however the Pension Benefits Act allows a one-time or prescribed transfer of up to 50% to a Prescribed Registered Retirement Income Fund (PRIF) which allows the funds to become unlocked. The investment decisions and management of the LIF and the PRIF is the responsibility of the individual.

The legislation gives greater control over managing your funds in a Prescribed Registered Retirement Income Fund (PRIF) that is not locked-in. The legislation requires that the individual submit for a written transfer request to the plan sponsor before the funds can be transferred under this option.
www.gov.mb.ca/finance/pension

University of Manitoba Sponsored Group Retirement Income Plan (LIF/RRIF or PRIF)

The University of Manitoba has entered into an agreement with Sun Life to provide to retirees of the University of Manitoba, an opportunity to participate in a Group Retirement Income Plan. One of the greatest benefits of transferring your retirement savings from the Pension Plan to the Group Retirement Income Plan is the low fund management fees you pay for your investment funds. The fees are significantly lower than those you would pay on your own as an individual investor.

You can apply for the PRIF on a one-time basis (up to 50% of your funds) and transfer both the PRIF and the balance of your funds to the Group Retirement Income Funds with Sun Life.

The Group Retirement Income Funds offer a pre-built option using the Sun Life Financial Granite Funds. Granite Funds offer you a diversified, multi-manager approach to investing that corresponds to five different risk tolerance categories. Each category has predetermined asset mixes that range from conservative to aggressive.

The Group Retirement Income Plan also allows you to build you own portfolio, using a mix of investment funds that matches your comfort level with investment risk.

To find out more about this option please review the Sun Life Financial brochure or simply contact a Sun Life Retirement Specialist at 1-855-864-5989 any business day from 8 a.m. to 8 p.m. ET.

Life Income Fund with Another Financial Institution

You may transfer your Employee and University Contribution Accounts to a Life Income Fund with a financial institution approved by the Pension Commission of Manitoba. Please ensure that the financial institution is on the Superintendent's Register of Authorized Financial Institutions, published by the Manitoba Pension Commission and available on their website at **www.gov.mb.ca/finance/pension**.

You can apply for the PRIF on a one-time basis (up to 50% of your funds) and transfer the balance of your funds to the LIF with the financial institution.

The financial institution that you are buying your LIF from must be on the Superintendent's LIF list. Please note that the cheque will be made payable to the custodian of the financial institution.

Life Annuity Purchased from an Insurer

A member may elect to transfer their Employee and University Contribution Accounts to purchase a Life Annuity from an insurance company.

A Life Annuity provides you with a steady stream of income at regular intervals over your lifetime from the insurer. This option provides certainty of income because the investment risk is borne by the insurance company. The amount of income is based on the amount invested, your current age, expected longevity (calculated using unisex mortality) and on interest rates at the time you purchased the annuity.

Locked-In Retirement Account (LIRA)

A member may elect to transfer their Employee and University Contribution accounts to a Locked-in Retirement Account (LIRA). A LIRA operates in a similar fashion as an RRSP except that only institutions approved by the Pension Commission can offer LIRAs. The financial institution that you are buying your LIRA from must be on the Superintendent's Register of Authorized Financial Institutions available on their website at **www.gov.mb.ca/finance/ pension**. Please note that the cheque will be made payable to the custodian of the financial institution. Funds in a LIRA must comply with all provincial pension legislation and cannot be commuted to obtain cash. Funds in a LIRA can be transferred to a LIF or used to purchase an annuity from a life insurance company.

You may make an application for a one-time prescribed transfer if you are eligible. Please discuss this with the financial institution that will be managing your LIRA You may not transfer your funds back to the Pension Plan once you have made a decision to transfer your funds from the Pension Plan.

Splitting of Contribution Accounts

(Combination of Monthly Payment and Transfer Out of Fund)

There is provision for a portion of your total pension entitlement to be used to provide a pension from the Plan, with the balance available for either a Life Annuity from an insurance company or a LIF or LIRA. The pension from the Plan must be at least 10% of the Canada Pension Plan Year's Maximum Pensionable Earnings. The portion of the Contribution Accounts not used to provide the pension from the Plan would be transferred out of the Pension Fund to the financial institution of your choice. The amount transferred out must be at least 10% of the Canada Pension Plan Year's Maximum Pensionable Earnings. Your monthly pension payments may be reduced to meet this minimum. The transfer out payment will be made one time in the month of your pension commencement.

Deferment of Retirement Settlement

In addition, there is provision for a member who is retiring to defer settlement of their retirement benefit. The provision, where members could elect to leave their retirement benefit may defer for a period of up to two years but in no event later than the December 1 of the year in which the member's 71st birthday occurs.

The complete terms and conditions of the Pension Plan are contained in a legal document which can be made available upon request. In the event of a dispute, the official document will take precedence over this booklet.