



**This change only affects Members of Part A
(hybrid segment of the McGill University Pension Plan)**

Supplemental Retirement Benefit (“SRB”)

If you joined the McGill University Pension Plan (MUPP) prior to January 1, 2009, you participate in the hybrid segment, also known as Part A. Part A provides a Defined Benefit (DB) Minimum pension based on the Defined Benefit Minimum formula. (See Part A Brochure:

https://www.mcgill.ca/hr/files/hr/2020_-_pension_plan_-_hybrid_brochure.pdf)

If the transfer value of the DB Minimum pension is higher than the total value you would have accumulated in your Defined Contribution (DC) account had it been invested 100% in the Balanced Account, adjusted for contributions related to stipends on a pro-rata basis (as applicable), you are entitled to an additional amount known as the **Supplemental Retirement Benefit Value (“SRBV”)**.

As a result of the introduction of Amendment No. 25, commencing August 31, 2020, Part A members will have the option to receive any **SRBV** arising from the DB Minimum provision as a monthly pension amount (SRB) or as a transfer value.

What are my options for the Supplemental Retirement Benefit at termination?

If you are less than 55 years of age:

- Option to defer the settlement of the SRB pension to your normal retirement date (NRD).
- Prior to attaining age 55, if you do not defer settlement, the only option is to elect the settlement of the transfer value of your SRBV to one of the following:
 - MUPP Defined Contribution (DC) account,
 - McGill University Group Life Income Fund (LIF),
 - McGill University Group Locked-In Retirement Account (LIRA),
 - Non-commissioned annuity with Sun Life Financial, or
 - A Life Income Fund (LIF), Locked-In Retirement Account (LIRA) or annuity with an external financial institution.

If you are over 55 years or less than 65 years of age:

- Option to defer the settlement of the SRB pension to commence on your normal retirement date (NRD = month-end that you reach age 65).
- For settlement after age 55 and prior to your NRD, the annual pension will be reduced by 0.25% for each month that your retirement date falls short of the month-end of your 65th birthday.
- Prior to the commencement of the SRB pension, the following settlement options exist:
 - transfer to the MUPP Defined Contribution (DC) Account
 - variable benefits from the MUPP;
 - McGill Group Life Income Fund (LIF)/Group Locked-In Retirement Account (LIRA) ;
 - transfer to another pension plan (if permitted); or,
 - transfer to a LIF/LIRA with an external financial institution.

If you are 65 years of age:

- Commencement of the SRB pension at NRD is subject to the receipt of member instructions. It is important that instructions are received in a timely manner and before the start of the SRB pension because an actuarial adjustment will not be triggered and no interest will be paid for the period of the delay.

What forms of pension for the Supplemental Retirement Benefit are available?

The following are the most common pension forms available:

- For members **with a spouse**, absent a spousal declaration waiver, :
 - Lifetime Joint and Survivor Pension 60% (minimum under legislation), 75%, 100%
 - Lifetime Joint and Survivor Pension 60% and Guaranteed for 120 or 180 months
 - Lifetime Joint and Survivor Pension 100% and Guaranteed for 120 or 180 months
- For members **without a spouse**, or members with a spousal declaration waiver, Lifetime Pension (normal form)
 - Lifetime Pension Guaranteed for 60, 120, or 180 months

What needs to be provided for Sun Life to provide a settlement package for my situation?

In order to receive a settlement package, Sun Life requires all Part A members to complete and return a “Declaration of Marital Status” form that is dated within 6 months of your retirement/termination date or attaining age 65. Failure to do so will delay the issuance of a settlement package and may cause a delay in the settlement of your pension account holdings. The form will be made available on our website shortly.

What if I continue to work after age 65?

If you continue to work after the age of 65, you will defer your SRB pension and leave it in the MUPP until the earlier of your retirement date or the year in which you turn age 71. When you elect to commence your pension payments, your SRB will be actuarially adjusted. Alternatively, you may request to receive the SRB pension as a transfer value at that time.

What happens if I die before age 65 and before I start receiving my Supplemental Retirement Benefit?

Should you die before you start receiving your SRB, unless your eligible spouse waived their entitlement, the SRBV based on the Defined Benefit Minimum formula will be calculated on your date of death and will be paid to your spouse or beneficiary in a single lump-sum payment (less applicable deductions and withholding taxes).

What happens if I die after the commencement of my Supplemental Retirement Benefit?

Should you die after you start receiving your SRB pension, your surviving spouse or beneficiary will be entitled to the form of payment you had elected at the time of pension commencement.

What are the advantages for members in receiving the Supplemental Retirement Benefit Value in the form of a pension in lieu of a transfer value?

Those members electing to receive the SRBV in the form of a pension will avoid the immediate payment of taxes on amounts exceeding the maximum transfer value limit¹.

As well, the inclusion of a pension within a portfolio reduces investment and longevity risk and provides a stable source of income throughout retirement.

What are the risks associated with issuing pensions from the MUPP?

Future cost-sharing contributions for active members and the University may be positively or negatively impacted by longevity, interest rate and investment risk associated with issuing pensions from the MUPP.

Can I elect to receive a pension payment for the full value of my MUPP holdings?

No, the option to receive a pension from the MUPP is limited to the SRBV. Members interested in acquiring an annuity with their defined contribution account balances may do so with any Canadian life insurance company or via the preferential commission free arrangement established for McGill employees with Sun Life Financial.

Disclaimer

This document is intended to inform you about the McGill Pension Plan and the importance of integrating pension investment decisions to your financial management. This is not financial advice and should not be taken as such. It is meant to alert you to the matters to look into. Your individual needs and circumstances may not be adequately addressed by the info contained in this document.

¹ The *Income Tax Act of Canada* and its regulations may limit the amount that can be transferred out from the Defined Benefit provision of the MUPP. If you are eligible to receive the Supplemental Retirement Benefit Value (SRBV), the *Act* limits the total amount that may be transferred out on a tax-sheltered basis. At the time of settlement, the excess amount of the SRBV will be paid in cash, less withholding taxes.