NEWFOUNDLAND AND LABRADOR MUNICIPAL EMPLOYEE

BENEFITS INC. PENSION PLAN

EMPLOYEE BOOKLET

OPTION 11

April 2015

NEWFOUNDLAND AND LABRADOR MUNICIPAL EMPLOYEE BENEFITS INC. PENSION PLAN

OPTION 11

Newfoundland and Labrador Municipal Employee Benefits Inc. (previously the Newfoundland and Labrador Federation of Municipalities) has coordinated pension benefits for employees of participating municipalities since October 1, 1978. Option 11 was established effective January 1, 2013.

The Pension Plan for Participating Employers of the Newfoundland and Labrador Municipal Employee Benefits Inc. ("Plan") is administered and operated for the benefit of participating municipalities and their eligible employees by NLMEB Inc., operating as TRIO.

The Plan is a registered pension plan conforming with the Newfoundland and Labrador *Pension Benefits Act, 1997* and to the *Income Tax Act (Canada)* and its Regulations. Contributions made by you are deductible for income tax purposes.

In addition to the benefits from this Plan, you may also receive the pensions provided by the *Canada Pension Plan Act* and the *Old Age Security Act*.

The following pages describe the main provisions of Option 11 of the Plan at the date this booklet was prepared. Please read this booklet carefully so that you will be familiar with the benefits to which you may be entitled under the Plan. If you are entitled to benefits under another Option of the Plan in addition to Option 11, please refer to the booklet for that Option for details of those benefits.

Important note: The Plan terms and the legislation governing the Plan may be amended from time to time. Such amendments may affect the benefits described in this booklet. This booklet is a summary only, and the details of benefits are set in the official Plan text. While we have made reasonable efforts to ensure the accuracy of the information in this booklet as at the date it was prepared, if there is any conflict between the terms of this booklet and the official text of the Plan, the text will govern.

A. ELIGIBILITY

Membership in the Plan is mandatory. If you are a full-time employee, you will be required to join the Plan 24 months after the date you are hired.

If you are a part-time employee, you will be required to join the Plan on the date you have completed 24 months of employment, provided that you have earned at least 35% of the YMPE in two consecutive calendar years. The YMPE (or "year's maximum pensionable earnings") is the maximum level of earnings on which contributions and benefits are based under the *Canada Pension Plan Act*. In

2015, the YMPE is $53,600 (in 2014, the YMPE was $52,500, in 2013, the YMPE was $51,100, and in 2012 it was $51,100).

Individual municipalities have the option to establish a waiting period of less than 24 months after the date you are hired. You should confirm with the human resources department of your municipality whether the waiting period is less than 24 months for your municipality.

B. CONTRIBUTIONS

You will contribute an amount equal to 8.75% of your salary towards the cost of your pension benefits. In addition, until December 3, 2027, you will also contribute an extra 3% of your salary, which represents the cost of reinstating a final average earnings plan design. The employer will also contribute an amount equal to at least your contributions towards the cost to provide your pension benefit.

If you are disabled and in receipt of long term disability benefits or workers' compensation income replacement benefits, you may be eligible to elect to continue to make contributions to the Plan in order to continue to accrue pension during your absence. Likewise, if you are on a defined period of unpaid leave of absence granted in writing by your employer (such as maternity or parental leave), you may also elect to continue your contributions to the Plan in order to continue to accrue pension. If you don't continue your contributions during such periods, you may be able to purchase the period of your absence in the Plan on your return. In all cases, you should contact your employer for details and to make any necessary arrangements.

C. BUY BACK OPTION

If you had periods of employment with your current employer during which you were not a member of the Plan, you also have the option to purchase benefits related to all or part of that period. Your employer will determine the amount you will be required to contribute to the pension fund in order to secure benefits for that period of employment.

If you participated in this pension plan while you were employed at another municipality participating in this pension plan, and your benefits are still in the plan, you may, under the Inter-Municipal Transfer Agreement, transfer the value of those prior benefits to your current employer. Advise your employer if this situation is applicable to you, in order to receive further information on the cost and the impact on your benefits of such a transfer.

Furthermore, if you participated in the Newfoundland and Labrador Public Service Pension Plan, you may be able to transfer your benefits from that plan to this Plan under the terms of a Reciprocal Transfer Agreement between the two pension plans. Advise your employer if this situation is applicable to you, in order to receive further information on the cost and the impact on your benefits of such a transfer.

For reciprocal transfer of benefits among municipalities within this Plan, or between the Public Service Pension Plan and this Plan, differences in employment conditions, and the terms and conditions of the exporting plan provisions when compared to those of the importing plan provisions will have an impact on the ability of a member to recognize his full service at his prior employer under the terms of the Plan at his current employer.

D. RETIREMENT DATES

Your normal retirement age under the Plan is 60.

Early retirement is permitted at any time after age 50. Pensions payable upon early retirement are subject to a permanent reduction. The reduction is described below in Section E. "Amount of Pension".

You may postpone your retirement beyond your normal retirement age but not beyond the end of the calendar year in which you reach age 71. You will continue to contribute and earn benefits during this period of postponement.

E. AMOUNT OF PENSION

(a) Pension at Normal or Postponed Retirement Date

If you retire on or after your normal retirement date you will receive an annual pension equal to 2% of the average of your earnings in the best 5 consecutive years of your earnings with your employer multiplied by your years of credited service under the Plan.

(b) Pension at Early Retirement Date

If you retire before your normal retirement age, and after attainment of age 50, you will receive, , a pension determined as described above, commencing on your early retirement date but reduced by 1/2% per month (6% per year) by which your early retirement date precedes your normal retirement age.

If you terminate employment before your attainment of age 50 and commence your pension before your normal retirement age, your pension will not be reduced as noted above, but will be reduced at your early retirement date so as to be actuarially equivalent in value to the pension you would have received at your normal retirement date.

(c) Indexing of Pension Benefits

Each January 1 after retirement, pension benefits are increased by a percentage equal to the adjustment in the Consumer Price Index for the previous year, up to a maximum increase of 6% per year.

F. MINIMUM BENEFIT

There is a guarantee that the amount of pension for service prior to January 1, 1989 shall be no less than the amount that could be purchased with your contributions and your employer's contributions, both made prior to January 1, 1989, with interest.

You are also guaranteed that your contributions made from January 1, 1997 will not be used to provide more than 50% of the value of your pension earned after that date. Any "Excess Contributions" over that amount will be refunded to you in cash, transferred to another retirement savings arrangement or used to provide you with additional pension. This rule applies on retirement, on termination of employment and on death.

If applicable, you are also guaranteed that the benefits you receive for 2013 and 2014 under Option 11 will be at least equal to the benefits you accrued for those years under the previous career average plan design.

G. INTEREST

Your contributions are credited with interest at a rate corresponding to that payable on 5-year personal fixed term deposits at chartered banks during the past year.

H. DEATH BENEFITS

(a) Rules respecting Payment of Death Benefits

Please note that, under the Newfoundland and Labrador *Pension Benefits Act* and other legislation governing the Plan, there are rules that apply to the payment of death benefits, as follows:

(i) you may designate any person as your beneficiary;

(ii) if you have a qualifying spouse (please review the definition of "spouse" outlined below) at the time of your death, your spouse may receive certain death benefits from the Plan regardless of any other beneficiary designation;

(iii) if you do not have a qualifying spouse at the date of your death and you do not designate a beneficiary, any death benefits payable from the Plan will be paid to your estate.

The Newfoundland and Labrador *Pension Benefits Act* prescribes rules to determine who may qualify as a spouse for pension plan purposes. Those rules are summarized here:

- if you are **not** legally married and you have lived in a common law relationship with another person for **one year** or more (and you are currently living with that person), he or she will be recognized as your spouse under the pension plan;

- if you **are** legally married, but you are separated from that person and you have lived in a common law relationship with another person for **3 years** or more (and you are still living with your common law partner), the person with whom you are living in a common law relationship will be recognized as your spouse under the pension plan;

- if you **are** legally married and you live with your legal spouse or, if you are separated but you do not have a common law spouse as described in the paragraph above, the person to whom you are legally married is your spouse for pension plan purposes.

Your spouse may be of the same or opposite sex.

If your situation changes and you enter a relationship with someone who would be considered a spouse or end a relationship with a spouse, it is important to ensure that your spouse on record for pension plan purposes is updated as required. You may also want to complete a new beneficiary designation in those circumstances. Please contact your employer if you would like to change your spouse on record or your beneficiary designation.

(b) <u>Death Before Retirement</u>

If you die before retiring, and before completing 2 years of Plan membership, your beneficiary will receive a death benefit from the Plan equal to a refund of your contributions to the Plan, with interest.

If you die before retiring, but after completing 2 years of Plan membership, your beneficiary will receive a death benefit equal to the following:

(i) any contributions you made to the Plan before January 1, 1997, with interest,

(ii) any employer contributions to the Plan on your behalf before January 1, 1989, with interest;

(iii) the full commuted value of the pension you earned in the Plan on and after January 1, 1997, plus

(iv) any other amount payable from the Plan as a result of your death.

However, if you have a qualifying spouse at the date of your death (as described in the preceding section), your spouse will receive the payment described in paragraph (iii) above even if you have named a different person as your beneficiary.

If you have a qualifying spouse at the date of your death and you die before retiring but after being eligible for an immediate pension, instead of the benefits described above, your spouse will receive a lifetime pension equal to 60% of the pension you would have received had you retired immediately before your death. The value of the benefit paid to your spouse will be at least equal to the benefit described above.

(c) <u>Death After Retirement</u>

If you do not have a qualifying spouse when you start your pension from the Plan, the normal form of pension is a pension payable for your lifetime and guaranteed for 10 years in any event. This means that if you die before having received 120 pension payments, the payments are continued to your beneficiary until a total of 120 payments have been made.

However, if you have a qualifying spouse when you start your pension from the Plan, you will normally receive an actuarially equivalent pension payable for life, with a 60% spousal benefit. Therefore, if you die after retirement and before your spouse, monthly payments will continue to be made to your spouse for the remainder of your spouse's life at 60% of the amount that was paid to you before your death.

(d) <u>Optional Forms of Pension</u>

Instead of the form of pension described in (c) above, and subject to any requirement for a spousal waiver, you may elect an optional form providing either a different guaranteed period or a different amount of pension payable to your surviving spouse. A written waiver from your spouse is required if you elect a form of pension with no survivor benefit or with a survivor benefit of less than 60%. The amount of pension payable under any alternative option will be actuarially determined so as to have the same value as the normal form.

I. TERMINATION BENEFITS

(a) Before 2 Years of Plan Membership

If you terminate employment before completing 2 years of Plan membership, you will receive a refund of your contributions to the Plan, with interest.

(b) After 2 Years of Plan Membership

If you terminate employment after completing 2 years of Plan membership, you will receive a deferred pension calculated as in section E(a), but payable at your normal retirement age.

Notwithstanding this, you may elect to receive a refund of one of the following:

- your contributions made prior to January 1, 1997 and your employer's contributions made on your behalf prior to January 1, 1989, with interest, provided that you have not both completed 10 years of service and reached age 45; or

- your contributions made prior to January 1, 1985, with interest.

If you elect to receive the above refund of contributions, your deferred pension will be reduced to reflect the amount of the refund received.

(c) Portability

If you terminate employment before becoming eligible to receive an immediate pension and you are entitled to receive a deferred pension, you may elect to transfer the commuted value of your deferred pension to:

(i) your personal “locked-in” registered retirement savings arrangement; or
(ii) another registered pension plan, if the administrator of that plan agrees to accept the transfer; or
(iii) an insurance company, to purchase a deferred life annuity.

Any transfer of the commuted value of your deferred pension is subject to "locking-in" rules. Benefits that are "locked-in" must be used to provide you with retirement income and cannot be taken in a cash lump sum. However, if at your date of termination you have not both completed 10 years of service and reached age 45, your benefits in respect of service prior to January 1, 1997 may be transferred on a non-locked-in basis.

(d) Portability Restrictions

If you terminate employment on or after becoming eligible to receive an immediate pension from the Plan, you will not be eligible to elect the portability options in (c) above. Instead, you will receive an immediate or deferred pension from the Plan.

J. GOVERNMENT PENSION BENEFITS

In addition to the benefits provided under the Plan, you may receive pension benefits under the *Canada Pension Plan Act* when you reach age 60, and the *Old Age Security Act* when you reach ages 65 to 67, depending upon your date of birth. This summary of government pension benefits is provided for convenience only. You should confirm the details of the benefits that may be payable to you and the requirements to commence such benefits directly with the government offices responsible for these programs.

(a) Canada Pension Plan Act ("CPP")

The pension payable from the CPP to those retiring at age 65 is approximately 25% of earnings for the year that is two years before retirement, up to a maximum earnings level equal to the YMPE for the year of retirement. In 2015, the YMPE is $53,600.

The CPP benefits may be payable as early as age 60 but, if they begin early, they will be reduced. The early retirement reduction factors have changed in the recent years and when the changes are fully phased in by 2017, the early retirement reduction will be 0.6% for each month (or 7.2% for each year) of early payment. Check the Service Canada website for up-to-date details on CPP.

(b) Old Age Security Act ("OAS")

Currently, the maximum OAS benefit payable effective January 1, 2015, is $6,765 a year. It is paid at ages 65 to 67 (depending on your date of birth) to everyone who meets the residence requirements.

If you were born before April 1, 1958, you will receive OAS at age 65. If you were born after January 31, 1962, you will receive OAS at age 67. If you were born during the period April 1, 1958 to January 31, 1962 inclusive, your OAS commencement age will be between age 65 and 67. Check the Service Canada website for up-to-date details on OAS.

The OAS benefit may be reduced if income exceeds certain levels ($72,809 for 2015).

Both the Canada Pension Plan and the Old Age Security benefits are adjusted by cost-of-living increases on a regular basis.

K. PROOF OF AGE

You will be required to furnish proof of age before you retire. A baptismal or birth certificate is the best proof of age. A citizenship certificate or passport is also acceptable. If one of these is not available, you may obtain information concerning acceptable proof of age from your employer.

L. FUTURE OF THE PENSION PLAN

Newfoundland and Labrador Municipal Employee Benefits Inc. expects the Plan to be permanent, but necessarily reserves the right to amend or discontinue the Plan in whole or in part if, in its opinion, future conditions should warrant such action. However, this would not affect the benefits earned up to the date of the change unless required by legislation.