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Forms of Pension and Death Benefits

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Note: This is a summary of forms of pension and post-retirement death benefits payable under the current University of Toronto Pension Plan and under the proposed new University Pension Plan prepared by the University of Toronto Faculty Association. If there is any conflict between this summary and the official plan documentation, the plan documentation will govern.

Two Forms of Pensions:

In general, there are two different forms of pension payable on retirement under a defined benefit pension plan such as the University of Toronto Pension Plan (**"UTPP"**):

* A **"life only"** pension, which is paid for the lifetime of the retiring member

OR

* A **"joint and survivor"** pension, payable for the joint lives of the retiring member and the member's spouse on the date of retirement. If the spouse outlives the member, the spouse will receive a pension for the rest of their life.

Important note: If a member has a spouse at retirement, minimum standards pension legislation requires that upon the death of the member after retirement, the surviving spouse is entitled to a survivor pension equal to no less than 60% of the pension paid to the member on retirement, for the rest

of the spouse's life, unless the parties waive this requirement. Minimum standards legislation permits the retiring member's pension to be reduced to "pay" for the 60% surviving spouse pension.

Comparing the new University Pension Plan ("UPP") with the UTPP:

Member with a Spouse:

- Under the current UTPP, the normal form of pension for a member **with an eligible spouse** on the date of retirement is a 60% joint and survivor pension ("J&S"). The amount of the member's pension is not reduced to pay for the cost of the 60% survivor pension payable to the surviving spouse. This form of payment will continue to apply to the member's pensionable service under the current UTPP, even after the conversion to the UPP.
- Also under the current UTPP, a retiring member has the option to elect a J&S pension between 60-100% instead of the 60% normal form described above.
- Under the new UPP, for pensionable service earned under the UPP, the normal form of pension for a member **with an eligible spouse** on the date of retirement will be a 50% J&S pension.
- This means that upon the death of a member, for the pensionable service earned under the UPP only, the UPP will pay a pension to the surviving spouse equal to 50% of the member's pension for the eligible spouse's lifetime. The amount of the member's pension will not be reduced to pay for the cost of the 50% survivor pension payable to the surviving spouse.
- In the UPP, the retiring member and their spouse could choose a J&S pension at 50% (if a waiver is signed), 60%, 80%, or 100%, depending on personal circumstances. Note that a dependent child, including a disabled dependent adult child, may receive the survivor pension if there is no surviving spouse at the time of the member's death.
- If the form of pension selected for the pensionable service earned under the UPP is more than the 50% joint and survivor pension provided by the UPP, the member's pension will be actuarially reduced. The form of pension for the pensionable service earned under the UTPP will continue to be 60% as described above, unless a different option is chosen.

Member without a Spouse:

- Under the current UTPP, the normal form of pension for a member without an eligible spouse on the date of retirement is a pension for that member's lifetime, with a "guarantee" that 5 years' worth of the pension will be paid out, if the member receiving the pension dies before the five-year period is up.
- This "guarantee" means that if the member dies before the end of the 5-year period, the balance of payments to the end of the 5-year period will be made to the member's beneficiary or estate. If the member lives past the 5 years, they will continue to receive their pension for the duration of their life, but no amount will be paid to the member's beneficiary or estate upon their passing. This form of payment will continue to apply to the member's pensionable service under the current UTPP, even after the conversion to the UPP.
- Under the new UPP, for the pensionable service earned by the member under the UPP, the normal form of pension for a member without an eligible spouse on the date of retirement will be a pension for that member's lifetime, with a "guarantee" that 10 years' worth of the pension will be paid out, if the member receiving the pension dies before the ten-year period is up. If the member dies before the end of the ten-year period, the balance of payments to the end of the ten-year period will be made to the member's beneficiary or estate. If the member lives past the 10 years, they will continue to receive their pension for the duration of their life, but no amount will be paid to the

member's beneficiary or estate upon their passing.

If I have service in both the UTPP and UPP, how will they fit together?

Your pension will be calculated in two parts: the pension earned under the current UTPP **plus** the pension earned in the new UPP.

For example, if you have an eligible spouse on the date of retirement and you elect to provide a 60% survivor pension to your spouse, ***only*** the UPP portion of your total pension would be adjusted, as follows:

Current U of T monthly pension amount: W

PLUS

UPP monthly pension amount: X

MINUS

A small actuarial adjustment to pay for the 60% survivor pension: Y

EQUALS

The total pension payable to the plan member: Z.

Assume that at retirement your UTPP (current pension plan) monthly pension is $2,500, and your UPP monthly pension is $1,200. You are retiring at age 65, and your spouse is two years younger. Your UPP monthly pension will be reduced by approximately 1.5% to be payable as a 60% joint and survivor pension.(1) Your total monthly pension based on the above formula would be as follows:

$2,500 + {$1,200 times (100% - 1.5%)} = $3,682

Note: The actuarial reduction would be greater in scenarios where the spouse is more than 10 years younger than the member receiving the pension.

More information about planning for retirement may be found on the website of the Financial Services Commission of Ontario.

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(1) This example is for illustrative purposes, and the 1.5% could be higher or lower at the time the member retires under the UPP depending on various economic factors applicable at that time.

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