YOUR

PENSION

PLAN

September 2023

Contents

Welcome to your pension plan guide ... 3
Your DB pension plan at a glance ... 4
A commitment to good governance ... 5
Joining (or rejoining) the DB pension plan ... 6
- Joining ... 6
- Rejoining ... 6

Contributions ... 7
- Excess contributions ... 7
- Example of an annual member pension contribution ... 7

Retirement ... 8
- Normal Retirement ... 8
- Reduced Early Retirement ... 8
- 95-Point Early Retirement ... 8
- Postponed Retirement ... 8
- Postponed Retirement: Quebec ... 8

Your DB pension plan benefit ... 9
- Key terms you should know ... 9

Calculating your pension ... 10
- Normal retirement formula ... 10
- Early retirement formula ... 12
- Postponed retirement formula ... 12

Which pension payment is right for you? ... 13
- Some things to consider before choosing a payment option ... 13
- Which type is the right one for you? ... 14

Life events ... 16
- If you die before retirement ... 16
- If you leave before retirement ... 18
- Separation or divorce ... 19
- Maternity or paternal leave ... 19
- Disability ... 19
- Doctoral leave ... 19

Government programs ... 20
- Canada Pension Plan (CPP) ... 20
- Old Age Security (OAS) ... 21
- Guaranteed Income Supplement (GIS) ... 21

Personal savings ... 22
- Registered retirement savings plan (RRSP) ... 22

Glossary ... 24

Welcome to your pension plan guide

The Presbyterian Church in Canada (the Church) is delighted to offer a defined benefit pension plan to our clergy and employees. Established in 1927, the plan now provides a monthly pension income to more than 1060 retirees and beneficiaries – and around 600 active members.

Defined benefit (DB) pension plans, where the benefit you're eligible to receive at retirement is determined according to a set formula, are becoming rare in Canada. Because they're designed to pay you a pension income *for life*, these plans provide you and your dependents with a solid foundation to build a safe and secure financial future you can count on.

This booklet focuses on your pension plan and offers details about how it works and what you need to think about as you plan for retirement – whether you're early on in your career, approaching the end of it, or anywhere in between.

We encourage you to carefully review the information in this booklet, so you have a better understanding of the pension plan, what you can expect when it's time to retire and how it fits into your bigger financial retirement plan.

When you have questions

Just reach out. The Pension and Benefits Board Office is here to help:

- By email: pension@presbyterian.ca
- By phone: 416-441-1111 or 1-800-619-7301

Or write to:

Pension and Benefits Board Office

The Presbyterian Church in Canada

50 Wynford Drive

Toronto, Ontario

M3C 1J7

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.

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.

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 the General Assembly – and any pension benefits already earned at the time of a change are fully protected under the plan.

Your Defined Benefit (DB) pension plan at a glance

The chart that follows is an overview of the basic things you should know – and understand – about your defined benefit pension plan.

If you find yourself wanting more information, details about each topic (including examples) can be found by clicking on a topic, or on the page numbers to the right (both are hyperlinked to the relevant page).

	HIGHLIGHTS	#
Joining (or rejoining) the DB pension plan	Membership is compulsory for ordained ministers, members of the Order of Diaconal Ministries, and employees of the National Office. It's also available to other Church workers whose employers agree to participate.	6
Contributions	Each month, you contribute a percentage of your pensionable income to the DB pension plan through payroll deduction. Your employer or congregation makes contributions as well.	7
Normal Retirement	Your Normal Retirement Date is the first day of the month after you turn age 65.	8
Reduced Early Retirement	You may retire with a reduced pension any time after you reach age 55.	8
95-Point Early Retirement	You may retire with an unreduced pension if your age plus pensionable service totals 95 or more.	8
Postponed Retirement	If you keep working after age 65, you can continue to earn pensionable service and receive an increased pension when you retire. That said, you must begin pension payments by the end of the calendar year you reach age 71. If you live in Quebec and work part time, you may start collecting your pension while employed.	8
Your DB pension plan benefit	The amount of pension you'll receive in retirement is based on a formula that considers your pensionable service, maximum qualifying income, and income ratio.	9
If you die before retirement	If you die before you retire, your spouse/beneficiary is eligible for benefits under the DB pension plan. If you die after you've retired, your pension will be paid to your spouse/beneficiary according to the type of pension you chose upon retirement.	16
If you leave before retirement	If your employment ends, your entitlement to a benefit from the DB pension plan depends on whether you're vested or not. If you're not vested, you will only receive a refund of your contributions plus interest. However, if you are vested you will be entitled to the commuted value of your pension.	7, 18

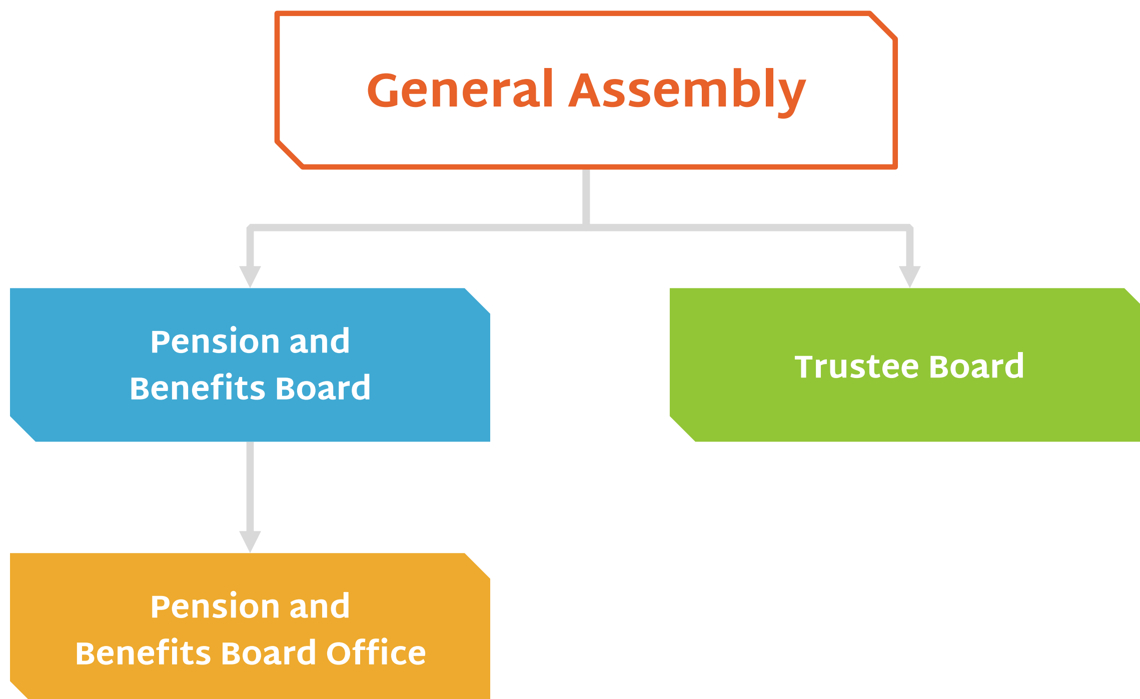
A commitment to good governance

Effectively managing your DB pension plan means ensuring there's enough money to cover all the pensions that need to be paid from it at some point over time.

The plan is managed by the **Pension and Benefits Board**, which is appointed by the General Assembly and is responsible for the administration of both the group benefits and pension plans. Under its various sub-committees, the Board interprets the pension plan documents and decides on issues that affect plan members. The Pension and Benefits Board meets twice a year and is composed of Church representatives from across Canada.

The pension plan is also governed in part by a **Trustee Board**, which is appointed by the General Assembly, too. Under its mandate, the Trustee Board establishes the pension plan investment policy, selects the plan's professional investment managers and reviews investment performance. The Trustee Board meets on a quarterly basis.

The **Pension and Benefits Board Office** looks after the DB plan's day-to-day operations, including enrolling new members, receiving contributions from employers, answering questions, and preparing statements.



Joining (or rejoining) the DB pension plan

Joining

If you're an ordained minister or a member of the Order of Diaconal Ministries, your participation in the plan is compulsory. If you're an employee of the National Office, you must join the plan after one year of service but may choose to do so any time after three months of employment. Other Church workers or congregational employees also have the opportunity to join, provided their employers agree to participate.

Rejoining

If you left your pension benefits in the plan at the end of your prior employment with the Church, the entirety of your previous pensionable service is automatically recognized.

If you transferred a lump-sum payment from the plan upon leaving, you can buy back your previous pensionable service by repaying the lump sum (with interest) within one year of rejoining – or spreading your repayment over a period of up to five years, but not past your retirement date.

Please note the latter option must have approval from the Pension and Benefits Board.

Your 'employer' can refer to the Church, a Synod, a Presbytery, a congregation, or an organization directly under control of the Church – or any other authorized employer that contributes to the pension plan.

Contributions

When you join the DB pension plan, you'll start making monthly contributions via payroll deduction – and your employer will also make regular contributions, too.

The amount contributed by both members and employers is approved by the General Assembly. Currently, **you contribute 7.5% of your pensionable income** to the plan – this amount is automatically deducted from your before-tax pay. The Church also makes contributions to the plan based on the terms of the Constitution, as well as advice from the plan's actuary.

Excess contributions

When you retire or leave the DB pension plan, the Church's pension administrator will calculate whether the total contributions you made after 1986 (1984 in Manitoba), plus interest, is greater than 50% of your commuted value (see the definition below) earned over the same period. Any excess contributions will be refunded to you with interest.

Basically, the contributions you make to the plan cannot pay for more than 50% of the pension you earned for this period of service. These funds may also be transferred tax-free to a Registered Retirement Savings Plan (RRSP) or taken as a taxable cash payment.

Example of an annual member pension contribution

Your pensionable income in the current year: $71,840

Your pension contribution in the current year: $71,840 x 0.075 (7.5%) = $5,388

Commuted value (CV), also known as 'cash value' or 'transfer value', is the estimated amount of money needed today to provide a specific amount of monthly lifetime pension beginning at an assumed retirement date (typically age 65). The calculation is done by an actuary and is based on prescribed assumptions and methods. The commuted value will depend on your age and applicable interest rates at the date of calculation.

Retirement

Choosing when to retire is an important decision that can have a big impact on the amount of pension you receive. You have several options to consider, each based on your retirement date.

Normal Retirement

Your Normal Retirement Date is the first day of the month after the date you turn age 65. If you retire on your Normal Retirement Date, you'll receive your pension without any reduction.

Reduced Early Retirement

You may retire with a reduced pension any time after you reach age 55. If you retire early, your pension will be reduced by 0.5% for each month (6% per year) leading up to your Normal Retirement Date.

95-Point Early Retirement

You may retire early with an unreduced pension if your age plus pensionable service totals 95 or greater.

For example, if you're age 62 and have 33 years of pensionable service, your age plus pensionable service adds up to 95 points. As such, you are eligible for an unreduced pension that will be calculated using the Normal Retirement formula and using your service as of your 95-Point Early Retirement date. No reduction will be applied.

Postponed Retirement

If you choose to keep working after you turn age 65, you may continue to earn pensionable service and receive an increased pension upon retirement. For example, if you retire at age 68, the pension you earned to age 65 will be increased 6% per year (18% in total), and the pension you earned after age 65 will be increased by 3% per year (9% in total).

It's important to note that the Canada Revenue Agency requires pension payments to begin by the end of the calendar year in which you reach age 71.

Postponed Retirement: Quebec

If you live in Quebec and decide to keep working part-time after you turn age 65, you may choose to begin payment of all or part of your pension – these payments must not exceed the amount by which your earnings are reduced. The entirety of your pension will begin once you stop working altogether.

Once you begin to take pension payments (even if they're partial payments), your contributions will stop, and you won't earn any additional pension benefits.

Your DB pension plan benefit

In a DB pension plan, the benefit you may be eligible to receive when you retire (or leave) is defined by a formula.

Under the Church's pension plan, the benefit formula is related to:

- your pensionable service;
- the maximum qualifying income; and
- your income ratio.

To better understand each of these different elements to the plan formula, refer to the key terms defined below.

Key terms you should know

Pensionable service is the time in a given year where contributions are made to the plan (measured in complete months). If you're working part-time during any calendar year, your pensionable service will be pro-rated based on your part-time percentage.

Maximum qualifying income is the maximum amount of pensionable income that can be used to calculate contributions and pensions. This figure is determined annually based on the Consumers' Price Index average, as well as approval by the General Assembly.

Pensionable income is your stipend plus an allowance of 60% (in lieu of housing, utilities and other allowances) – or your salary (excluding your bonus or overtime payments, but including health and dental insurance payments) up to the maximum qualifying income. If you're working part-time during any calendar year, your pensionable income will be equal to the pensionable income you would have received if you'd worked full time.

For example, if your pensionable income in 2023 is $71,840 which is less than the maximum qualifying income for the year of $79,680, your income ratio for the year is 0.90.

($71,840 / $79,680 = 0.90)

Income ratio is the ratio of your pensionable income to the maximum qualifying income. If your pensionable income is equal to or greater than the maximum qualifying income in a given year, your income ratio for that year is one. However, if your pensionable income is lower than the maximum qualifying income in a given year, your income ratio for that year is less than one.

Calculating your pension

To help you keep track of your DB pension benefit, your Annual Pension Statement is sent to you each spring. This statement shows the amount of pension you've earned to date, as well as the pension estimated at your Normal Retirement Date and your 95-Point Early Retirement Date (if applicable).

When you retire, you'll receive a pension based on your pensionable income, your periods of pensionable service and income ratios throughout your career.

Other important sources of income in retirement include government programs like the Canada Pension Plan, Old Age Security, Guaranteed Income Supplement, as well as your own personal savings plans. For more details on these, please visit details beginning on page 20.

Normal retirement formula

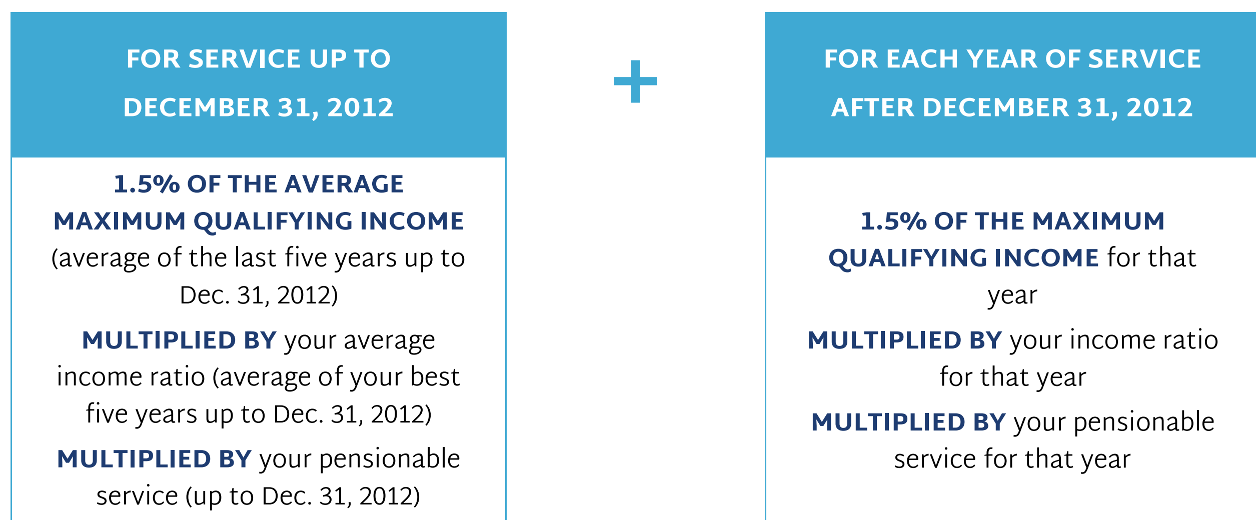
Up until December 31, 2012, the pension you earned each year was based on 1.5% of the average maximum qualifying income, multiplied by your average income ratio, then multiplied by your pensionable service earned up to December 31, 2012.

However, as of January 1, 2013, the pension you earn each year is based on 1.5% of the maximum qualifying income for that year, multiplied by your income ratio for that year, multiplied by your pensionable service in that year.

If you were actively contributing to the plan on December 31, 2012, your pension is calculated using both the old and new formulas (with the portion earned before January 1, 2013, frozen).

If you want to calculate your pension amount using the formula below, you'll need a record of your income during your plan membership, as well as the maximum qualifying income for each year.

This following chart provides examples of the two formulas at work:



Example of a member's pension up to Dec. 31, 2023:

Remember, your pension each year is based on 1.5% of your earnings in that year (up to the annual maximum) multiplied by your pensionable service in that year.

FOR SERVICE UP TO DECEMBER 31, 2012:	
Average maximum qualifying income (average of last five years up to Dec. 31, 2012):	$63,456
Average income ratio (average of best five years up to Dec. 31, 2012):	0.85
Service up to Dec. 31, 2012:	15 years
Annual pension earned up to Dec. 31, 2012 (calculated as shown below): 1.5% of $63,456 = $951.84 MULTIPLIED BY 0.85 = $809.06 MULTIPLIED BY 15 (for service up to Dec. 31, 2012) = $12,135.96	$12,135.96

FOR SERVICE AFTER DECEMBER 31, 2012:	
Annual pension earned between Jan. 1, 2013, and Dec. 31, 2022:	$9,596.70
Annual pension earned up to Dec. 31, 2021* (calculated as shown below) (pension of $12,135.96 for service up to December 31, 2012 PLUS Pension of $9,596.70 for service between Jan. 1, 2013 and Dec. 31, 2022)	$21,732.66
Annual pension earned between Jan. 1, 2023, and Dec. 31, 2023: (see how your yearly pension accrual is calculated below)	$1,075.68
Annual pension earned up to Dec. 31, 2022:	$22,808.34

* For members who were part of the DB pension plan prior to 1990, the earned pension as of Dec. 31, 2015, is subject to a minimum benefit in accordance with the pension formula in effect prior to 1990.

Your yearly pension accrual, explained...

For example, the maximum qualifying income for 2023 is **$79,680**. You would multiply this number by the current pension formula (1.5%).

$79,680 x 0.015 = $1,195.20

Then you would multiply the number above by your current income ratio (0.90).

$1,195.20 x 0.90 = $1,075.68

And lastly, you would multiply the number above by your pensionable service for that year (1).

$1,075.68 x 1 = $1,075.68

1.5% x $79,680 x 0.90 x 1 = $1,075.68

Early retirement formula

You may retire early with an unreduced pension if your age plus pensionable service totals 95 or greater.

For example, if you're 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.

If you retire before age 65 and do not have 95 points, your pension will be reduced by 0.5% for each month (6% per year) leading up to the date you turn age 65.

Pension example: early retirement formula with a reduced pension

Retirement age: 62

Normal Retirement Pension (age 65): $1,000

Reduced by 18% for three years (i.e., 6% x three years): $180

Total early retirement monthly pension: $820

Postponed retirement formula

You may retire after age 65, but no later than the end of the calendar year in which you turn age 71. If you choose to retire after age 65, the pension you've earned at retirement will be increased as follows:

- The pension you've earned **UNTIL** age 65 will be increased by 0.5% for each month (6% per year) that you retire after age 65; and
- The pension you've earned **AFTER** age 65 will be increased by 0.25% for each month (3% per year) that you retire after age 65.

Pension example: postponed retirement formula

Retirement age: 68

Amount of pension earned:

- Pension earned to age 65: $1,000
- Pension earned after age 65: $200
- Total pension earned: $1,200

Postponed retirement increase:

- Increase to the pension you earned up to age 65: 18% (i.e., 6% x three years) = $1,000 x 18% = $180
- Increase to the pension you earned after age 65: 9% (i.e., 3% x three years) = $200 x 9% = $18

Total pension at postponed retirement date:

- Pension earned to age 65: $1,000 + $180 = $1,180
- Pension earned after age 65: $200 + $18 = $218
- Total pension earned: $1,398

Which pension payment is right for you?

Your DB pension is designed to be paid monthly, *for life*. However, when you retire, you'll need to choose the type of pension payment you'd like to receive. This is important if you have a spouse or beneficiary, as the kind of pension payment you select determines what happens to your pension when you die after retirement.

Some things to consider before choosing a payment option

Your choice of pension payment is **permanent**. *You cannot change your mind once you've received your first pension payment*. So, take the time to consider all your sources of income in retirement – yours and your spouse's – to ensure you're making the best decisions for your situation.

Whichever type of pension you choose, it will be paid to you for as long as you live. However, if you wish to do so, you can add a guarantee period that will provide a certain number of monthly payments, even upon your death.

If you have a spouse when you retire

If you die first, 66 ⅔% of your pension will be paid to your spouse. If the spouse you have at retirement dies first, a new spouse will only be entitled to your pension if they have been your spouse (as defined by the plan) for at least a year before your death.

Please keep the Pension and Benefits Board Office up to date, or your new spouse will need to provide additional proof once you die.

You may take a reduced pension at retirement if you'd like a higher percentage of your pension – up to 100% – to go to your spouse in the event you die first.

You can also take a reduced pension and add a guarantee of five, 10, or 15 years to your spouse's pension options. If you die during the guarantee period, your spouse will receive the same amount of pension you were receiving for the remainder of the guarantee period. After that, your spouse will begin receiving the type of pension you chose at retirement adjusted by the percentage you chose (66 ⅔% or 100%), which will continue for the remainder of their lifetime.

If you don't have a spouse when you retire

Your pension will be paid for your lifetime. You may take a reduced pension at retirement and add a five, 10, or 15-year guarantee to your pension. If you die within the guarantee period, your pension will continue being paid to your chosen beneficiary(ies) until the guarantee period ends.

You're responsible for informing the Pension and Benefits Board Office of any changes in personal status, such as your name, address, marital status, dependents, and beneficiaries.

Which type is the right one for you?

There's no right or wrong answer here, but there are a few things to consider. Each type of payment arrangement pays you a pension for your lifetime, and some options include survivor benefits for your spouse or beneficiary(ies). That said, to receive a suitable income in retirement, your needs should align with the option you choose.

The payment options available to you depend on whether you have a spouse when you retire. If you *do* have a spouse when you retire, your payment options include survivor benefits for your spouse. This is called a Joint and Survivor (J&S) pension.

Your DB pension payments will be deposited directly into your bank account on the first business day of each month following retirement. Income tax is deducted from your pension before it's paid to you – and this amount is deducted based on your estimated taxable income.

This table shows the possible impact of two pension options for a member who retires at age 65 with a 63-year-old spouse and a monthly pension of $1,000.

PENSION PAYMENT OPTION (TYPE OF PENSION)	DETAILS	YOUR MONTHLY PENSION (AT RETIREMENT)
J&S 66 ⅔%	The pension is paid for your lifetime, with 66 ⅔% of it being paid to your spouse for their lifetime after you die.	$1,000
J&S 100%	The pension is paid for your lifetime, with 100% of it being paid to your spouse for their lifetime after you die.	$957

Please note this is for illustrative purposes only. Amounts will vary depending on your retirement age, spouse's age, and the interest rates in effect when you retire.

If you're single when you retire, there are four pension options available to you (lifetime, five-, 10- and 15-year guarantee). The table below shows the possible impact of two different pension options for a member who retires at age 65 with a monthly pension of $1,000.

Please note this is for illustrative purposes only. Amounts will vary depending on your retirement age and the interest rates in effect when you retire.

PENSION PAYMENT OPTION (TYPE OF PENSION)	DETAILS	YOUR MONTHLY PENSION (AT RETIREMENT)
Lifetime only	The pension is paid for your lifetime only – there are no payments to be made after your death.	$1,000
Life with a 10-year guarantee	The pension is paid for your lifetime. If you die within the first 120 months of starting to receive your pension, the rest of the guaranteed payments are paid to your beneficiary or estate.	$978

Upon retirement, you'll be informed of the other pension options available. If you'd like to request a personal pension estimate, contact the Pension and Benefits Board Office.

Small pension

If your pension qualifies as a 'small' pension (approximately $222 or less per month in 2023; this depends on your province of employment and when you retire), the value of your pension will be paid to you as a single lump sum instead of monthly installments. You can take this money as a taxable cash payment or make a tax-free transfer to an RRSP.

Want to have additional tax deducted? Please review the appropriate section of the Canada Revenue Agency's TD1 Personal Tax Credit Return form.

Life events

If you die before retirement

One of the most important things you can do to care for your loved ones after your death is to name a beneficiary. You can name whomever you'd like as your beneficiary. However, most provincial legislations require that benefits be paid to your spouse (if you have one when you die) even if you've named someone else.

Another reason why it's important to designate a beneficiary is because in the event you and your spouse pass away, benefits would be paid to whom you've named as your beneficiary.

If you do not have a spouse, and do not name a beneficiary – or if your beneficiary dies before you – then your death benefits will be paid to your estate.

If you're an active DB pension plan member at the time of your death, the following family death benefits will be paid from the plan:

- **If you die before your pension begins and have a spouse,** they'll receive a pension equal to 66 ⅔% of your pension earned up to the date of your death, which will be paid for their lifetime – and is not affected even if they remarry. Further, an additional 1/6 of this pension will be paid to your first child, with smaller amounts for each additional child – up to four in total.
- **If you die before your pension begins and do not have a spouse,** your beneficiary or estate will receive the greater of your total contributions plus interest OR the commuted value of your pension earned after 1986 (after 1984 in Manitoba).
- **If you do not have a spouse, but have a dependent child(ren) under 18,** your first child will receive a pension equal to 66 ⅔% of your pension earned up to the date of your death. Further, an additional 1/6 of this pension will be paid to your second child, with smaller amounts for each additional child – up to four in total.
- These dependent children benefits stop once your child(ren) reach age 18. However, the Pension and Benefits Board may allow these to continue to age 25 if the child(ren) is in school full time.

Your family death benefits won't be less in value than the death benefits that would be paid if you didn't have a spouse or child(ren). 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 would have lived to age 65 (whichever is less).

Shortened life expectancy

If you have a shortened life expectancy (before or after retirement), you may qualify to have the value of your pension paid to you as a single, taxable lump-sum payment. In support of your application, you must have a written statement from a qualified medical practitioner licensed to practice in Canada confirming you have less than two years to live – and if you have a spouse, they must provide a signed waiver of agreement within 60 days before submitting your application.

If you leave before retirement

Your pension benefit at termination depends on your vesting status. To be vested means you 'own' your pension benefit in the event you leave the plan.

How is your vested status determined? When you're vested, this means you 'own' the benefit. It's yours to take with you – as long as that's within the allowable plan rules – if you leave. Vesting status is determined by pension legislation, which may include the length of time you've been a plan member.

If you *are not* vested

If you leave the DB plan before you're vested, you'll receive a refund of your contributions with interest. You may transfer this money, tax-free, to an RRSP or take it as a taxable cash payment.

If you *are* vested

If you leave after you're vested, you're entitled to the full commuted value of the pension you've earned up to that date.

The following payment options are available to you if you leave before retirement:

Leave your DB pension in the plan

You may leave your benefits in the plan and start taking them any time after you reach age 55, subject to early retirement reductions (where applicable).

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

Transfer your benefits out of the plan

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

- A locked-in RRSP, or a Locked-in Retirement Account (LIRA) – at age 55, these funds can be transferred into an arrangement from which you can begin to withdraw retirement income;
- Another registered pension plan that accepts transfers in; or
- A Canadian insurance company to purchase a life annuity.

Separation or divorce

The value of the DB pension you earned during marriage, or a common-law relationship, may be included, by law, in your shared family assets. Generally speaking, this means the value of your pension is considered when dividing the family assets. It does not, however, automatically mean there will be a division of this specific asset.

The definition of who qualifies as your spouse depends on the province you live in, as do the rules surrounding spousal relationship breakdown and division of assets.

If a complex situation like this arises, it's best to speak with the Pension and Benefits Board Office to ensure you know how it may impact your pension benefit and estate planning – and to confirm who's entitled to your death benefits.

Maternity or paternal leave

This type of leave counts as pensionable service so long as you make arrangements to continue contributions while you're away. During this period, your pension is based on your income immediately before it began. You may take up to a total of three years, or any such other period allowed under income tax regulations, of maternity or parental leave throughout your career.

You may also choose to stop making contributions and suspend earning pensionable service during your leave. If you choose to do so, the period of leave won't count towards your pensionable service (and you must notify the Pension and Benefits Board Office in writing before your leave begins).

Disability

If you're receiving disability benefits from the Church's long-term disability plan or from the Canada/Quebec Pension Plan Disability Plan, you're not required to make contributions to the plan. In this case, you'll continue earning pension benefits based on your pensionable income immediately before you became disabled. This amount is increased each year by the same percentage as any increase within the maximum qualifying income.

Doctoral leave

If you're a minister or an Order of Diaconal Ministries member who leaves to become a *full-time* doctoral student, you may choose to continue contributions to the DB pension plan at a rate equal to 2% of pensionable income above the regular member contribution rate, but not more than 9% of pensionable income in any event. In this case, your 'income' will be the amount you had for your last complete calendar year of employment before becoming a full-time doctoral student. This amount will be adjusted each year based on increases to the maximum qualifying income for pension contributions.

Government programs

While your DB pension is an integral part of your financial future, it's just *one* piece. That's why thinking about the government benefits you may be eligible to receive when you retire, in addition to your personal savings, is so important. The Church helps to set you up for financial success, but be sure to help yourself, as well.

Think of your retirement income as a three-legged stool – comprised of your Church pension, government-paid pensions, and personal savings.

Canada Pension Plan (CPP)

Most Canadian employees between the ages of 18 and 70 are required to contribute to the CPP. These contributions are based on your annual earnings between the basic exemption ($3,500) and the annual CPP earnings limit. Your contributions are matched by your employer, too.

The CPP is intended to replace a percentage of your average earnings, up to a maximum amount. Beginning in January 2019, the replacement rate increased from its 25% rate to 33% over time. The amount you receive depends on how much you contribute during your working years.

Keep in mind that taking a long break from employment, working outside Canada, or earning less than the CPP earnings limit might mean you get less than the maximum pension. In 2023, the maximum monthly CPP pension is $1,306.57 for someone who retires at age 65. (The benefit has increased, but you now contribute more – and contribution rates are set to increase until 2024.)

You may apply for your CPP pension at any time between the ages of 60 and 70. If you start your CPP pension before age 65, it will be reduced for each year you're under this age. This reduction won't go away once you reach age 65, either – it's permanent. If you start your CPP pension after age 65, it will be increased to account for later retirement. The benefit is indexed every year if the Consumer Price Index goes up.

Information on your personal contributions and earnings history is available from Service Canada, or online at www.canada.ca. You should complete an application form at least six months before you want your CPP pension to begin.

Old Age Security (OAS)

Old Age Security benefits are paid monthly starting at age 65. The amount you receive, if any, depends on the length of time you've lived in Canada when you apply, in addition to your income level. As of January 1, 2023, the maximum monthly OAS benefit is $691.00.

Once your OAS pension begins, payments are increased every three months if the Consumer Price Index goes up.

> You can learn more about OAS at www.canada.ca. You should complete an application form at least six months before you want OAS to begin.

Keep in mind that your government benefits do not start automatically when you retire. You must file an application with Service Canada, which can take several months to process and for payments to begin.

Guaranteed Income Supplement (GIS)

You're eligible for a monthly GIS payment if:

- You are 65 or older;
- You live in Canada;
- You receive the OAS pension; and
- Your income is below the annual threshold for singles or couples

Please note, spouses and survivors of GIS recipients may qualify for an additional allowance.

> For more information about GIS, visit www.canada.ca.

Personal savings

Registered Retirement Savings Plans (RRSPs) and Tax Free Savings Accounts (TFSAs) offer tax-effectiveness and an opportunity to manage your personal finances while planning for the future. The key to being successful is understanding your savings options, creating a plan, and making informed financial choices based on your personal needs and objectives.

RRSP

One of the best ways to save for retirement is an RRSP. Contributions are made using your taxable income (up to the government limit), which can greatly reduce the amount of income tax you pay. Your RRSP savings grow in a tax-sheltered environment – and are only subject to income tax once you withdraw assets from the plan.

The impact of your pension on your RRSP contribution room

While you don't pay income tax on contributions made by you to the DB pension plan, the amount you're allowed to contribute to an RRSP in the current year is reduced by a prescribed value of the pension you earned in the DB pension plan in the previous year. This prescribed value is the Pension Adjustment, or PA, which uses a formula established by the Canada Revenue Agency (CRA) and is reported on your T4.

Tax law limits the amount you can put aside, tax-deferred, in an RRSP each year. The current limit is 18% of your previous year's earned income up to the dollar limits shown below (minus your pension adjustment from the previous year):

YEAR	RRSP CONTRIBUTION LIMIT
2020	$27,230
2021	$27,830
2022	$29,210
2023	$30,780

Your available RRSP contribution room for the year is shown on your annual Notice of Assessment sent to you by the CRA. If you contribute less than the annual maximum to an RRSP, you can carry forward your unused contribution room to future years.

How much should you contribute to your RRSP annually? That depends on factors like current age, retirement goals and whether you have other savings or sources of income. If you need personal retirement planning advice, please consult a qualified, independent financial advisor.

TFSA

Comparable to an RRSP, a TFSA lets you save and invest your money without having to pay tax (including capital gains) on your investment income. But while an RRSP provides a tax deduction on contributions, a TFSA does not provide the same advantage. However, any withdrawals you make are tax-free.
The annual TFSA contribution limit for 2023 is $6,500.

Glossary

Beneficiary

You can name whomever you'd like as your beneficiary. However, most provincial legislation requires that benefits be paid to your spouse (if you have one when you die) even if you've named someone else.

Commuted value

Commuted value (CV), also known as 'cash value' or 'transfer value', is the estimated amount of money needed today to provide a specific amount of monthly lifetime pension beginning at an assumed retirement date (typically age 65). The calculation is done by an actuary and is based on prescribed assumptions and methods. The commuted value will depend on your age and applicable interest rates at the date of calculation.

Deferred pension

When you leave before age 55 and choose to leave your earned benefits in the plan, this is referred to as a deferred pension. You can start taking your pension benefits any time after you reach age 55, subject to early retirement reductions (where applicable).

Employer

Your employer can refer to the Church, a Synod, a Presbytery, a congregation, or an organization directly under control of the Church – or any other authorized employer that contributes to the DB pension plan.

Excess contributions

When you retire or leave the DB pension plan, the Church's pension administrator will calculate whether the total contributions you made after 1986 (1984 in Manitoba), plus interest, is greater than 50% of your commuted value earned over the same period. Any excess contributions will be refunded to you with interest.

Basically, the contributions you make to the plan cannot pay for more than 50% of the pension you earned for this period of service. These funds may also be transferred tax-free to an RRSP or taken as a taxable cash payment.

Income ratio

Income ratio is the ratio of your pensionable income to the maximum qualifying income. If your pensionable income is equal to or greater than the maximum qualifying income in a given year, your income ratio for that year is one. However, if your pensionable income is lower than the maximum qualifying income in a given year, your income ratio for that year is less than one.

Joint and Survivor (J&S) pension

The payment options available to you depend on whether you have a spouse when you retire. If you do have a spouse when you retire, your payment options include survivor benefits for your spouse. This is called a Joint and Survivor (J&S) pension.

Locked-in Retirement Income Account (LIRA)

A LIRA is a registered retirement savings plan from which no withdrawals are allowed, as the funds must be used to provide an income at retirement or a death benefit for retirement. When you are ready to retire, you can transfer the money from your LIRA to a Life Income Fund (LIF) or use the money to buy an annuity.

Maximum qualifying income

Maximum qualifying income is the maximum amount of pensionable income that can be used to calculate contributions and pensions. This figure is determined annually based on the Consumers' Price Index average, as well as approval by the General Assembly.

Pension Adjustment (PA)

While you don't pay income tax on contributions made by you to the DB pension plan, the amount you're allowed to contribute to an RRSP in the current year is reduced by a prescribed value of the pension you earned in the pension plan in the previous year. This prescribed value is the Pension Adjustment, or PA, which uses a formula established by the Canada Revenue Agency (CRA) and is reported on your T4.

Pensionable income

Pensionable income is your stipend plus an allowance of 60% (in lieu of housing, utilities and other allowances) – or your salary (excluding your bonus or overtime payments, but including health and dental insurance payments) up to the maximum qualifying income. If you're working part-time during any calendar year, your pensionable income will be equal to the pensionable income you would have received if you'd worked full time.

Pensionable service

Pensionable service is the time in a given year where contributions are made to the plan (measured in complete months). If you're working part-time during any calendar year, your pensionable service will be pro-rated based on your part-time percentage.

Registered retirement savings plan

Contributions are made using your taxable income (up to the government limit), which can greatly reduce the amount of income tax you pay. Your RRSP savings grow in a tax-sheltered environment – and are only subject to income tax once you withdraw assets from the plan.

Shortened life expectancy

If you have a shortened life expectancy (before or after retirement), you may qualify to have the value of your pension paid to you as a single, taxable lump-sum payment. In support of your application, you must have a written statement from a qualified medical practitioner licensed to practice in Canada confirming you have less than two years to live – and if you have a spouse, they must provide a signed waiver of agreement within 60 days before submitting your application.

Small pension

If your pension qualifies as a 'small' pension (approximately $222 or less per month in 2023; this depends on your province of employment and when you retire), the value of your DB pension will be paid to you as a single lump sum instead of monthly installments. You can take this money as a taxable cash payment or make a tax-free transfer to an RRSP.

Spouse

The definition of who qualifies as your spouse depends on the province you live in.

Tax-free savings account (TFSA)

Comparable to an RRSP, a TFSA lets you save and invest your money without having to pay tax (including capital gains) on your investment income. But while an RRSP provides a tax deduction on contributions, a TFSA does not provide the same advantage. However, any withdrawals you make are tax-free.
The annual TFSA contribution limit for 2023 is $6,500!

Vested

When you're vested, this means you 'own' the benefit. It's yours to take with you – as long as that's within the allowable plan rules – if you leave. Vesting status is determined by pension legislation, which may include the length of time you've been a plan member.