AGENDA

• The decision you need to make
• Required contributions rates
• Differences between Required and Voluntary contributions
• The Revenue Canada Limit
• Considerations for high earners
• Forms and deadlines

The Academic Pension Plan

• The Academic Pension Plan is a defined contribution pension plan, which is a form of capital accumulation plan in which contributions are made by both the University and the pension plan member.
The decision you need to make

- Re-elect the rate of your Required Contributions to your pension account in the Pension Plan by June 30, 2011.
- This election will be **irrevocable**
- The rate you choose will be reflected starting on your July 2011 pay.

**June 2011 – Choosing your rate of Required Contributions**

The decision you need to make

- Choose between a rate of 1.5% or 5.5%
- Blue Election Form has your current contribution rates
- If you don’t complete the form and submit it to HR by June 30th you will be deemed to have elected the rates shown on the Election Form
- This form is ONLY to change your Required Contribution rate, not to change your investment allocation

**June 2011 – Choosing your rate of Required Contributions**

### Contributions

<table>
<thead>
<tr>
<th>Required Contribution Rate</th>
<th>Voluntary Contribution rate</th>
<th>University contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.5% or 5.5%</td>
<td>Any percentage up to 8%</td>
<td>8.5%</td>
</tr>
<tr>
<td></td>
<td>- If required contributions are 1.5% then voluntary contributions can be up to 8%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- If required contributions are at 5.5% then can be up to 4%</td>
<td></td>
</tr>
</tbody>
</table>

*Subject to maximum total contributions of 18% or $22,970 for 2011*
Required Contribution Rates

- Required contributions are the contributions that you must make to your regular pension account. A member must elect to make Required contributions to their regular account at the rate of either 1.5% or 5.5%.

Differences between Required and Voluntary Contributions

<table>
<thead>
<tr>
<th></th>
<th>Required Contributions</th>
<th>Voluntary contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Can be discontinued or changed</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Mandatory</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Cashable while working</td>
<td>No</td>
<td>Yes– taxable withdrawal fee $100</td>
</tr>
<tr>
<td>Locked in</td>
<td>Yes – after two years</td>
<td>No</td>
</tr>
<tr>
<td>Affects your CRA Contribution Limit for the year</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Counts towards the determination of any benefit under the Supplemental Pension Arrangement</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Deducted monthly</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Consider increasing your savings rate

- Take the opportunity to consider your retirement goals and consider how much an increase in your savings will assist you in reaching this goal.
- 24% of members elect voluntary contributions
- ¾ of faculty members have a current Required Contribution rate of 1.5%
Consider increasing your savings rate

- Compared to other pension plans the savings level of our members is relatively low
  - Members of the Ontario Teachers’ Pension Plan contribute 10.4% of their salary up to the Canada Pension Plan limit and 12% above the limit
- When selecting your Required contribution rate also consider what you want to do about optional Voluntary Contributions

Impact to changing your contributions rate

How much to save and what portion should be Required Contribution

An Example:

<table>
<thead>
<tr>
<th>Required Contribution Rate</th>
<th>Voluntary Contribution</th>
<th>Total Contributions Target rate of 8%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.5%</td>
<td>6.5%</td>
<td>8%</td>
</tr>
<tr>
<td>5.5%</td>
<td>2.5%</td>
<td>8%</td>
</tr>
</tbody>
</table>
Do you need flexibility?

Optional Voluntary Contributions offer more flexibility because you can adjust how much you are contributing and can access the money before retirement.

Some members choose a lower level of Required contributions (1.5%) and then make up their savings by:
- Making Voluntary Contributions to the Western Pension Plan
- Making contributions to an external RRSP
- Making contributions to an external spousal RRSP

Do you need flexibility?

The ability to access the voluntary account before retirement can be a Good news/ Bad news situation.
You must consider
- are you likely to need to access the funds
- Are you likely to dip into it unnecessarily
- what is the impact to your retirement plans

Also consider that by using a LIF to draw on income at retirement gives you the option to unlock up to 50% giving back the flexibility

CRA contribution limit

The most that can go into a registered pension plan for the year combining the University contribution of 8.5%, and the members Required Contributions and any voluntary contributions
CRA contribution limit

In 2011 the limit is:
the lesser of:
• 18% of your earnings for the year and
• A dollar limit set by CRA of $22,970
• Dollar amount for the CRA limit changes yearly (after 2010 the limit has been indexed to the annual increase in the average wage)

Impact of CRA Limit on contributions

Contributions cannot exceed 18% or the annual dollar limit

-> If making Required Contributions at 1.5% and University is making 8.5%: then you can make up to 8% in **Voluntary** Contributions (up to a maximum of $22,970)

-> If making Required Contributions at 5.5% and the University is making 8.5% then you can contribute up to 4% in **Voluntary** Contributions (up to a maximum of $22,970)

High Earners

• If you are making $165,000 or more in 2011 or if you think that you will become a high earner in the future then consider how your Required Contribution Rate interacts with the Supplemental Pension Arrangement (SPA)
• Details of the SPA plan are online at: [http://www.uwo.ca/humanresources/facultystaff/comp/pension/spa_info_idx.htm](http://www.uwo.ca/humanresources/facultystaff/comp/pension/spa_info_idx.htm)
Supplemental Pension Arrangement

• In determining whether there is a SPA amount earned only the Employee Required Contributions and the University Required contributions made on your behalf are considered.

• When Total Required Contributions exceed the CRA dollar limit the first amounts to be directed to the SPA are the University contributions while your Required Contributions usually stay in the pension plan.

SPA - EXAMPLE

<table>
<thead>
<tr>
<th>Rate of Required contribution</th>
<th>University contribution Rate on member’s behalf</th>
<th>Total Required Contributions (voluntary contributions are not included)</th>
<th>Annual earnings</th>
<th>Contribution To Pension Plan</th>
<th>Contributions Directed to SPA account</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) 1.5%</td>
<td>8.5%</td>
<td>10%</td>
<td>180,000</td>
<td>$18,000</td>
<td>nil</td>
</tr>
<tr>
<td>2) 5.5%</td>
<td>8.5%</td>
<td>14%</td>
<td>180,000</td>
<td>$22,970</td>
<td>$2,230</td>
</tr>
</tbody>
</table>

The second member has total contributions of $25,200

Actions

• Complete and return the blue “Election Form – Required Contribution Rate to the Academic Pension Plan” by June 30, 2011.

• On the form elect your irrevocable Required Contribution rate at either 1.5% or 5.5%.

• Sign and date the form and provide us with your email and contact information.
Forms & Timelines

• Complete and return by June 30, 2011 the blue form called: ELECTION FORM - REQUIRED CONTRIBUTION RATE TO THE ACADEMIC PENSION PLAN

• If you are increasing your rate of Required Contributions from 1.5% to 5.5% and you are making voluntary contributions – please ensure your voluntary contribution rate is not greater than 4%

• To change, start or stop Voluntary contributions, complete and return the Pink Voluntary Contribution Change Form

Returning your form

HR Communication Centre
The University of Western Ontario
Room 5100, Support Services Building
London ON N6A 3K7
Fax: 519-661-4104
Email: hr-communication@uwo.ca

If you don’t return your election form

Remember, if you do not return the completed form by June 30th, 2011 you will have been deemed to have irrevocably elected the current contribution levels shown on the Election Form, Part I.