

THE MINISTERS' PENSION PLAN  
OF  
THE FREE METHODIST CHURCH  
IN CANADA

EMPLOYEE INFORMATION  
BOOKLET

April 2009



## **FOREWORD**

THIS BOOKLET IS INTENDED TO GIVE YOU A SIMPLIFIED SUMMARY OF THE PLAN. THE PLAN PROVISIONS MAY VARY SLIGHTLY DEPENDING ON YOUR PROVINCE OF EMPLOYMENT.

IF THERE IS ANY DISCREPANCY BETWEEN THE WORDING OF THIS BOOKLET AND THE PROVISIONS OF THE PLAN DOCUMENT, THE PROVISION OF THE PLAN DOCUMENT WILL APPLY.

## **THE MINISTERS' PENSION PLAN**

The Ministers' Pension Plan is a retirement plan that has two components:

1. A Defined Benefit Component ("DB Component") – frozen effective March 31, 2009:

The DB Component provides plan members with a known and guaranteed level of retirement income. Members earn a fixed percentage of earnings for each year of employment. The pension formula will be based on a member's Final Average Earnings until March 31, 2009. Final Average Earnings will be the average earnings of the best three consecutive years in the last fifteen years of service. The Final Average Earnings will be used retroactively, i.e. to the inception of the plan in 1973.

2. A Defined Contribution Component ("DC Component") – effective April 1, 2009:

The DC Component provides plan members with a known level of contributions. The amount of income available at retirement will depend on the plan member's contribution, the plan member's employer contributions and investment income during the period of a member's employment.

## **WHEN CAN I JOIN THE PLAN?**

If you are a full-time employee, you may join the Plan as soon as you commence service with the Church or a Participating Organization. If you are employed part-time you may join the first day of any month next following the date you have completed two years of continuous service and have earnings of at least 35% of the Yearly Maximum Pensionable Earnings (YMPE) or 700 hours of employment in each of two consecutive years. This part-time provision is modified for employees in Manitoba and Quebec. In Manitoba the YMPE requirement is reduced to 25% and in Quebec, these conditions have to be met only for one year.

You are a full-time employee if you work at least 35 hours each week for the Church or Participating Organization. You are also eligible to join the Plan as an Employee if you are:

- a) a member of the Canadian General Conference serving outside the pastorate or released by your conference for other denominational ministry services; or
- b) a missionary serving in a foreign field; or
- c) An appointed pastor but not a ministerial candidate, subject to the approval of the MEGaP committee.

You must become a member of the Plan as soon as you commence service with the Church or a Participating Organization if you are an eligible person.

You are an eligible person if you are a member of the Church or a Participating Organization and:

- a) a full or part-time Minister; or
- b) a conference superintendent; or
- c) an accredited evangelist serving at least half your scheduled time in Canada; or
- d) A member of a Canadian conference released for educational or administrative service within the Church.

All employees must complete an enrolment application prior to joining the Plan.

### **WHAT IS A PARTICIPATING ORGANIZATION?**

A Participating Organization is a local society, church, department or other institution affiliated with the Church and covered by the Plan, which makes contributions to the Church by and on behalf of its members. As a member of a Participating Organization, you will receive the same pension benefits under the Plan as a member of the Church.

### **WHAT IS THE YMPE?**

This is an abbreviation for Yearly Maximum Pensionable Earnings, the amount upon which you pay contributions to the Canada or Quebec Pension Plans. In 2009, this amount is \$46,300. An employee's YBE (Year's basic exemption) is \$3,500.

### **HOW MUCH DO I HAVE TO PAY INTO THE PLAN?**

#### **DB Component - Contributory Option (Plan A) – not applicable after March 31, 2009**

You will contribute 5.0% of your earnings each year, by payroll deduction until the lesser of you completing 35 years of continuous service or March 31, 2009. Your contributions will not exceed the maximum allowed under the Income Tax Act (Canada). Each month, these contributions will be deposited into the pension fund for investment.

Your employer will contribute, based on the advice of an Actuary, the required amount to provide the balance of the cost of funding the pension benefits. Until March 31, 2009 this is 5.2% (of salary and clergy residence amount) plus a special levy of 2.5% for a total of 7.7%. Effective April 1, 2009 your employer will no longer contribute 5.2%. The special levy will be 3.5% effective April 1, 2009.

#### **DB Component - Non Contributory Option (Plan B) – not applicable after March 31, 2009**

Individuals will still be members of the Plan but will not make contributions. This will allow members to be able to make contributions to a personal RRSP. This option has the effect of reducing the pension available from the DB Component at retirement.

Your employer will contribute the same percentage as in Plan A.

### **DC Component – Required Contributions – effective April 1, 2009**

You are required to contribute 3%, 4%, 5%, or 6% of salary (including clergy residence amount, if any). It is up to you to select the contribution percentage.

Your employer must match your required contributions dollar for dollar to a maximum of 6%.

### **DC Component – CAN I MAKE ADDITIONAL CONTRIBUTIONS?**

Yes, if you have maximized the required contributions at 6%, you have the option of making an additional 1%, 2%, 3%, 4%, 5% or 6% in additional voluntary contributions. Voluntary contributions will not be matched by your employer.

### **DC Component - CAN I CHANGE MY CONTRIBUTION LEVELS?**

Yes, provided the Church receives the approved forms from your treasurer. Changes to contribution rates will be made on a prospective basis only.

### **WHAT HAPPENS WHEN I AM ON MATERNITY OR PARENTAL LEAVE?**

Effective April 1, 2009, it is not mandatory that you contribute to the DC Component of the plan. If you choose to contribute you will contribute based on the rate at the time your leave commences. You and your employer will be requested to provide post dated cheques in advance of your leave.

If you chose not to contribute, you must provide a letter in writing to that effect, in which case no post dated cheques will be required for you or your employer. The Employment Standards Act requires that the employer receive a written withdrawal from contributing. Which will be placed in your file.

### **DO MY EARNED PENSION BENEFITS AFFECT HOW MUCH I CAN CONTRIBUTE TO AN RRSP?**

Yes, as a member of the Plan you are limited with respect to your yearly maximum allowable RRSP contributions.

The limit for RRSP contributions for 2009 is 18% of prior year earnings to a maximum of \$21,000 less the value of the benefit accrued in the pension plan in the year. This adjustment is known as the Pension Adjustment. The higher the amount of the Pension Adjustment, the less that can be contributed to an RRSP.

Review your most recent Notice of Assessment from Canada Revenue Agency for your current contribution room balance.

## **WHEN CAN I RETIRE AND WHAT AMOUNT OF PENSION WILL I RECEIVE?**

### **Normal Retirement**

Your normal retirement date will be the first day of the month coincident with or immediately following your 65th birthday.

### **DB Component Plan A**

Plan Members will receive a pension equal to the sum of:

a) 0.75% of Final Average Earnings multiplied by the sum of their Credited Service accrued between January 1, 1973 and December 31, 1993 and their continuous Service prior to January 1, 1973

### **Plus**

b) 1.5% of Final Average Earnings multiplied by their contributory Credited Service after January 1, 1994

### **DB Component Plan B**

Plan Members will receive a pension equal to the sum of:

a) 0.75% of Final Average Earnings multiplied by the sum of their Credited Service accrued between January 1, 1973 and December 31, 1993 and their Continuous Service prior to January 1, 1973

### **Plus**

b) 1.5% of Final Average Earnings multiplied by their contributory Credited Service accrued between January 1, 1994 and December 31, 1998  
plus

c) 0.75% of Final Average Earnings multiplied by their non-contributory Credited Service after January 1, 1999.

### **DC Component**

Plan Members will receive a pension that is dependent on the amount of required and voluntary contributions during your period of employment. You will have the option of purchasing an annuity with an insurance carrier or a Life Income Fund or a combination

of both. If you wish further information about the retirement options you are requested to contact Great West Life and ask to speak with a Retirement Planning Specialist.

### **Early Retirement**

You may retire on the first day of the month coincident with or on the first day of any month following the date you are entitled to a pension and you have reached your 55th birthday. Your pension will be reduced 5% per year prior to age 65.

You may also retire on the first day of the month coincident with or on the first day of any month following the date you have completed 35 years of continuous service and you have reached your 55th birthday. In this event you will be entitled to an unreduced early retirement pension under the DB Component.

### **Postponed Retirement**

You may elect to retire after your normal retirement date, but your pension must commence no later than the end of the year in which your 71st birthday occurs. You may begin to receive your pension at normal retirement and continue working or you may defer your pension from the DC Component.

## **HOW IS MY PENSION PAID AND IN WHAT FORM? – DB Component**

### **If You Do Not Have a Spouse**

If you do not have a spouse at your retirement date, you will receive monthly pension payments commencing on your retirement date and payable for as long as you live. In the event of your death, the excess, if any, of your contributions with interest to the Plan, over the total pension payments made will be refunded to your beneficiary or estate.

### **If You Have a Spouse**

If you have a spouse at your retirement date, you will receive monthly pension payments commencing at your retirement date and payable for your lifetime. In the event of your death, your spouse will receive a pension equal to 66 2/3% of the amount of pension payable to you prior to your death, in respect of your service after January 1, 1973 and 85% in respect of your service prior to January 1, 1973. These reduced pension payments will be payable for the lifetime of your spouse.

In the event of the death of both you and your spouse, the excess, if any, of your contributions with interest to the Plan, over the total pension payments made, will be refunded to your beneficiary or estate.

It is possible to elect a form of pension different from the forms described above; however, if you have a spouse, the spouse must agree to your election by signing a

spousal waiver form.

### **HOW IS MY PENSION PAID AND IN WHAT FORM? – DC Component**

Your pension will be paid based on the election you have made from the insurance carrier. Contact Great West Life for more information.

### **WHAT HAPPENS IF I LEAVE MY EMPLOYER BEFORE RETIREMENT?**

This depends upon your years of continuous membership in the Plan. If you have completed less than 2 years of continuous membership in the Plan, you are not vested and your contributions will be refunded with interest.

If you have completed at least 2 years of continuous membership in the Plan, all pension benefits that accrued to your credit are vested in you and you may take this DB Component benefit in any one of the following forms:

- a) as a deferred pension commencing at your normal retirement date, or
- b) by transferring the value of your pension to a locked-in RRSP (or a Life Income Retirement Account/LIRA in Quebec), a restricted life income fund or to another pension plan, or
- c) by transferring the value of your pension to a life insurance company to purchase an annuity.

You will receive termination forms from Great West Life directly for any amounts relating to the DC Component. Please contact Great West Life directly for more information.

### **WHAT HAPPENS IF I DIE BEFORE RETIREMENT?**

Again, this depends upon your years of continuous membership in the Plan at the time of death. If you have completed less than 2 years of continuous membership in the Plan, your beneficiary or estate will receive your contributions with interest, in a cash lump sum under both the DB and DC Components.

If you have completed at least 2 years of continuous membership in the Plan and you have a spouse, your spouse will receive the greater of:

- a) the commuted value of your pension, or
- b) A life annuity commencing on the 1st of the month following the death in the amount of 66 2/3% of your pension in respect of credited service from January 1, 1973 and 85% of your pension based on continuous service prior to January 1, 1973 (DB Component only)

This death benefit can be received in a cash lump sum or transferred to your spouse's pension plan or to a registered retirement savings plan or used to purchase a life



annuity.

If you do not have a spouse, your beneficiary or estate will be entitled to the commuted value of your pension in a cash lump sum.

### **WHAT HAPPENS IF I BECOME PERMANENTLY DISABLED?**

You will have the option to continue to contribute to the DC Component of the plan based on the same % you were contributing at the time of disability based on the monthly disability income you are receiving under the Long Term Group Disability Plan of The Free Methodist Church in Canada. Your employer will be required to match your contributions should you choose to continue to make contributions to a maximum of the lesser of 3 years from your date of disability or to age 65. If you are still disabled at your normal retirement date and have been disabled for less than 3 years pension contributions will cease. If you are no longer disabled, you must return to full or part-time employment with the Church or Participating Organization and recommence your contributions to the Plan based on your employment earnings; otherwise, your service with the Church or Participating Organization will be considered terminated. Given you will no longer be receiving Long Term Group Disability Plan payments and not earning income from the Church or Participating Organization no further contributions to the plan will occur.

### **ARE MY PENSION BENEFITS PAYABLE IN ADDITION TO THE GOVERNMENT PLANS?**

Yes, your pension benefits are in addition to any benefits payable under the government sponsored Canada Pension Plan (CPP) or Quebec Pension Plan (QPP) and Old Age Security Plan (OAS). Monthly benefits are based on a number of factors. You should contact Service Canada at 1-800-277-9914 to determine your specific benefits.

### **DO PROVINCIAL OR FEDERAL LAWS GOVERN THIS PLAN?**

Yes, and legislation can vary depending upon which province you are employed in. Some general restrictions are:

- (1) Contributions paid into the Plan are not allowed to be assigned to anyone else while you are living and cannot be used as a security against loans.
- (2) If you leave the Church's or Participating Organization's employ and you are vested, you cannot take your pension benefits in cash.
- (3) Your pension cannot exceed the lifetime maximum imposed by Canada Revenue Agency.

**The Plan has been registered with the financial services commission of Ontario.**

## **WHAT IS VESTING AND LOCKING-IN?**

If benefits vest in you, it means that you acquire an absolute right to your pension based on the years of service credited to you under the Plan. You attain this right upon completion of 2 years of continuous Plan membership, at which time you are considered to be vested. You become “locked-in” when you are vested, which means that you cannot take your pension benefit in cash but must use one of the other options described under the question **“What Happens If I Leave the Church Before Retirement?”**

## **WILL I GET PERIODIC STATEMENTS?**

Yes, each year you will be provided with a statement of the pension benefits accrued to your credit under the DB Component until the year ending December 31, 2009. Given the DB Component of the plan is frozen at March 31, 2009 there will be no changes to the benefit accrued to you. You will receive semi-annual statements for the DC Component.