OntarioTech UNIVERSITY

The University of Ontario Institute of Technology (OntarioTech University)

Defined contribution pension plan

(the University's pension plan)

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Sun Life

The University’s Pension Plan Retirement Income Options

History

The University of Ontario Institute of Technology (OntarioTech University) was established on June 27, 2002 pursuant to the **University of Ontario Institute of Technology Act, 2002.** The University’s pension plan was established effective January 1, 2003 as a contributory defined contribution pension plan for eligible Employees of the University.

Purpose

Your University has established the “Plan” to provide retirement benefits to its members in recognition of their service to the University.

This retirement income option booklet describes the options available to you from the University of Ontario Institute of Technology (OntarioTech University) defined contribution pension plan (the University's pension plan) once you retire or if you leave the University. There are many things you will need to consider about what your retirement will look like and what income you will need to maintain your retirement income lifestyle. This guide is to support your decision-making process and assist you with formulating questions to ask your Financial Advisor. In addition, you are encouraged to read the University pension booklet which outlines the rules of the University’s pension plan.

Other sources of retirement income

The University’s pension plan is one component of your overall retirement savings portfolio and you may wish to consider how the University’s pension plan complements your other sources of retirement income. Your other sources of retirement income may include:

1- Employment-based pension plans such as the University’s pension plan or other pension plans from any previous Employers.
2- Personal retirement savings plans may include Registered Retirement Savings Plans (RRSP)s and Registered Income Funds (RRIF)s, Tax Free Savings Accounts (TFSA)s, as well as other forms of income (e.g. rental property, shares/bonds and life insurance policies) and;
3- Government pension plans, such as the Canada Pension Plan (CPP) and Old Age Security.

Choosing a retirement option

It is to your advantage to shop around and compare the retirement income options available through different financial institutions and to consider the applicable fees. We recommend that you engage a Financial Advisor (if you do not already have one) to assist you in deciding which retirement income option(s) is the most suitable one for you.

Retirement income options and termination options

In a defined contribution pension plan the retirement income options and the termination options available to you are the same and some of the options depend on your age.

Actions you need to take

Once you decide to retire or leave the University, you must notify the University no later than **30 days prior** to the date you wish to retire to select one or more of the retirement income options available. The University will notify Sun Life that you have decided to retire or leave the University. Sun Life will then issue you a retirement or termination options statement, as the case may be, within 30 days from your retirement or departure date. These option statements will provide you with your Account Balance in the University's pension plan and list the various retirement/termination income options available to you.

What happens if I take no action?

The Income Tax Act, (Canada) requires that you choose a retirement income option prior to the last day of the calendar year in which you turn age 71. After December 31st of the year in which you turn age 71, if you are still employed by the University, no further pension contributions to the University's pension plan may be made by either you or the University.

It is important for you to make a decision and choose a suitable retirement income option in the year you turn 71. If you do not take action by choosing a retirement income option by the end of that year, Sun Life, will automatically purchase an annuity and begin making monthly payments to you.

Subject to the Applicable Legislation, Sun Life will make payments to you until your death or until 120 equal monthly payments have been made, whichever is later. Once the annuity is purchased, it is irreversible, the benefit will be non-commutable (i.e. cannot be converted to a lump sum amount) and will only be recalculated in order to comply with Applicable Legislation.

Retirement dates

The Normal Retirement Date (NRD) under the University's pension plan is the first day of the month coincident with or immediately following your 65th birthday. However, there is no mandatory retirement date for Faculty/Staff who choose to work beyond their NRD. The earliest you may choose to retire is at age 55 under the University's pension plan.

Alternatively, you may postpone receiving your pension payments until the end of the calendar year in which your 71st birthday occurs. You must notify the University no later than 30 days prior to the date you wish to retire to select one of the retirement income options available under the University's pension plan.

As a member of the University's pension plan, you will have the opportunity to make decisions about which retirement income option you would like and to which financial institution you would like to transfer your Account Balance to, in order to purchase the retirement income arrangement of your choice.

Retirement income options

After you leave the University, or retire, you may transfer the balance of your account to one of the following:

1. an Annuity to provide you with a monthly income for life, or
2. a Registered Retirement Savings Plan (RRSP), or
3. a Registered Retirement Income Fund (RRIF), or

4. a locked-in retirement savings arrangement such as a Locked-in Retirement Account (LIRA), Life Income Fund (LIF), or
5. a cash withdrawal (subject to applicable taxes) of any non-locked, additional voluntary contributions, or
6. a transfer to another registered pension plan, if that other plan so permits.

Understanding the various retirement income options

Annuity
An annuity is a life insurance contract. It provides a series of payments (usually monthly) for your lifetime in exchange for the value of your University's pension plan account balance. In return, the issuing insurance company provides an annuity payable for your lifetime, and if applicable, the lifetime of your spouse. Applicable legislation requires that if you have a Spouse, the annuity be a joint and survivor annuity. The exception to this is if your Spouse waives their right to the survivor death benefit, in this case you may elect another type of annuity. Payments may begin immediately or may be deferred to a later date. Once you purchase an annuity, you cannot change your mind and select another retirement income option.

The different types of annuities include:

- Single Life Annuity- makes payments for as long as you live. You may select a minimum guaranteed period that will provide a death benefit to your beneficiary if you die before the end of the guaranteed period.

- Joint and Survivor Annuity guarantees income for your lifetime and the lifetime of your Spouse. This type of annuity can also have a minimum guaranteed period to provide a death benefit in the event that both you and your Spouse die before the end of the guarantee period. Fixed Term (or an annuity certain), makes payments for a guaranteed period (e.g. 5, 10 or 15) years or to a specified age. If you die before the guaranteed period ends, any residual payments not made to you during the guaranteed period will be payable to your spouse or beneficiary as the case may be.

- Indexed Annuities – payments increase yearly by a fixed percentage. You may select an increase between 1% and 4% at the time you purchase the annuity.

Advantages and Disadvantages of annuities

Advantages	Disadvantages
• Guarantees regular income for life	• You cannot vary the monthly amount once you purchase the annuity. • No inflations protection unless you purchase an indexed annuity
• Provides a death benefit during the guaranteed period	• When you die, there are no residual funds for your heirs unless the type of annuity provides for a certain number of guaranteed payments and/or continuing income for your Spouse. The money in the annuity pool left behind by those who die sooner than expected is used to fund the ongoing payments for those who live longer than expected.
• You do not have to worry about investing, since you no longer control the investments and your pension account balance goes to the insurer and is invested by the life insurance company	• There is no opportunity to manage your investments • In an environment of low interest rates, more pension assets are required to purchase an annuity. Conversely, in an environment of high interest rates less pension assets are required.

The amount of money required when purchasing an annuity and the amount of retirement income available from the annuity is dependent on such factors as:

- the type of annuity you purchase described above and any additional features;
- your age and when the payments start and, if applicable the age of your Spouse (i.e. for a Joint and Survivor Annuity). The older you are when you purchase an annuity, the higher your monthly income will be. It is important to note that Insurance companies base the cost for an annuity on the anticipated number of payments that must be made under the annuity based on life expectancy.
- The duration of the Guarantee period, tends to increase costs to the insurer, so the longer the guarantee period, the lower the amount of your monthly income.

Locked-in Retirement Account (LIRA)

A LIRA is similar to a Locked-in RRSP and holds funds transferred in from a pension plan and you manage the funds. It requires funds to be used to purchase an annuity or to set up a Life Income Fund (LIF). Unlike regular RRSP's, no cash withdrawals are permitted from a LIRA. A LIRA unlike regular RRSPs is also subject to pension legislation rules.

Advantages and Disadvantages of LIRAs

Advantages	**Disadvantages**
• You continue to control your investments in range of investments such stocks, bonds and mutual funds.	• You cannot contribute directly to a LIRA, since only funds from a pension plan can be transferred to a LIRA.
• Holds money moved out of a pension plan. You may use one if you are changing employers and you can take your pension assets with you.	• You cannot make withdrawals directly from a LIRA.
• Income is only taxed when you receive income from the LIRA.	• Funds in a LIRA are not eligible for Home Buyers Plan or Life Long Learning Plan.

Life Income Fund (LIF)

A LIF provides regular income during your retirement years with the flexibility to decide how much income you would like to withdraw each year subject to minimum and maximum withdrawal amounts. With a LIF, you control your investment options; however, maximum payments are determined by the Ontario government's formula and this is subject to change. A LIF accepts funds from a pension plan, or a LIRA. It is similar to a RRIF but it is subject to rules imposed by Ontario pension legislation.

In Ontario, after you transfer a LIRA or any pension plan assets to a LIF, if you wish, you may access 50% of the value of the locked-in funds and receive it in cash (less withholding taxes) or transferred to a regular RRSP or RRIF within 60 days from the transfer date out of the pension plan or LIRA.

Advantages	Disadvantages
• As you make withdrawals, the remaining balance remains tax sheltered. • If you have any money, remaining at age 90 you may continue to withdraw income.	• If you choose to receive the maximum income payment each year, the money in your LIF will be used by age 90.
• You have the flexibility to decide how much income you would like to withdraw each year subject to minimum and maximum withdrawal amounts	• Payments are considered taxable income.
• You can appoint a beneficiary. In the event of your death, your spouse (if applicable) has priority to the death benefit regardless of any beneficiary designation that you make. However, your spouse can waive this entitlement, allowing you to appoint a beneficiary.	• You are limited by the minimum and maximum amounts set by the Government of Canada.

Registered Retirement Savings Plan (RRSP)
Contributions to an RRSP are tax-deductible, while income earned on those contributions are tax deferred until you withdraw the RRSP funds. Funds in an RRSP must be transferred out of the RRSP by December 31st of the year in which you turn age 71. At age, 71 you may purchase an annuity, transfer it to a RRIF, or receive it in cash (subject to withholding taxes).

Advantages and Disadvantages of an RRSP

Advantages	Disadvantages
• By contributing to an RRSP throughout your working career, you will realize immediate tax benefits at a time when your income is generally higher. The total amount of your annual contribution is deducted from your gross income at tax time, reducing the amount you pay in income tax that year.	• Deposits to an RRSP are not taxable, but withdrawals from an RRSP are taxable. Once a withdrawal is made from an RRSP, the contribution room is lost and cannot be re-instated.
• The income earned in your RRSP is not taxed until it is withdrawn. While your investments are in your RRSP, the growth of the RRSP assets are tax sheltered and the total value may grow more quickly.	• If you contribute more than your RRSP contribution limit for the year, you may be penalized at a rate of 1 per cent per month on any excess contributions.
• When you begin to withdraw RRSP funds at retirement, you will likely be in a lower tax bracket than you were in during your earning years. Funds withdrawn at that time will benefit from your lower tax bracket and should result in less income tax.	• Canadians over 71 cannot hold an RRSP (contributions can only be made until December 31st of the year in which you turn 71.)

Registered Retirement Income Fund (RRIF)
A RRIF provides you with income during your retirement years. A RRIF is like an RRSP whereby the funds remain tax-sheltered and you continue to choose how those funds are invested. The main difference is that instead of putting money in (contributing as is done with an RRSP); the RRIF is designed to pay money out.

With a RRIF, you must withdraw a minimum amount each year (except for the year of purchase). There is no maximum limit on the amount that can be withdrawn but if you make significant withdrawals, your funds may not last as long as you originally intended.

Advantages and Disadvantages of RRIFs

Advantages	Disadvantages
• Your investments will continue to grow in the RRIF since it is tax–sheltered, so it has the potential to keep growing.	• You cannot contribute directly to the RRIF. Contributions to a RRIF must be made from an RRSP or a pension plan. Contributions made to an RRSP or a pension plan must have been made before the end of the year in which you turned age 71.
• You control the amount and the frequency of your withdrawals, subject to the legislated minimum annual payment requirements.	• RRIF income is considered taxable income in the year it is withdrawn. In addition, any amounts withdrawn in excess of the minimum are subject to withholding tax before it is paid to you.
• You have the ability to pass your RRIF assets on to your Spouse, on a tax–free basis in the event of your death.	
• You have the flexibility to convert the RRIF to a more secure guaranteed income at any time. (i.e. purchase an annuity).	

General retirement income option rules

Retirement income options, which start with an "L", such as LIFs, or LIRAs, are subject to both provincial rules, under the Ontario Pension Benefits Act, (Ontario) and the Canada Revenue Agency (federal rules) under the Income Tax Act, (Canada).

Retirement income options, which start with an "R", are registered with the Canada Revenue Agency only.

In any case, it is important to remember that the rules of the retirement income options are subject to change and can be quite complex with different tax implications depending on your personal financial situation. We recommend that you speak with a Financial Advisor for up to date information at the time of your retirement or departure from the University.

Choosing the financial institution of your choice

You will need to consider the costs and fees for the different retirement income options described in this booklet. Costs and fees can vary from financial institution to financial institution. It is recommended you that you shop around and engage a Financial Advisor to assist you in your decision making process to find the most suitable option(s) for you.

If you wish, you may continue to work with Sun Life. Sun Life provides you a variety of income options, which include:

- Annuity
- LIRA
- LIF
- Group RRSP or RRIF through Group Choices

To find out about the Group Choices Plan RRSP or RRIF for retired/terminated members of group plans go to **mySunLife.ca**. The Group Choices Plans allow you to continue to enjoy some of the benefits of group plan membership, which are of offered by Sun Life.

Glossary of Terms

Account balance

Your account balance is based on the previous business day's closing value of your account. You can find this under the balances selection on **mySunLife.ca** (**my financial centre** > **Accounts** > **Balances**) or through the Sun Life Client Care Centre at **1-877-908 -0301**.

Applicable Legislation

The Income Tax Act (Canada), any applicable provincial income tax legislation and any applicable provincial insurance or other legislation. For the purposes of the University's pension plan, Applicable Legislation also means the Ontario Pension Benefits Act (Ontario) where the University's pension plan is registered, or which is otherwise applicable to the member.

Earnings

For the purposes of determining contributions to the University's pension plan, your base employment compensation including stipends and any variable pay paid to a Member by the University. Earnings do not include any vacation pay paid as a lump sum upon termination of employment or severance pay payable under either statute or common law, but includes statutory pay in lieu of notice.

Group Annuity Policy

A contract of life insurance, issued by an insurance company to a policyholder (annuitant) to provide annuities at retirement to a group of people in a group pension or savings plan.

Member

This means an employee of the University who has fulfilled the eligibility requirements for either a full time or part time employee and former employees who continue to have rights or contingent rights to benefits from the University's pension plan.

Normal Retirement Date

The Normal Retirement Date under the University's pension plan is age 65.

Spouse

For the purposes of the University's pension plan, "Spouse" means a person of the same or opposite sex to the Member from whom the Member is not living separate and apart and to whom the Member is:

(a) legally married; or

(b) not legally married but with whom the Member has been living in a conjugal relationship,

   (i) continuously for a period of not less than three years; or

   (ii) in a relationship of some permanence and who, with the Member, is the natural or adoptive parent of a child, as defined in section 4 of the Children's Law Reform Act.

For the purposes of qualifying for tax-sheltered transfers (such as RRSP and RRIFs) or other special tax treatment under the Income Tax Act (Canada), Spouse means:

(a) a person who is married to you or;

(b) a person of the opposite or same sex who is and has been living with you in a conjugal relationship for a continuous period of at least 12 months, or is living with you in a conjugal relationship and is a natural or adoptive parent of your child.

University

This means The University of Ontario Institute of Technology (OntarioTech University).

Questions?

We're here to help! If you have questions regarding the information in this guide, please call Sun Life's at **1-866-224-3906** from 8 a.m. to 8 p.m. ET any business day or contact your Pension & Benefits team in Human Resources at the University.