



# Lutheran Church-Canada Pension Plan (LCCPP)

Province of Alberta and Canada Revenue Agency No.0356610

*This booklet outlines the details of LCC's Plan. It is prepared as information only and does not constitute an agreement, nor does it create or confer any contractual rights or obligations. This is only a summary of the main provisions of the outlined benefits. In the event of any inconsistency between this document and the official plan or policy, the plan or policy texts will govern.*

*Possession of this booklet alone does not mean that you are entitled to benefits under the Plan. You must satisfy all the requirements of the Plan. Your right to benefits is determined by the provisions of the Plans in place at the time.*

*While LCC expects to continue these Plans indefinitely, future conditions cannot be foreseen, therefore, LCC reserves the right to amend, suspend or discontinue, in whole or in part, any benefit described within this summary. The foregoing does not affect benefits accrued to members at the time of change.*

*Each province has their own pension legislation that may require different rights and entitlements for members working in a particular province. While the LCCPP has been designed to treat members equitably in different provinces, provincial pension laws may result in some variances in benefits between provinces. These variances are generally minor or administrative in nature and will not significantly impact any member's pension entitlements. This booklet has been written based on Alberta legislation.*

*We suggest you read this Pension Booklet carefully, and then file it in a safe place with your other important documents.*

Original June 2011

## Table of Contents

<b>INTRODUCTION</b>	<b>5</b>
About Participating in the Plan	5
Eligibility and Enrolment	6
Your Beneficiary Under the Plan	7
Keeping Your Information Up to Date	7
Additional Information and Assistance	7
<b>DEFINED BENEFIT (DB) PLAN</b>	<b>9</b>
Introduction	9
Summary of Benefits	9
Important DB Plan Definitions	9
Contributions	10
Vesting and Locking-In	10
Retirement Dates	11
Pension Formula	12
Applying for Your Pension	13
Survivor Options on Your Pension	14
If You Leave Before Retirement	15
If You Are Re-Employed	15
If You Become Disabled	16
If You Take a Leave of Absence	17
If You Transfer to Another Employer	18
If You Transfer to the United States	18
If You Die Before Retirement	18
If You Die after Leaving Employment	20
Tax Implications	20
Registered Retirement Savings Plan Limits (RRSP)	20
Pension Trustee	21

## DEFINED CONTRIBUTION (DC) PLAN 23

Introduction	23
Summary of Benefits	23
Important DC Option Definition	24
Contributions	24
Retirement Dates	25
Payment Options at Retirement	25
Forms of Pension Payments	27
If You Leave Before Retirement	27
If You Become Disabled	28
If You Take a Leave of Absence	28
If You Transfer to Another Employer	29
If You Transfer to the United States	29
If You Die Before Retirement	29
If You Die after Leaving Employment	30
Tax Implications	30
Registered Retirement Savings Plan Limits (RRSP)	31
Custodian/ Record Keeper and Fund Managers	32
Your Investment Options	33
Fees	33
Keeping You Informed	34
Investment Considerations	34
Investment Funds	37
Investment Options At-A-Glance	38

## Government Retirement Benefits 40

## Definitions 41

## **INTRODUCTION**

The Lutheran Church-Canada Pension Plan (LCCPP) is an important part of your future retirement benefits along with government plans and your own personal savings. We urge plan members to take the time to understand how the Plan works and the benefits it provides so you understand how the Plan contributes to your larger financial planning requirements. Since each of us are individuals, with different needs, the amount of income you will need in retirement will vary according to the kind of retirement that you wish to pursue. There are tools on the Sun Life Financial website that can help you with your retirement planning ([www.myretirementcafe.ca](http://www.myretirementcafe.ca)). In addition, you are encouraged to make the most of your personal retirement planning, through additional savings and Registered Retirement Savings Plan (RRSP) contributions.

### **How much will I need?**

Retirement experts use a rule of thumb that most people will need retirement income equal to at least 70 percent of their pre-retirement salary to maintain their pre-retirement lifestyle. This 70 percent target includes all sources of potential retirement income, including the LCC Pension Plan, any personal RRSPs and investments you may have, as well as, government benefits such as Canada Pension Plan and Old Age Security. Keep in mind that this is just a rule of thumb as individuals may need more or less than this depending on their retirement lifestyle goals.

## **About Participating in the Plan**

The Lutheran Church-Canada Pension Plan is available to employees of participating congregations, schools and other employers affiliated with Lutheran Church-Canada.

The LCCPP has the following two plans:

- Defined Benefit (DB) Plan
- Defined Contribution (DC) Plan

### **Know Your Responsibilities**

As a member of the Pension Plan, it is your responsibility to make use of the information and tools available to you. It is also your responsibility to decide whether you should obtain investment and financial planning advice from a qualified financial planner.

## Eligibility and Enrolment

### **Defined Benefit (DB)**

Regular full-time and part-time employees (working 24 or more hours per week\*) will be enrolled in the DB component of the pension plan on the first of the month following their date of hire, if they are hired before January 1, 2012. All DB members\*\* will be transferred to the DC component of the pension plan effective January 1, 2013 except members age 55 or older whose age and service equals 80 points as of December 31, 2012. In this latter situation, members will continue their membership in the DB component and continue to earn future DB service.

*\*Working 15 hours or more per week prior to January 1, 2011*

*\*\*Includes members on long-term disability, maternity leave or other leaves of absences.*

Part-time employees working less than 24 hours per week will be enrolled in the DB component of the pension plan on the first of the month following the date that they meet the following qualifications, provided they are met before January 1, 2012:

- have 24 months of continuous service and,
- earned at least 35% of the Yearly Maximum Pensionable Earnings under the Canada/Quebec Pension Plan or who have worked at least 700 hours in each of two consecutive calendar years.

In addition to their DB plan participation, DB members may supplement their DB pension by making optional unmatched contributions in the DC Plan.

### **Defined Contribution (DC)**

Regular full-time and part-time employees (working 24 or more hours per week) will be enrolled in the DC component of the pension plan on the first of the month following their date of hire, if they are hired on or after January 1, 2012.

Part-time employees working less than 24 hours per week will be enrolled in the DC component of the pension plan provided they meet the following qualifications on or after January 1, 2012:

- have 24 months of continuous service and,
- earned at least 35% of the Yearly Maximum Pensionable Earnings under the Canada/Quebec Pension Plan or who have worked at least 700 hours in each of two consecutive calendar years.

## Your Beneficiary Under the Plan

If you have a spouse, your spouse will be deemed to be your beneficiary as required by law, regardless of any other beneficiary you designate.

If you don't have a spouse and you don't designate a beneficiary, all benefits payable in the event of your death will go to your estate.

### Eligible Spouse

Generally speaking a spouse is defined as your legally married spouse who has not lived separate and apart from you for the preceding three year period. If the foregoing does not apply, a common-law spouse with whom you have lived for a minimum of three years, or a relationship of some permanence if there is a child of the relationship by birth or adoption. The definition of spouse varies according to provincial pension legislation.

## Keeping Your Information Up to Date

Please ensure you advise the Worker Benefit Plans office if you have any life changes such as changing your marital status so that your information is kept current. See the next section entitled "Additional Information and Assistance" for information on contacting us.

## Additional Information and Assistance

### LCC Worker Benefit Plans

If you have life changes or questions about your Pension Plan, please contact the Worker Benefit Plans Office at:

- Phone: 1-800-588-4226(Toll Free) or 204-895-3433, ext 2226, 2223 or 2221
- Fax: 204-897- 4319
- E-mail:
  - [wbpbenefits@lutheranchurch.ca](mailto:wbpbenefits@lutheranchurch.ca)
  - [wbpinfo@lutheranchurch.ca](mailto:wbpinfo@lutheranchurch.ca)
- Website : [www.lccbenefts.ca](http://www.lccbenefts.ca)

### Sun Life Financial

If you want to make changes to your DC Account, please contact Sun Life Financial at:

- Phone: 1-866-733-8613 (8:30am - 8:00pm Eastern Time)
- Internet: [www.sunlife.ca/member](http://www.sunlife.ca/member)



# DEFINED BENEFIT (DB) PLAN

## Introduction

The DB Plan provides you with a pension benefit that is defined at retirement using a pension formula that is based on your age, your years of credited service, and your pensionable earnings.

## Summary of Benefits

- Members age 55 or older whose age and service equals 80 points as of December 31, 2012 continue their membership in the DB Plan and earn future DB service. Members not meeting these criteria will be enrolled in the DC Plan.
- DB members are required to make contributions of 4% of pensionable earnings effective January 1, 2013.
- Benefits are calculated on the following pension formula:
  - 1.25 % of pensionable earnings up to YMPE (\$48,300 in 2011)
  - plus**
  - 1.6% of pensionable earnings above the YMPE
- Normal retirement is age 65 but you may retire on a reduced pension as early as age 55.
- DB members may make optional unmatched contributions of up to 4% to the DC Plan.

## Important DB Plan Definitions

The following definitions are important in helping you understand how your DB Plan works. Other pension definitions are included at end of this booklet.

**Final Average Earnings:** The average of 60 consecutive months of highest pensionable earnings within the last 240 months (20 years) of service while a member of LCCPP.

**Pensionable Earnings:** Means your basic wages or salary including cash utility allowances, cash housing allowances and the monetary value of housing

furnished by an employer, which shall be deemed to be thirty percent (30%) of basic wages or salary.

**YMPE:** The Year's Maximum Pensionable Earnings (YMPE) is set by the Federal Government annually as the amount upon which *Canada Pension Plan (CPP)* contributions are made and upon which the CPP benefit is based. The YMPE in 2011 is \$48,300.

**Final Average YMPE:** The average of the Year's Maximum Pensionable Earnings under the *Canada Pension Plan* during your last three years of service.

**Credited Service:** Credited service is the period of time in which you are a member of the DB component of LCCPP and is used to calculate your pension benefit. Credited Service includes service earned under the *Concordia Retirement Plan* up to December 31, 1988. It also includes service for the period of time you are disabled.

## Contributions

Effective January 1, 2013, DB members will be required to make contributions of 4% of pensionable earnings (described in the definition section above) to the DB plan to a maximum of \$ 6803.80 per year. \* LCC contributes the amount required to ensure all pension obligations will be met, as determined by the plan actuary and in accordance with provincial legislation. Your contributions to the DB Plan are tax-deductible.

Interest is credited to employee contributions at the end of each plan year based on five year chartered bank deposit rates.

*\*The maximum contribution amount will increase in conjunction with increases to the maximum pension that Canada Revenue Agency permits to be paid from the plan.*

## Vesting and Locking-In

Your pension benefit is vested after two years of credited service. This means that if you leave employment after two years you will be entitled to a pension benefit. Any commuted value payable from the Plan is locked-in (certain exceptions apply such as small benefits). In other words, it must be used to provide a retirement income and is not available for a cash withdrawal.

## Retirement Dates

Your normal retirement age is 65, however you can retire any time after you reach age 55 provided you have completed at least two years of credited service. If you are at least age 62 and the total of your age plus years of credited service\* equals 85 points or more at the time of your termination of employment, you can retire without any reduction in your pension. If you are not age 62 with 85 points at the time of your termination of employment, your pension will be reduced based on your age at the time your pension begins, as follows:

Age	Pension Reduction
64	6.60%
63	13.20%
62	19.80%
61	26.40%
60	33.00%
59	36.24%
58	39.48%
57	42.72%
56	45.96%
55	49.20%

You may also work beyond age 65 and continue to earn pension benefits up to the end of the year in which you reach age 71. When you retire, your pension will be based on your final average earnings, your credited service and the YMPE levels in effect at the time you retire.

*\*For employees transferred to the DC plan effective January 1, 2013, credited service includes both your time in the DB and DC plan only for the purposes of calculating eligibility for unreduced pension (85 points).*

## Pension Formula

Your pension from the DB Plan component is determined based on the following formula:

1.25% of your final average earnings, up to the average YMPE  
**plus**  
1.6% of your final average earnings above the average YMPE  
**multiplied by**  
Your years of credited service  
**reduced by**  
Any applicable retirement reduction

### ***Pension Formula Example:***

Let's assume someone retires under the following scenario:

- Age 62 with 25 years of credited service (meets the 85-point rule)
- Final average earnings of \$65,000
- Average YMPE of \$ 47,267

This individual would qualify for an unreduced pension as follows:

▪ 1.25% of \$47,267	=	\$ 590.84
<b>plus</b>	+	
▪ 1.6% of (\$65,000 – \$47,267)		<u>\$ 283.73</u>
<b>equals</b>	=	\$ 874.56

#### ***multiplied by***

▪ Years of credited service	X	<u>25</u>
<b>equals</b>		\$ 21,864.20

In this example, the lifetime annual pension from the LCCPP is \$21,864.20, which would be about \$1,822 monthly.

**Early Retirement Example:**

Using the same example, let's assume that this individual retires at age 58:

▪ 1.25% of \$47,267	=	\$ 590.84
<b>plus</b>	<b>+</b>	
▪ 1.6% of (\$65,000 – \$ 47,267)	=	<u>\$ 283.73</u>
<b>equals</b>		\$ 874.56
<b>multiplied by</b>		
▪ Years of credited service	X	<u>25</u>
<b>equals</b>		\$21,864.20
<b>reduced by</b>	<b>-</b>	
▪ 39.48% (early retirement reduction)		<u>\$ 8631.99</u>
<b>equals</b>		\$ 13,232.21

In this case, the lifetime annual pension from the LCCPP is \$13,232.21, which would be about \$ 1102.68 monthly.

In addition to the above benefits, the member may have retirement benefits payable from the DC Pension Plan.

**Applying for Your Pension**

When you wish to retire, you must notify your employer and the Worker Benefit Plans Office and request an Application for Retirement Benefits. Alternatively you may download this from the WBP website at [www.lccbenefts.ca](http://www.lccbenefts.ca). You should complete the application in full and mail it to the Worker Benefit Plans Office at least three months before you wish to retire. After you submit your application, you will receive a statement outlining your LCCPP benefit entitlement and payment options.

## Survivor Options on Your Pension

Your pension is paid to you on a monthly basis for your lifetime. The amount payable to your spouse or beneficiary depends on the pension survivor option you select at retirement.

### ***If You Have a Spouse at Retirement***

Legislation requires that members retiring with an eligible spouse must provide the spouse with a minimum basic benefit of 60% of their pension in the event of their death. The benefit is payable until your spouse's death. The DB Plan automatically provides a 66-2/3% surviving spouse benefit with a five-year guaranteed term. This means if you die within five years of retiring, your spouse will continue to receive 100% of your monthly pension for the balance of the five years. After that, 66-2/3% of your pension will continue to your spouse for the rest of his or her lifetime. If you die after the end of the five-year guaranteed term, your spouse will begin to receive 66-2/3% of your pension immediately. You may elect a pension that provides for larger survivor benefits; however, your pension will be decreased to pay for the increased survivor benefit. If you select an alternate form of payment providing lower survivor benefits, your spouse must waive the surviving spouse's benefit in writing before retirement.

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

If you don't have a spouse, the normal payment form is a lifetime pension with a 10-year guarantee. This means that if you die within 10 years of retiring, your designated beneficiary or estate will receive 100% of your monthly pension for the balance of the 10 years. If you live beyond the 10 year period, your pension will continue until your death.

### ***Optional Forms of Pension Payment***

Depending on your personal needs and circumstances you may wish to choose an optional form of payment with higher survivor benefits or different guaranteed terms. Depending on your choice, your pension is reduced to pay for the added benefits. Optional payment forms will be communicated to you as you approach your retirement date.

## If You Leave Before Retirement

If you leave employment before retirement and you have not completed two years of service, no benefits are payable from the DB Plan.

If you have completed two years of service, you will be entitled to the full value of your accumulated pension.

You may choose one of the following payment options:

- Leave your pension in the LCCPP and receive it at age 65 (or any time after age 55 on a reduced basis)
- Transfer the commuted value of your pension to either:
  - a locked-in retirement vehicle such as a Locked-In Retirement Account (LIRA).
  - another Registered Pension Plan, if that plan permits.
  - an insurance company to buy an annuity (in Alberta funds must be transferred to a LIRA first before the purchase of an annuity).

When you transfer the commuted value of your pension from the Plan, you cannot receive it in cash (except for certain exceptions such as small benefits), nor can you collapse your LIRA and receive benefits (except for certain specific cases such as shortened life expectancy, etc). (In Alberta, at or after age 50 you can unlock up to 50% of the funds at the time you transfer your funds from a LIRA to buy an annuity or Life Income Fund.)

Your employer will notify the Worker Benefit Plans Office of your termination of employment and you will receive a statement outlining your benefit entitlement and payment options.

## If You Are Re-Employed

If prior to January 1, 2012 you are subsequently re-employed and re-enroll in the LCCPP within five years of your termination of employment, your prior credited service will be reinstated, provided you did not elect to transfer the commuted value of your pension out of the Plan. (If you transferred the commuted value of your pension out of the Plan, the value of the benefit that was transferred out would have to be re-paid in order to have your past credited service reinstated). If you are re-employed on or after January 1, 2012 you will be enrolled in the DC Plan.

If you are re-employed after you retire and commence your pension but prior to:

- the end of the year in which you turn age 71, and
- January 1, 2012

Your pension will be treated as follows:

- Your pension payment will be suspended.
- You will commence to earn credited service for your subsequent period of employment.
- Your pension will be recalculated on subsequent retirement to include your additional credited service and to take in account your final average earnings and final average YMPE at your subsequent retirement date. Your original pension will be actuarially adjusted to reflect the date of subsequent retirement and the pension benefits already paid to you.

If you retire and are re-employed on or after January 1, 2012 you will be enrolled in the DC Plan.

## If You Become Disabled

If you are totally disabled and are receiving LCC-sponsored Long-Term Disability benefits, you will continue to earn credited service in the LCCPP as if you were an active member. Your final average earnings and final average YMPE will be based on your earnings at the time your disability began, with annual increases in accordance with *Increases in the Consumer Price Index for Canada*, up to a maximum of 3% per year. While on disability your required contributions continue and are deducted from your long-term disability payments.

You continue to earn credited service until the earliest of:

- the date you are no longer disabled
- the date you elect to retire
- the date you turn age 65
- the date of your death.

If you remain disabled until age 65, you'll begin receiving your pension at that time.

## If You Take a Leave of Absence

### ***Maternity, Adoption or Parental Leave***

If you take a maternity, adoption or parental leave of absence you will continue to earn credited service for the first 12 months of such an absence or for a longer period of time if required by provincial legislation. While on leave, any member required contributions must continue to be paid.

### ***General Leaves of Absences***

If your employer grants you a general leave of absence, you will continue to earn benefits under the LCCPP for as long as your employer or former employer continues to make contributions on your behalf. While on leave, any member required contributions must continue to be paid.

### ***Educational Leaves***

If the purpose of your leave is to further your education, with the intent to return to service in the Church upon completion of studies, the Board of Managers may grant an educational leave. While on an educational leave, you're not a member of the LCCPP. However, if you return to the employ of a participating employer and again become a member of the LCCPP within one year following termination of the leave, you will receive credited service for the period of the educational leave, up to a maximum of four years. While on leave any member required contributions will be waived. A *Past Service Pension Adjustment (PSPA)* must be reported and approved by Canada Revenue Agency in order to receive credit for past service.

### ***Pastors In Between Calls***

Pastors in between calls may be granted a special leave of absence for up to 180 days. If employer contributions to the plan continue while on leave, the member must pay any member required contributions to earn credited service. If the member elects not to make any required member contributions then they must opt out of the Plan entirely and will not earn any credited service. If the employer will not be continuing to pay contributions, the member has the option of paying both the employer and member required contributions in order to continue earning credited service.

## If You Transfer to Another Employer

If you transfer to another participating employer you will continue to participate in the LCCPP just as if you had not changed employers (assuming that you begin employment with your second employer within 90 days of leaving your first employer).

If you transfer to an organization that is not a participating employer, your membership in the LCCPP will end and you will be considered to have terminated your employment.

## If You Transfer to the United States

If you transfer to the United States you have the following options:

- You can continue to participate in the LCC Pension Plan as an inactive member and your pension will continue to increase. This is because pensionable earnings will be increased annually based on increases in the *Consumer Price Index* (CPI) until your retirement or termination of employment. You will not, however, earn any further credited service until you return to Canada. You may be eligible for entry to the Concordia Retirement Plan (CRP) on your transfer date; or
- You can elect to be treated as a terminated member and be entitled to receive benefits like any other terminated member. See the section in this booklet entitled “If You Leave Before Retirement”. If you are considered a non-resident of Canada for the purposes of the *Income Tax Act (Canada)* you may be entitled to receive your benefits on a non-locked-in basis.

## If You Die Before Retirement

Your eligible spouse is automatically your beneficiary for any pre-retirement death benefits payable, regardless of whom you may have designated. In certain provinces, your spouse may waive this provision.

If you die before you retire and you are not vested, no benefits are payable from the DB Plan.

### ***If you have a Spouse at Death***

If you are vested, and you have a spouse, your spouse will receive the greater of (a) or (b) below:

(a) A lifetime pension from the LCCPP, as follows:

- If you die before you are age 55, your spouse will receive 66 2/3% of the pension that would have been payable to you at age 55 but based on your credited service and final average earnings and YMPE at the date of your death.
- If you die after age 55, your spouse will receive 66 2/3% of the pension that would have been payable to you had you retired on the date you died.

(b) The commuted value of the death benefit as prescribed by legislation in the province in which you work. Your spouse may choose to:

- Transfer the commuted value to a locked-in retirement vehicle such as a locked-in retirement account (LIRA). Note some provinces do not require funds to be locked-in.
- Transfer the commuted value to another registered pension plan, if that plan permits.
- Transfer the commuted value to an insurance company to buy an annuity (in Alberta funds must be transferred to a LIRA first before the purchase of an annuity).

### ***If you do not have a Spouse at Death***

If you are vested and you do not have a spouse at the time of your death, your beneficiary or estate will receive the lump sum commuted value of your pension as prescribed by legislation in the province in which you live. Your beneficiary or estate will receive this value in cash, less appropriate tax.

## If You Die after Leaving Employment

If you leave your pension in the Plan and die after leaving employment, but before your pension commences, your eligible spouse or beneficiary will receive the death benefit outlined above in the above section titled "If You Die Before Retirement". Note the death benefit payable will normally be less than the commuted value of your pension at termination.

If you transfer the commuted value of your pension out of the Plan when you leave employment, no further benefits are payable from the LCC Pension Plan. All benefits, including death benefits, will be paid from the Plan to which your commuted value was transferred.

## Tax Implications

The employer's contribution to fund your pension is not considered a taxable benefit by Canada Revenue Agency. Your contributions to the Plan are tax deductible.

Once you start receiving a pension, the payments you receive will be subject to tax. Cash payments paid to your beneficiary upon your death are taxable to your beneficiary.

## Registered Retirement Savings Plan Limits (RRSP)

Many people save additional funds in their personal RRSP to supplement their retirement income. The following provides you with an overview of how RRSP room is impacted by your participation in the DB Plan.

Canada Revenue Agency (CRA) permits tax-deductible contributions to an RRSP each year equal to your 18% of your previous year's earnings to a maximum of \$22,450 (in 2011) less your pension adjustment (reported on Box 52 of your tax slip) in the same year.

### **The Pension Adjustment (PA)**

Is the value that CRA puts on the pension benefit you earn in a year and is calculated as follows:

$$9 \times \text{pension earned in a year} - \$600$$

### **The pension earned**

Is calculated based on the pension formula:

1.25% of pensionable earnings up to YMPE (\$48,300 in 2011)

***plus***

1.6% of pensionable earnings above the YMPE

### ***RRSP Limit Example:***

For example let's assume an employee earns \$65,000 in a year and the YMPE is \$ 48,300. The employee's RRSP room is calculated as follows:

18 % of earnings (\$65,000 x 18%) = \$ 11,700

***less***

Pension Adjustment (PA) = \$ 7,239\*

***equals***

Approximate RRSP Room **\$ 4,461**

$*(1.25\% \times \$48,300) + (1.6\% \times (\$65,000 - \$48,300)) = \$ 870.95$   
 $(9 \times \$ 870.95) - 600 = \$7,238.55$

Revenue Canada notifies you of your RRSP limit on your tax assessment notice. You receive the notice after you file your personal tax return.

## **Pension Trustee**

The DB Pension Plan assets are held in a separate trust fund (separate from LCC's assets) maintained by our pension trustee and custodian, CIBC Mellon. The assets are held separately for the benefit of members and retirees.



## DEFINED CONTRIBUTION (DC) PLAN

### Introduction

A defined contribution pension is a type of plan that provides a retirement account to which contributions are made based on your earnings. You then decide how you wish to invest the contributions from a number of investment options, with a range of risk and return potentials. The money that has accumulated in your account when you retire is transferred out of the plan to a retirement vehicle from which you will be able to draw an income. Retirement vehicles include an annuity (a monthly pension), or a Life Income Fund. The amount in your DC Account will depend on how well your investment funds performed, and how much you contribute over your working lifetime.

All DB members will become DC plan members effective January 1, 2013 except members age 55 or older whose age and service equals 80 points as of December 31, 2012. In this latter situation, members will continue their membership in the DB component and continue to earn future DB service. Participation in the DC Plan is voluntary for members of the DB Plan and provides an opportunity for members to supplement their DB pension. DB members can join the DC Plan during the annual open enrollment period.

Employees hired on or after January 1, 2012 or part-time employees working less than 24 hours per week who qualify for pension membership after on or after January 1, 2012 will be enrolled in the DC Plan.

### Summary of Benefits

- If you are newly hired on or after January 1, 2012 or if you are transferred into the DC Plan effective January 1, 2013 you will receive an employer contribution of 6% of your pensionable earnings to your DC account. You are required to contribute 4% of your pensionable earnings.
- Both DB and DC members can make optional contributions up to 4% of pensionable earnings.
- You choose how both your contributions and the employer contributions are invested from a variety of investment options, offering various ranges of risk versus return potential.
- At retirement, the accumulated money in your account can be used to buy an annuity, or can be transferred to a locked-in retirement vehicle.

## Important DC Option Definition

The following definition is important in helping you understand how your DC option works. Other pension definitions are included at end of this booklet.

***Pensionable Earnings:*** Means your basic wages or salary including cash utility allowances, cash housing allowances and the monetary value of housing furnished by an employer, which shall be deemed to be thirty percent (30%) of basic wages or salary.

## Contributions

Once you join the DC Plan, an account will be set up in your name at Sun Life Financial.

Your contributions to the DC Plan are tax deductible. Employer contributions to your DC option are not considered to be a taxable benefit to you.

You direct the investment of your account (your contributions and employer contributions) to a range of investment funds, each with varying degrees of risk and return potential.

### ***New Hires Employed after January 1, 2012 and DB Employees Transferred to the DC Effective January 1, 2013***

Employers make contributions of 6% of your pensionable earnings to your DC account. You are required to make contributions of 4% of your pensionable earnings.

### ***All Members (before and after January 1, 2013)***

All members including those in the DB Plan may make **optional** DC contributions of up to 4% of pensionable earnings. These contributions are not matched by your employer.

## Contribution Examples

The following shows examples of members at various salary levels who have been transferred into the DC Plan at January 1, 2013 and who have chosen to make 4% **optional** DC contributions:

Annual Salary	Employer Contributions (6%)	Employee Required Contributions (4%)	Optional Employee Contributions (4%)	Total Contributions
\$50,000	\$3,000	\$2,000	\$2,000	\$7,000
\$60,000	\$3,600	\$2,400	\$2,400	\$8,400
\$70,000	\$4,200	\$2,800	\$2,800	\$9,800
\$80,000	\$4,800	\$3,200	\$3,200	\$11,200
\$90,000	\$5,400	\$3,600	\$3,600	\$12,600
\$100,000	\$6,000	\$4,000	\$4,000	\$14,000
\$110,000	\$6,600	\$4,400	\$4,400	\$15,400
\$120,000	\$7,200	\$4,800	\$4,800	\$16,800

## Retirement Dates

Your normal retirement age is 65, however you can retire any time after you reach age 55 provided you have completed at least two years of credited service. You may postpone receipt of your retirement funds until the end of the year that you reach age 71. (Canada Revenue Agency does not permit pension plan membership beyond age 71.) Your funds must be converted into one of the payment options noted below in the "Payment Options at Retirement" section. Your retirement income will be based upon the contributions and investment income in your DC account. The longer you remain employed and are contributing to the DC Plan, the greater your benefits from both contributions and the effect of compounding investment returns in your account.

## Payment Options at Retirement

At retirement you may use the funds accumulated in your DC Account for any of the following options:

- **Transfer your DC account balance to a Locked-In Retirement Account (LIRA).** A LIRA is similar to a Locked-In RRSP except that it is designed to hold only pension monies. You can continue investing your retirement funds in a LIRA up to the end of the year that you turn age 71. You can then either use your LIRA funds to buy an annuity or you can transfer your funds to a Life Income Fund. In Alberta, at the time of such a

transfer you may unlock up to 50% of your funds providing your spouse consents by completing the prescribed waiver form. Any funds held in a LIRA may be moved into a Life Annuity or LIF anytime after you reach age 50 or 55 depending on your province.

- ***Convert your DC account balance (or funds transferred to a LIRA) to an annuity*** (In Alberta funds must be transferred to a LIRA first before the purchase of an annuity). An annuity is a monthly pension income. It is usually purchased from an insurance company that guarantees the amount of your payment. Your annuity income will depend upon the type of annuity that you select, the interest rates when you retire, and your age and your spouse's age when the annuity payments begin. The higher the interest rates are, and the older you are when your annuity payments begin, the larger your annuity payments will be. If you have a spouse, you are required by law to elect a joint and survivor annuity with a surviving spouse's benefit (unless your spouse waives this requirement on the prescribed form). An annuity provides you with a predictable amount of income for life. It provides the greatest certainty of income because the insurance company bears the investment risk as well as the risk that you will live longer than expected. However, this option is the least flexible because once you have elected the form of annuity or pension, it can't be changed. This option is a good choice if you are looking for a secure monthly income. Quotes from insurance companies on annuities can vary, so you are encouraged to shop around and obtain a number of quotes from different insurance companies.
  
- ***Transfer your DC account balance (or funds transferred to a LIRA) to a Life Income Fund (LIF)*** (In Alberta funds must be transferred to a LIRA first before transferring to a LIF). LIFs are available at most financial institutions. You determine how much income you want to receive annually (subject to minimum and maximum withdrawal requirements) and continue to invest the balance of your account. Unlike an annuity you maintain ownership and control of the assets. You can vary the amount you receive each year to reflect additional expenditures. The LIF combines some of the flexibility of favorable investment performance with some of the certainty of the life annuity. However, the LIF also can decrease in value if the investments lose value – for example if the money in the LIF is invested in stocks or mutual funds and the value decreases. The LIF allows for flexible, but nonetheless limited, payments until the end of the year in which you reach age 85. After this point, you will be

permitted to withdraw any remaining account balance. At any point with a LIF, you also have the option to purchase a life annuity. If you take out the maximum allowable amounts each year as you get older, your monthly payments will generally decline, because the overall amount in your LIF is decreasing.

## Forms of Pension Payments

Legislation requires that employees retiring with an eligible spouse must purchase a pension that provides the spouse with a minimum basic pension of 60% of their pension in the event of their death. To select an alternate form of pension providing lower survivor benefits, your spouse must waive this requirement in writing on the appropriate form. This requirement applies to employees transferring funds to an annuity or LIF.

## If You Leave Before Retirement

If you leave your employer before retirement and you have not completed two years of credited service, you will receive a taxable refund of your own contributions and any related investment earnings. You may be able to tax-shelter the funds in a personal RRSP.

If you have completed two years of service, you will have a vested right to your DC account balance (including your contributions, LCC's contributions and related investment earnings). You will have the following options:

- Transfer your account balance to a Locked-In Retirement Account (LIRA) with Sun Life or any other Canadian financial institution.
- Transfer your account balance to another Registered Pension Plan, if that plan permits
- Transfer your account balance to an insurance company to buy an annuity (in Alberta funds must be transferred to a LIRA first).

Generally speaking, you may not access the funds until you are at least age 55.

When you transfer your funds from the Plan, you cannot receive it in cash (except for certain exceptions such as small benefits), nor can you collapse your LIRA and receive benefits (except for certain specific cases such as shortened

life expectancy etc). In Alberta, at or after age 50 you can unlock up to 50% of the funds at the time you transfer your funds from a LIRA to buy an annuity or Life Income Fund (LIF).

Your employer will notify the Worker Benefit Plans Office of your termination of employment and you will receive a statement outlining your benefit entitlement and payment options from Sun Life.

## If You Become Disabled

If you are totally disabled and are receiving LCC-sponsored long-term disability benefits, you will continue to receive employer contributions to your DC account. Contributions are based on your earnings at the time your disability began, with annual increases in accordance with *Increases in the Consumer Price Index for Canada*, up to a maximum of 3% per year. While on disability your required (indexed) contributions continue and are deducted from your long-term disability payments. You have the option of continuing your optional member contributions.

You continue to receive employer contributions up to the earliest of:

- the date you are no longer disabled
- the date you elect to retire
- the date you turn age 65
- the date of your death.

## If You Take a Leave of Absence

### ***Maternity, Adoption or Parental Leave***

If you take a maternity, adoption or parental leave of absence you will continue to receive the employer contribution for the first 12 months of such absence or for a longer period of time if required by provincial legislation. While on leave, any member required contributions must continue to be paid. You have the option of continuing your optional contributions while on leave.

### ***General Leaves of Absences***

If your employer grants you a general leave of absence, you will continue to receive contributions into your DC account for as long as your employer or former employer continues to make contributions on your behalf. While on leave, any member required contributions must continue to be paid. You have the option of continuing your optional contributions while on leave.

## ***Educational Leaves***

If the purpose of your leave is to further your education, with the intent to return to service in the Church upon completion of studies, the Board of Managers may grant an educational leave. While on an educational leave, you're not a member of the LCCPP. However, if you return to the employ of a participating employer and again become a member of the LCCPP within one year following termination of the leave, you will receive contributions for the period of the educational leave, up to a maximum of four years. While on leave any member required contributions will be waived.

## ***Pastors In Between Calls***

Pastors in between calls may be granted a special leave of absence for up to 180 days. If employer contributions to the plan continue while on leave, the member must pay any member required contributions. If the member elects not to make any required member contributions then they must opt out of the plan entirely. If employer contributions are not continuing to be paid, the member has the option of paying both the employer and member required contributions. You have the option of continuing your optional contributions while on leave.

## **If You Transfer to Another Employer**

If you transfer to another participating employer you continue to participate in the LCCPP just as if you had not changed employers.

## **If You Transfer to the United States**

If you transfer to the United States you will be treated as a terminated member and be entitled to receive benefits like any other terminated member. See the section in this booklet entitled "If You Leave Before Retirement". If you are considered a non-resident of Canada for the purposes of the *Income Tax Act (Canada)* you may be entitled to receive your benefits on a non-locked-in basis.

## **If You Die Before Retirement**

Your eligible spouse is automatically your beneficiary for any pre-retirement death benefits payable, regardless of whom you may have designated. In certain provinces your spouse may waive this provision.

If you die before you retire and you are not vested, your eligible surviving spouse, beneficiary or estate will receive a refund of your own contributions and related investment earnings.

If you are vested, your surviving spouse, beneficiary or estate will receive your DC account balance (including your contributions, employer contributions and related investment earnings).

Payment to a beneficiary that is not your spouse or to your estate is paid as a cash payment, less applicable taxes.

Your spouse may choose to:

- Transfer funds to a locked-in retirement vehicle such as a locked-in retirement account (LIRA). Note, some provinces do not require funds to be locked-in.
- Transfer the commuted value to another registered pension plan, if that plan permits.
- Transfer the commuted value to an insurance company to buy an annuity (in Alberta funds must be transferred to a LIRA first before the purchase of an annuity).

## If You Die after Leaving Employment

If you leave your DC funds in the Plan and die after leaving employment, your eligible spouse or beneficiary will receive the death benefit outlined above in the above section entitled “If You Die Before Retirement”.

If you transfer your funds out of the Plan when you leave employment, no further benefits are payable. All benefits, including death benefits, will be paid from the plan to which your DC account value was transferred.

## Tax Implications

The employer’s contribution to your DC account is not considered a taxable benefit by Canada Revenue Agency. Your contributions to the plan are tax deductible. As well, any earnings you receive on your investments are tax sheltered.

Once you start drawing a retirement income, the payments you receive will be subject to tax. Cash payments paid to your beneficiary upon your death are taxable to your beneficiary.

Canada Revenue Agency limits the amount that can be contributed into a DC plan in a year. In 2011 the maximum contribution is \$ 22,970.

## Registered Retirement Savings Plan Limits (RRSP)

Many people save additional funds in their personal RRSP's to supplement their retirement income. The following provides you with an overview of how RRSP room is impacted by your participation in the DC Plan.

Canada Revenue Agency (CRA) permits tax-deductible contributions to an RRSP each year equal to your 18% of your previous year's earnings to a maximum of \$22,450 (in 2011) less your pension adjustment (reported on Box 52 of your tax slip) for the prior year. The pension adjustment is the funds that you and LCC contributed to your DC account in the prior year.

### ***RRSP Limit Example:***

For example let's assume an employee earns \$65,000 in 2010 and contributes 4% of pensionable earnings into their DC account in 2010. The employee's RRSP room is calculated as follows: (For the purpose of our example we have not taken into account the pension adjustment the employee would have due to their participation in the DB plan.)

Overall RRSP Contribution Room (18% of \$ 65,000): \$ 11,700

***less***

Contributions to DC in 2010: \$ 2,600

***equals***

Remaining RRSP room: \$ 9,000

The employee's RRSP room for 2011 is \$ 9,000. Revenue Canada notifies you of your RRSP limit on your tax assessment notice. You receive the notice after you file your personal tax return.

## Custodian/ Record Keeper and Fund Managers

Outside professional expertise is required to run the DC Plan. Sun Life Financial is our custodian and record keeper. Sun Life is responsible for the day-to-day management and administration of member accounts. They are responsible for keeping your account record, acting on your investment instructions, distributing investment returns to your account, etc. You may get further information on your funds, change the investment directions of current contributions, or move past contributions into different funds, at any time by contacting Sun Life.

The investment options are managed by professional fund managers who are selected by the LCC Board of Managers. They invest your DC account in various asset classes such as bonds, Canadian equity etc. Fund managers are selected from the investment funds available from Sun Life Financial, based on a number of criteria, including:

- Investment approach
- Organizational strengths
- Historical performance
- Service capabilities

The Board of Managers regularly monitors the performance of the fund managers including monitoring:

- Short and long term return results against established benchmarks indices such as the S&P/TSX Composite, DEX Universe etc.
- The fund's returns against other pension managers who manage similar assets.
- To ensure managers are operating within their mandates, including reviewing any mandate changes.
- The fund manager's investment process to ensure it hasn't changed.
- The organizational structure to ensure no changes have occurred involving key personnel managing a fund.
- The Investment Consultant's Rating (by an expert retained to comment on fund performance/management).

A fund manager may be put "Under Review" and monitored more closely if they fall short on any of the above areas and if necessary a change in the fund manager may be made.

## Your Investment Options

Members choose how to invest both the member and employer contributions made to the DC Plan from a suite of investments with varying risk and return potential. The DC Plan currently provides nine investment options managed by seven fund managers. Members may change the investment directions of current contributions, or move past contributions into different funds, at any time. The funds cover a range of asset classes, so that you may diversify your DC account. Please see the section entitled "Fees" for a list of funds that you may invest in.

## Fees

LCC pays the administration and recordkeeping fees associated with the DC Plan with the exception of the following fees charged to members:

- Withdrawals/transfers at termination of membership or retirement - \$ 75 per transaction
- Replacement tax forms - \$ 10 per form

Members are charged an asset based fee that varies depending upon the fund they participate in. These fees cover investment managers services provided by the fund manager and include certain services performed by Sun Life. The following are the annual fees, however, they are charged daily and are deducted from the funds before the unit values are determined. They are therefore reflected in the value of your account.

Fund Name	Fee
<b>Balanced Funds</b>	
• Greystone Balanced	1.25%
• Russell Life Points Balanced Growth	1.60%
• Russell Life Points Balanced Income	1.60%
• Russell Life Points Balanced LT Growth	1.60%
<b>Canadian Equity</b>	
• JF Canadian Equity	1.25%
<b>Fixed Income</b>	
• TDAM Canadian Bond Index	1.05%

<b>Foreign Equity</b>	
<ul style="list-style-type: none"> <li>• Legg Mason Batterymarch U.S. Equity</li> <li>• MFS International Equity</li> </ul>	<p>1.25%</p> <p>1.70%</p>
<b>Money Market</b>	
<ul style="list-style-type: none"> <li>• McLean Budden Money Market</li> </ul>	.90%

## Keeping You Informed

To help keep you informed, you will receive semi-annual statements on the status of your DC account from Sun Life. In addition, they will provide general investment information on a regular basis. For further information check out the Sun Life website at [www.sunlife.ca/member](http://www.sunlife.ca/member)

## Investment Considerations

In order to invest your DC account wisely it is important to understand some investment basics.

### ***Risk***

As a member of the DC Plan, you will make investment decisions that will impact your retirement income. The higher the rate of return you receive on your investments, the greater your DC account will be at the time you retire. Different investments have different levels of risk and also different returns with more risky investments typically provide a higher rate of return over the long run. You'll have to think about your attitude towards risk and decide what level of risk you are comfortable with when selecting your investments. A knowledge of the risk and return trade-offs available in the investment markets is also helpful in deciding where to invest your funds. The Sun Life website and written materials have lots of information that will help you become a more informed investor and will help you determine your risk comfort level.

When you invest, you expect your money to grow, to generate a return on your funds. The possibility of losing money in the short term is one reason people choose investments with low return as these investments have low investment risk. However, there is another type of risk. That is the risk that your returns will be lower than inflation and your money will lose its purchasing power (diminish in real value) and may not be enough to support your retirement goals. Purchasing power risk may be low over the short-term but increases for those with a long-term investment horizon.

Other key risks are market risk, which is the potential for the value of your investments to fluctuate due to market conditions. Market cycles or business cycles occur when the economy shifts from strength and expansion to weakness and contraction and back again. Each cycle typically occurs over several years. Interest rates, exchange rates and inflation are other market-driven factors that cause investments to fluctuate in value. Market risks can be high over the short-term but generally reduce over the long-term.

Currency risk is another key risk to think about when investing. Currency risk is the uncertainty that the value of a foreign investment will rise or fall as a result of the movement of the Canadian dollar relative to a foreign currency. If the Canadian dollar weakens against a foreign currency, assets held in the foreign currency will increase in value. Conversely, if the Canadian dollar strengthens, the value of the foreign investment will fall. Generally, over long periods of time, the impact of currency risk declines.

Accepting some risk over the long term usually achieves a higher rate of return.

### ***Diversification***

Diversifying your investments helps reduce the risk of investing in only one asset class. Diversification involves investing in a range of investments in order to balance your risk exposure. If one of your investments performs poorly, your risk is minimized because you hold other investments.

The investment funds available to you are well-diversified. Each fund, whether they are actively or passively managed, is composed of a number of different securities. By holding a range of securities, each fund is less susceptible to poor performance of a few companies.

However, there are still market risks to consider. Investments respond differently to market conditions. For example when the economy is faltering and interest rates are falling, bonds will usually perform well, whereas when the economy is booming, equities will generally outperform bonds. Holding a diversified portfolio of money market, bonds and equities may reduce the impact of market changes. You can further diversify by holding a mix of Canadian and foreign funds and by holding both active and passively managed funds.

### ***Asset Mix***

Asset mix is a term used to describe the range of funds in which you invest. It includes not only the funds that you select but the amounts that you choose to invest in each fund. Your asset mix is influenced by things such as your age, your retirement goals and your tolerance for risk. Generally, the more time you have to invest before you retire the more risk that you can afford to take since you have time to ride out the ups and downs of the investment markets. However, if retirement is something you are considering in the near future you'll probably want to have a more conservative and safer asset mix.

Your risk tolerance is a key consideration in selecting your asset mix. Think about your ability to accept fluctuations on the value of your investments. Some people feel strongly that they want the highest possible return and they are prepared to live with the associated volatility in returns. They may be in a good financial state that allows them to take more chances. Others might be comfortable with some risk, but because they are close to retirement, or because of their financial circumstances they may choose moderate to low risk investments. There are also people who are low-risk investors, regardless of their age, because they are not comfortable with market fluctuations or they are conservative by nature, they are willing to accept lower potential returns for the comfort of less volatile investments.

If you are not sure of what your asset mix should be you might want to consider one of the balanced fund options. A balanced fund provides a mix of different asset classes (stocks, bonds, money market etc.) The asset mix is selected by the investment manager to provide a mix of investments that provide both long-term growth or capital appreciation and investments that generate interest income.

If you decide to choose your own mix of investment funds, Sun Life Financial has both on-line and written information tools that can assist you in deciding your asset mix. You may also wish to get some help from your investment advisor or financial planner to create a portfolio of investments that is suitable for your personal situation.

### ***Active versus Passive (Index) Funds***

Active and Passive or index management are two common management styles, both of which we have in the DC investment fund options.

The main objective of an actively managed fund is to outperform the market index. In active management the fund manager takes an active approach in selecting the most appropriate securities (e.g. corporate shares, corporate and government bonds) for the fund. They research and analyze the direction of the economy and markets and evaluate companies by dissecting financial statements and visiting the management of the companies. Active managers believe the higher fees they incur to research and actively trade securities will be rewarded through higher returns. In other words they believe that with superior knowledge and research, they can produce returns that beat the market index and cover their extra costs over the long term.

Passive management (index management) is an investment approach that seeks to provide market returns reliably. Managers don't try to beat the market rather they invest in the same way that an index is invested and by doing so they mirror the market, or index return. Passive managers generally charge lower fees because they are not required to do as much research and generally do less

trading. Passive managers believe that markets are too efficient to be beaten. They believe that information moves so quickly that any knowledge about a security such as management changes or new products is immediately reflected in its price. Passive managers believe that when costs are included, it is difficult for active managers to add value or in other words, beat the index.

With actively managed funds, opportunities exist to outperform or underperform the respective market index, regardless of whether the markets rise or fall. In other words when the market index is up, there is the opportunity to either outperform or underperform the “up” index. Similarly, when the market is down, the same opportunity exists – the fund may take a greater or smaller loss than the market index.

Passively managed or index funds, on the other hand, rise or fall with the market index.

## Investment Funds

Your investment options cover the common asset categories including Canadian and foreign equities, fixed income (bonds) and money market funds. The range of funds allows you to diversify your account. As noted earlier, if you are not sure how to determine your asset mix, you may want to select one of the balanced funds which have a mix of asset classes that have been selected by the manager based on their assessment of the market. The following provides a general overview of the asset classes; actual detailed characteristics of each fund may differ. Detailed information on the fund options is available through Sun Life Financial’s website.

## Investment Options At-A-Glance

Investment	Invests in...	Objective	Growth Potential	Volatility	Risk
Canadian Equity Funds	Common stocks (equities) of Canadian Corporations (may hold foreign stock).	Intent is to provide long-term growth through capital appreciation and dividends.	Higher – historically equities have offered the highest rate of return over the long-term.	Higher – stock (equity) prices can fluctuate significantly over the short-term.	Risk of loss in the short-term; but has lowest risk of losing purchasing power in the long-term.
International Equity	Equities outside of Canada and the U.S.	Intent is to provide long-term growth through capital appreciation	Higher – historically equities have offered the highest rate of return over the long-term.	Highest – stock (equity) prices can fluctuate significantly over the short-term and fluctuations in currency can negate positive returns.	Higher than Canadian Equity due to fluctuations in currency value; lower risk of losing purchasing power in long-term.
U.S. Equity	Common stock of large U.S. companies.	Intent is to provide long-term growth through capital appreciation	Higher – historically equities have offered the highest rate of return over the long-term	Highest – stock (equity) prices can fluctuate significantly over the short-term and fluctuations in currency can negate positive returns.	Higher than Canadian Equity due to fluctuations in currency value; lower risk of losing purchasing power in long-term.

<b>Investment</b>	<b>Invests in...</b>	<b>Objective</b>	<b>Growth Potential</b>	<b>Volatility</b>	<b>Risk</b>
Canadian Indexed Bond Funds	Government and corporate bonds of various terms. Intent is to replicate the returns of DEX Universe Bond Index.	Intent is to match the risk and return characteristics of the index by selecting a subset of the bonds held in the index.	Moderate – returns from a bond fund are expected to be lower than equities over the long-term.	Moderate – bond prices increase when interest rates decrease, and vice versa.	Moderate to high – less risk than an equity fund but susceptible to interest rate movements. Moderate risk of losing purchasing power over the long-term.
Balanced Funds	Mix of Canadian stocks, bonds, and short-term investments as well as foreign stocks. Fund Manager determines asset mix.	Intent is to combine long-term capital growth from equities with more stable income generating investments such as bonds and money market.	Offers more moderate returns that are higher than bonds but not as high as equities.	Moderate – bonds rise and fall with interest rate movements and stocks rise and fall with market cycles. The combination of the two moderates the fluctuations.	Moderate – equity and bond prices are subject to market and interest rate risks. Moderate to low risk of losing purchasing power.
Money Market Funds	Short-term, high quality interest bearing investments (treasury bills, commercial paper etc.)	Intent is to preserve capital and maintain liquidity.	Low	Low	Low market risk but moderate to high risk of losing purchasing power.

## Government Retirement Benefits

In addition to the retirement income you will receive from the LCCPP, you are eligible to receive retirement income from two government sources: *Canada Pension Plan (CPP)* and *Old Age Security (OAS)*.

### **Canada Pension Plan (CPP)**

The CPP provides a lifetime monthly pension (taxable) based on the length of time you have contributed to CPP and your earnings during each month of participation. In 2011, the maximum pension payable at age 65 is \$960 per month (\$11,520 per year). The amount you receive may be less than the maximum if you had contributory years where your earnings were less than the CPP maximum earnings (YMPE) or you had years in which you did not work and contribute to CPP or you worked outside the country and did not contribute.

If you retire early you may commence a reduced CPP monthly pension any time on or after your 60th birthday. Your pension will be reduced by 0.5% for each month (6% per year) that your CPP payments begin prior to your 65th birthday. Beginning in 2012, CPP will be increasing the reduction that is applied for early receipt.

Your CPP payments will be adjusted at the beginning of each year to reflect 100 per cent of the increases in the *Consumer Price Index (CPI) for Canada*.

For further information on your CPP benefits see the Service Canada website or visit your local CPP office.

### **Old Age Security (OAS)**

OAS provides an additional lifetime monthly pension starting at age 65. The benefit payable as of January 30, 2011 is \$524 per month (\$6088 per year). To be eligible for the maximum pension, you must meet certain Canadian Residency requirements; otherwise you may qualify for a reduced pension. Your OAS payments will be adjusted quarterly to reflect increases in the *Consumer Price Index (CPI)*. Depending on your total income, a portion of your OAS benefit may be taxed (or “clawed back”).

## Definitions

### **Active Fund Management**

A fund where the fund manager actively researches, hand-picks, and trades securities in a fund with the intention of generating returns that exceed a benchmark index.

### **Annuity**

An annuity is a lifetime series of monthly payments purchased through a contract with an insurance company that guarantees the amount of the payment. There are many types of annuities. The amount of monthly pension payments you receive depends on the type of annuity selected, prevailing interest rates at retirement and your age (or your spouse's age) when the annuity payments begin.

### **Asset Mix**

The proportion you invest in different asset classes (stocks, bonds, and money market).

### **Basis Point**

One-hundredth of a percentage point, For example, the difference between 3.25% and 3% is 25 basis points.

### **Commuted Value**

The present or lump-sum equivalent value of your pension earned to your date of termination of employment.

### **Consumer Price Index**

The rate of inflation as calculated by Statistics Canada.

### **Currency Risk**

The chance that the Canadian dollar will rise or fall in relation to other currencies. Currency movements can increase or decrease the value of your investment in foreign funds. For example, if the Canadian dollar rises in relation to U.S. dollar, the value of U.S. Equity funds will fall.

### **Deferred Pension**

If you terminate employment before age 65 and you leave your pension in the Plan you are considered a deferred pensioner with a deferred pension benefit. You can start to receive monthly pension benefits any time after age 55.

## **Index**

An index provides a way to measure the fluctuation in the value of stocks and bonds. The funds under the DC Plan are measured or benchmarked against various indices. For example, the performance of the Canadian Equity fund under the DC Plan is measured against the *S&P/TSX Composite Index*. This is an index of the stock (equity) prices of the largest companies on the *Toronto Stock Exchange (TSX)*. An index fund is designed to track the performance of a published index. The index fund manager invests the fund to replicate the risk and return characteristics of the index. For example the Bond Index fund under the DC Plan is built to track the *DEX Universe* of bonds. This index is made up of hundreds of corporate and government bonds of various terms.

## **Market Risk**

The risk that the value of your investment will fluctuate due to market conditions such as downturns or expansions in the economy, and increases or decreases in interest and inflation rates and so on.

## **Passive or Index Fund Management**

A fund where the manager replicates the risk and return characteristics of an index; the goal being to track not beat the index.

## **Pension Adjustment (PA)**

When the Canada Revenue Agency determines your RRSP contribution room, it makes an adjustment to reflect your participation in the LCC Pension Plan. This Pension Adjustment (PA) is determined according to government regulations to be the “deemed” value of your pension benefits earned under the DB Plan during the preceding calendar year. Under the DC Plan, your PA is the total contribution (employer contributions and your contributions) made to your DC account for the year.

## **Purchasing Power Risk**

The risk that the growth of your investment is not going to beat the rate of inflation and that your money will lose real purchasing power.

## **YMPE**

The Year's Maximum Pensionable Earnings (YMPE) is set by the federal government annually as the maximum amount upon which CPP contributions are made and upon which the CPP benefit is based.