Supplemental Notional Arrangement (SNA)

www.mcgill.ca/hr/bp/sna

Information Session
January 31, 2013
* Effective January 1, 2012, required contributions cease under the McGill University Pension Plan at age 65

* Harmonize end date for defined contribution and defined benefit segments of the McGill University Pension Plan (MUPP)

Note: Members can elect to make Additional Voluntary Contributions in the MUPP
Who is eligible for the SNA?

* Academic and Administrative & Support Staff
* Age 65 to 69
* Member of the McGill University Pension Plan (MUPP) up to Normal Retirement Date (NRD – age 65)
* Continue to be employed by the University beyond NRD
* Post-Retirement appointments not eligible
Supplemental Notional Arrangement - Description

- Possibility of lump-sum payment
- Participation is automatic
- Effective start date January 1, 2012
- University contributions only
- Arrangement to be reviewed by December 31, 2016.
SNA Notional Contributions

- Notional credit = 5% of eligible earnings
- No $ / assets set aside
- No return on investment
- Contributions Start: Month end after age 65
- Contributions End: Earliest of retirement, termination or month end age 69
Subject to annual earnings limit & maximum pension contributions under the MUPP

2012
Maximum pension contribution = $23,820
Earnings where maximum is attained = $169,984
Maximum SNA notional credit = $8,500

2013
Maximum pension contribution = $24,270
Earnings where maximum is attained = $144,353
Maximum SNA notional credit = $7,217

2014+ subject to indexation
SNA Contributions

- No double dipping:
  - Earnings recognized in MUPP excluded from SNA
Example 1

Turn age 65 June 30 2012, annual salary $100,000

2012
Income recognized under the MUPP = $50,000
Income recognized under SNA = $50,000
SNA notional credit = $2,500
MUPP contribution (EE+ER) = $5,652

2013
Income recognized under the MUPP = $0
Income recognized under SNA = $100,000
SNA notional credit = $5,000
Example 2

Turn age 65 June 30 2012, annual salary $150,000

2012
Income recognized under the MUPP = $75,000
Income recognized under SNA = $75,000
SNA notional credit = $3,750
MUPP contribution (EE+ER) = $8,152

2013
Income recognized under the MUPP = $0
Income recognized under SNA = $144,353
SNA notional credit = $7,217
Example 3

Turn age 65 June 30 2012, annual salary $175,000

2012
Income recognized under the MUPP = $87,500
Income recognized under SNA = $82,484
SNA notional credit = $4,124
MUPP contribution (EE+ER) = $11,447

2013
Income recognized under the MUPP = $0
Income recognized under SNA = $144,353
SNA notional credit = $7,217
How the SNA works?

* Notional Account is created for each eligible member

* Notional credits added to individual account

* Defined Benefit Minimum “supplements” paid under the pension plan reduces final value of payout

* “Supplements” disclosed in the MUPP settlement statement and/or NRD statement
### Example 1: Supplement paid in MUPP

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total notional contributions at age 69:</td>
<td>$50,000</td>
</tr>
<tr>
<td>less</td>
<td></td>
</tr>
<tr>
<td>MUPP Supplement paid at 65:</td>
<td>$34,500</td>
</tr>
<tr>
<td>Amount payable:</td>
<td>$15,500</td>
</tr>
</tbody>
</table>
Example 2: Supplement paid in MUPP

Total notional contributions at age 69: $50,000

less

MUPP Supplement paid at 65: $65,000

Amount payable: $0
Example 3: No supplement paid in MUPP

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total notional contributions at age 69:</td>
<td>$50,000</td>
</tr>
<tr>
<td>less MUPP Supplement paid at 65:</td>
<td>$0</td>
</tr>
<tr>
<td>Amount payable:</td>
<td>$50,000</td>
</tr>
</tbody>
</table>
Timing of SNA Payment

* Following earliest of:
  - Retirement,
  - Termination,
  - Month end reach age 69, or
  - Death
Payment Options

- Lump sum less withholding taxes and other applicable deductions

- In the event of death, paid in a single lump-sum less any withholding taxes and other applicable deductions to the beneficiary in the will or to the member’s estate
Payment Options

* If payment is made while employed with University (age 69) – treated as employment income and subject to payroll taxes (T4+Releve 1)

* If payment is made post period of employment – treated as other income (T4A + Releve 2)
Account Information Access

* Administrative services through third party
* Annual Statements

More details to follow

* Information on arrangement found at: www.mcgill.ca/hr/bp/sna
Questions?