The Saskatchewan Telecommunications Pension Plan

PLAN BOOKLET

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Saskatchewan Telecommunications Pension Plan

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Saskatchewan Telecommunications Pension Plan

This document describes the general terms and conditions of the Saskatchewan Telecommunications Pension Plan as of December 1, 2009. The information in this booklet has been updated to reflect changes made to the legislation and the SaskTel Plan Text (Plan Amendment No. P-8).

This information does not replace or supersede the Saskatchewan Telecommunications Pension Plan Text, related legislation, regulations or amendments thereto. The official Plan Text and relevant legislation and regulations should be consulted for all purposes of legal interpretation and application.

Eligibility

Only permanent employees of SaskTel prior to September 30, 1977, who at that time elected to remain in the SaskTel Superannuation Plan, may participate in the Saskatchewan Telecommunications Pension Plan. All members of the SaskTel Superannuation Plan as at December 31, 1998 are now Members of the Saskatchewan Telecommunications Pension Plan. The Plan is a “Defined Benefit” plan, which remains closed to any new members.

Required Contributions

Your contributions while you are an active member of the plan depend on your age at the time of engagement or re-engagement in the Pension Plan, and are as follows:

- Under age 30 — 7%
- Age 30 or over but under 40 — 8%
- Age 40 or over but under 60 — 9%

Employees are required to contribute for a maximum of 35 years.

A portion of this employee contribution is diverted to the Canada Pension Plan (CPP).

Canada Pension Plan

On January 1, 1966, the Canada Pension Plan was introduced and it is integrated with the Saskatchewan Telecommunications Pension Plan. It is integrated on the basis that part of the employee contribution is diverted to the Canada Pension Plan.

- 1.8% of your salary is diverted on earnings in excess of the basic exemption up to the Year’s Maximum Pensionable Earnings (YMPE) (these minimum and maximum levels are established by the Federal Government and change annually). This means an employee required to contribute 7% of their salary to their pension would contribute 5.2% on earnings below the maximum amount to the SaskTel Pension Plan, and the remaining 1.8% would go to their CPP contributions. For income above the salary maximum the total 7% contribution would go into the SaskTel Pension Plan.

- The diversion of contributions (1.8%) to the CPP is offset by the reduction calculation to the pension amount after age 65. (Shown below under Pension Calculation.)
- This reduction should more than offset the pension received under the Canada Pension Plan.

Retire with a Pension

The normal retirement date is the last day of the month in which you attain the age of 65. However, you can elect early retirement and are eligible to receive a pension based on the following rules:

Unreduced Pension

- Having attained the age 60 and having completed at least 20 years of service.
- Having completed 35 years of service.

Reduced Pension

- Having attained the age of 55 and having completed at least 30 years of service. Your pension would be reduced by:
    - (a) 1/12 of 3.75% for each month your age, on the date of retirement, is less than 60 years; and
    - (b) 1/4 of 1% for each full year and any portion thereof that your years of service, on the date of retirement, are less than 35 years.
- Having attained the age of 60 and having completed at least 15 years of service. Your pension would be reduced by:
    - (a) 1/8 of 1% for each month your age, on the date of retirement, is less than 65 years; and
    - (b) 1/8 of 1% for each month that your years of service, on the date of retirement, are less than 20 years.

Postponed Retirement Date

A Member may opt to postpone his or her retirement past age 65 but not later than the end of the calendar year in which the member attains age 71, or such other age as is prescribed under the Income Tax Act (Canada) for the latest commencement of retirement benefits from a registered pension plan. In addition, a member who must start receiving his or her pension in accordance with the Income Tax Act (Canada), may continue to be an Employee, but will not continue to accrue Employment Service.

Pension Calculation

Annual Pension Calculation

Your annual pension is equal to an amount calculated by multiplying 2% of your "Best Average Salary" by the total number of years of service, and any fraction of a year, to a maximum of 35 years.

The "Best Average Salary" means the highest average Salary during any three years of Employment Service, where the average Salary is the total Salary during the period divided by the total number of years and months of Employment Service during the period.

"Salary" means the regular remuneration received by an employee whether as periodic payments, commissions, or bonuses, but does not include pay related to overtime worked. (Specifically, Regular Salary, ITM & Management Market Adjustments, Management Allowances, Sales Incentive Plan payments, Management & System Retention Bonus, 5 day EDO purchase, Northern Retention Bonus, & the Centennial RRSP are all included in determining the best three years).

Canada Pension Plan Reduction

The annual pension calculated above, shall be reduced, on the first day of the month following the month in which you attain age 65, by the Canada Pension Plan reduction amount. The reduction is calculated as the aggregate of:

(a) 0.7% multiplied by the product of your years of service accrued after December 31, 1965, excluding the years mentioned in clause (b), and the lesser of:

- (i) Your Best Average Salary for the purpose of calculating your annual pension if the years mentioned in clause (b) were excluded; and
- (ii) The average of your Year's Maximum Pensionable Earnings (YMPE, as defined under the *Canada Pension Plan*) with respect to actual periods of service in each of the last three years ending on the last day of the month preceding the day:
  - you ceased to contribute after contributing for a period of 35 years; or
  - where the above does not apply, on which you ceased to be employed; and

(b) 0.7% multiplied by the Member's YMPE with respect to the Member's actual periods of service in each year during which the Member's Salary exceeded the maximum amount with respect to which contributions were permitted in that year pursuant to the *Income Tax Act*.

Example Calculation of Pension Amounts

Conditions:

- Employee retiring at age 55 with 35 years service.
- Contributed to CPP for 35 years.
- Contributed to CPP at the maximum for the last year (2005) = $41,100.00
- Contributed to the SaskTel Pension Plan for 35 years
- Employee's average annual salary of the three highest earning years = $50,000.

Pension Amount:

2% x $50,000 x 35 years	= $35,000.00 per year of pension
	= $2,916.67 per month of pension

CPP reduction at age 65:

0.7% x $40,500.00 x 35 years	= $9,922.50 reduction per year
	= $826.87 reduction per month
Adjusted Pension at age 65	= $2,916.67 - $826.87 = $2,089.80

The normal commencement age for a CPP retirement pension is age 65, however, you may apply between ages 60 and 70. This will offset the reduction shown above. Your SaskTel Pension will be reduced at age 65 regardless of when you apply for CPP.

Indexing

Indexing shall be implemented on the first day of April in each and every year, based on the previous years' average Consumer Price Index (CPI) for Canada. In no year shall indexing exceed 2%. In years where the Consumer Price Index is less than 2%, indexing shall be at the rate established by the average Consumer Price Index for Canada.

Joint Annuity Election

For members with a spouse (who has not chosen to waive their rights), the SaskTel Pension Plan has two Joint Annuity options. The normal form of pension provides for a 60% joint annuity. In this case, following the death of the member, monthly payments shall continue to the surviving spouse for life at 60% of the amount being paid to the member.

You may elect a 100% joint annuity which is actuarially calculated based on the member and spouse's ages at time of retirement. In this case, following the death of the member, monthly payments shall continue to the surviving spouse for life at 100% of the amount the member was entitled to. This option must be selected at any time prior to the day your pension is to commence.

The election to give or withdraw a notice for the 100% joint annuity option can be done any time prior to the day your pension is to commence. Once your pension commences the annuity form selected cannot be changed.

Return of Excess Contributions

Beginning on January 1, 1999, your required contributions made to the Plan after this date, shall not be used to fund more than 50% of the Commuted Value[1] of your pension that is attributable to benefits accrued after this date. The value of your contributions, together with Credited Interest, that exceeds 50% of the Commuted Value of the pension shall, at your option, be:

(a) Refunded to the Member;

(b) Transferred to an RRSP;

(c) Transferred to another registered pension plan;

(d) Transferred to an Insurance Company to purchase a deferred pension; or

(e) Used to increase the amount of the pension under the Plan.

Maximum Retirement Pension

The amount of annual pension payable in respect of service after December 31, 1991 shall not exceed the Defined Benefit Limit for the year in which the pension commences to be paid and 2% of the Member's Best Average Salary, will be adjusted for indexing in accordance with the *Income Tax Act*, during any three non-overlapping periods of 12 consecutive months when the Member's total Salary was the highest.

Varying the Pension Amount (with Old Age Security)

- An employee retiring with a pension may choose to receive an additional pension for life by integrating their Old Age Security with their normal pension. However, your total pension would be reduced on the first day of the month following the month in which you attain age 65, by an amount equal to the amount of pension payable under the Old Age Security Act (Canada) that was in effect at the date of retirement.

[1] **"Commuted Value"** means the monetary value of benefits as of a certain date, determined on the basis of actuarial assumptions and methods that are adequate and appropriate and in accordance with generally accepted actuarial principles; and in accordance with the conditions (if any) that are prescribed by the Pensions Benefits Act.

- Based on the retirement age of the single employee, or based on the age of both partners of a married couple, an employee receives an amount taken from actuarially compiled tables. This amount is paid to the retiree over and above the earned pension.
- In the event the retiree dies before age 65, the surviving spouse will continue to receive the proportion of the additional pension as stipulated by the Joint Annuity selection. However, at such time that the deceased member would have attained age 65, the spouse's pension will be reduced proportionately based on the pension payable under the Old Age Security Act that was in effect at the date of the member's retirement.

Death of an Employee/Retiree

Death prior to retirement

- If an employee dies prior to retirement, and leaves a spouse and/or children under age 18, the spouse and/or children will receive a pension. If the employee has the 60% joint annuity option in effect, the spouse would receive 60% of the pension that the employee would have been entitled to had the employee commenced their pension on the day of death. If the employee had selected the 100% joint annuity option, the spouse would receive 100% of the actuarially calculated pension that the employee would have been entitled to had the employee commenced their pension on the day of death. The value of the pension mentioned above with respect to benefits accrued on and after January 1, 1999 shall not in any case be less than the sum of:

  (a) 100% of the Commuted Value of the employee's pension that is attributable to benefits accrued on and after January 1, 1999; and

  (b) The value of the employee's excess contributions.

  The spouse may also choose to transfer the whole of the Commuted Value of any portion of a pension that is attributable to benefits accrued on and after January 1, 1999 to:

  (a) Another registered pension plan;

  (b) An RRSP that is prescribed by the Pension Benefits Act (i.e. locked in); or

  (c) An Insurance Company to purchase a deferred pension that is not commutable and that will not commence earlier than the day on which the Spouse attains age 55; or

  (d) A lump sum cash payment.

- In addition, where the 60% joint annuity option is in effect, each child under age 18 receives a child allowance equal to 10% of the pension, to a family maximum of 25%. For example, if a spouse who was entitled to a 60% joint annuity has three children under age 18, in total the family would receive 85% of the pension the member was entitled to receive. The child allowance is to be divided equally among the children who are entitled. The child allowances cease as each child turns 18.

- Where a spouse of a member has predeceased the member or subsequently dies, and there are children under the age of 18, the children would then be entitled to receive the pension, as follows.

  (a) if the 60% joint annuity option was in effect, the children would receive 60% of the pension that the employee would have been entitled to. This amount shall be paid until all children attain age 18. Any child allowances the children may have been receiving are terminated.

  (b) if the 100% joint annuity option was in effect, the children would receive 100% of the pension that the employee would have been entitled to. This amount shall be paid until all children attain age 18.

- Where an employee dies leaving no spouse or children under age 18, their personal representative or nominee (e.g. their estate), or a member of the family (as the Board may direct), would receive a lump sum payment equal to the sum of:

  (a) The employee's contributions plus interest up to December 31, 1998, and

  (b) The Commuted Value of the employee's pension that is associated with benefits accrued on and after January 1, 1999.

- At any time before the death of a Member, the Member's Spouse may waive their rights to an entitlement as the spouse. If their rights are waived, the survivor benefits will be paid as if the Member died without a surviving spouse. The spouse may revoke the waiver at any time prior to the death of the member. Contact Human Resources (Benefits) for information and the appropriate forms.

<u>Death after retirement</u>

- If a member dies after retirement, and leaves a spouse and/or children under age 18, the spouse and/or children will continue to receive a pension (assuming the spouse did not waive their rights). If the member has the 60% joint annuity option in effect, the spouse would receive 60% of the pension that the retired member was entitled to. If the member had selected the 100% joint annuity option, the spouse would receive 100% of the pension that the deceased member was entitled to.

- In addition, where the 60% joint annuity option was in effect, each child under age 18 receives an additional child allowance equal to 10% of the pension, to a family maximum of 25%. For example, if a spouse who was entitled to a 60% joint annuity has three children under age 18, in total the family would receive 85% of pension the retired member was entitled to. The child allowance is to be divided equally among the children who are entitled. The child allowances cease as each child turns 18.

- Where a spouse of a member has predeceased the member or subsequently dies, and there are children under the age of 18, the children would then be entitled to receive the pension, as follows.
  (a) if the 60% joint annuity option was in effect, the children would receive 60% of the pension that the deceased member was entitled to. This amount shall be paid until all children attain age 18. Any child allowances the children may have been receiving are terminated.

  (b) if the 100% joint annuity option was in effect, the children would receive 100% of the pension that the deceased member was entitled to. This amount shall be paid until all children attain age 18.

- If, at any time after the death of a Retiree, there is no person eligible to receive a pension, a lump sum payment will be made to the personal representative or nominee (e.g. their estate), or to a member of the family (as the Board may direct), in an amount equal to the positive difference between:
  (a) The total of the retired member's contributions plus interest made to the Plan accrued to the date of retirement; and

  (b) The total sum of all benefits paid to the retiree, the surviving Spouse and children, if any.

Buy Back of Service as a Result of Previous Employment with SaskTel or the Provincial Government

If a person was previously employed by SaskTel, had contributed to the SaskTel Pension Plan during that period of employment, and meets all the requirements as outlined by the *Income Tax Act*, they may, upon employment or re-employment with SaskTel, apply to have this service credited as Employment Service. SaskTel will review all the circumstances of the prior employment to determine eligibility. If it is deemed as eligible service, the employee must pay the required contributions and interest, together with credited interest between the day the prior employment ceased and the day the notice of election is received by the Pension Plan Board.

If you worked for another Provincial or Crown Organization prior to coming to SaskTel, please contact HR Benefits to determine if that prior service is eligible to be 'purchased back'.

Attachment

Any pension payment made by or an amount held in the Saskatchewan Telecommunications Pension Plan is not subject to garnishee, attachment or seizure, or any legal process. Nor can any payment be assigned to a third party. The exceptions are where a retiree, widow or employee, entitled to a payment, is indebted to the Federal Government under the Income Tax Act, or such assignment of funds is required by law as a result of the breakdown of a marriage or other conjugal relationship. In such cases, a demand of payment would be accepted and paid from a pension or refund.

Leave of Absence

Every employee on leave of absence without pay for a period not exceeding one year, must, after returning to work, have sums deducted from their salary to repay the contributions that would have been deducted had they not taken the leave of absence. Such deductions would be calculated based on the same level of salary the employee was receiving immediately prior to going on the leave of absence.

Layoff

An employee returning from lay-off within one year will be covered by the Saskatchewan Telecommunications Pension Plan. Contributions associated with the period of lay-off must be repaid.

Disability

If an employee has contributed to the plan for 15 years or more and is forced to cease work due to total and permanent disability, they may apply to the Pension Plan Board for premature retirement on the grounds of ill health. If approved, the employee will be retired on pension.

Marital Breakdown – Division of Pension

On the breakdown of the marriage of a Member of the Pension Plan, the pension or other benefit the Member is entitled to, will be divided as follows:

(a) Where a court has made an order for the division of matrimonial property pursuant to *The Family Property Act*, in accordance with the order; or

(b) Where the Member and his or her Spouse have entered into an agreement to divide their matrimonial property that is an inter-spousal agreement within the meaning of *The Family Property Act*, in accordance with the agreement.

The division of a pension or other benefit attributed to the period of marriage must not reduce the Commuted Value of a member's pension to less than 50% of the Commuted Value prior to the division, or to less than 50% of the member's contributions plus interest, whichever is greater. (This does not apply to a retired member).

Value of Pension to be Divided

- Where a Member has not become eligible to receive a pension without reduction, the value of the pension or other benefit is to be calculated as the greater of:
  - (a) the Commuted Value of the pension that accrued during the period beginning on the date of the marriage and ending on the date mentioned in the order or agreement, calculated as if the Member had terminated membership on the date mentioned in the order or agreement, and
  - (b) the member's contributions plus interest that accrued during the period beginning on the date of the marriage and ending on the date mentioned in the order or agreement.
- Where the Member has become eligible to receive a pension without reduction, the value of the pension or benefit is to be calculated as either:

  The value of the pension or benefit is to be calculated as either the value of the
  - (a) pension calculated above or
  - (b) as a division of the unreduced pension when the pension becomes payable,

  as provided in the order or agreement.
- Where a Retired Member has commenced receiving a pension under the Plan, the division of the pension shall be in accordance with the order or agreement.

Spouse's Portion of Divided Pension

Where the Spouse or former spouse of a Member is entitled to either:

- a division of the Commuted Value of a pension, or
- a division of the Member's contributions plus interest,

The portion of the Commuted Value or contributions plus interest to which the Spouse or former spouse is entitled shall be transferred to an RRSP that is prescribed by the Pension Benefits Act (i.e. locked in). The Spouse or former spouse has no further claim or entitlement to any pension or benefit pursuant to the Plan.

Member’s Pension after Division

After a division of the pension, the Member’s remaining pension entitlement is the amount that is determined by the formula:

A - B

Where:

A is the Member’s pension at his or her pension commencement date calculated as if no division had occurred; and

B is the amount determined by the formula:

C ÷ D x E

Where:

C is the amount transferred on behalf of a Spouse or former spouse to a locked-in RRSP;

D is the greater of:

- the Commuted Value of the Member’s pension at the date mentioned in the order or agreement and calculated as if the Member’s employment terminated on the date mentioned in the order or agreement; and
- the Member’s contributions plus interest.

E is the amount of the Member’s pension accrued at the date mentioned in the order or agreement.

Termination of Employment

Deferred pension

- A resigning employee may elect to receive a deferred pension:
  - With 15 to 19 years of service – payable at age 60 (reduced pension)
  - With 20 to 29 years of service - payable at age 60 (unreduced pension)
  - With 30 or more years service - payable at 55 (reduced pension)
- A deferred pension is a normally calculated pension held in trust until age 55 or 60 at which time payments would commence.
- A deferred pension contains immediate survivor benefits so that in the event of the death of a deferred pension holder, leaving a spouse and/or dependent children, an immediate pension would be payable in the same manner as if the pension holder were an employee.

- A person who does not, within four months from the date of termination, elect to receive a refund of contributions or make a transfer, shall be deemed to have elected a deferred pension from the Plan. However, such member may at any time, upon notice to the Board, elect to cancel the deferred pension and obtain a refund of their contributions or make a transfer, as per the provisions below.

Refund of Contributions

Where an Employee terminates their employment and does not elect to receive a deferred pension, they may, at their option:

(a) receive a refund of the Employee's contributions made to the Plan as at December 31, 1998, together with Credited Interest accrued to the date of payment; and

(b) transfer the sum of:

- 100% of the Commuted Value of the Employee's pension that is attributable to benefits accrued on and after January 1, 1999; and
- the value of the Employee's excess contributions

to either, another registered pension plan, an RRSP that is prescribed by the *Pension Benefits Act* (i.e. locked in); or an Insurance Company to purchase a deferred pension that is not commutable and that will not commence earlier than the earliest day on which the pension could have commenced pursuant to the Plan.

The employee in addition to a direct refund, may at their option, choose to have the refund identified in part (a) dealt with according to the options available in part (b).

Transfer of Contributions

Transfer to another Registered Pension Plan under reciprocal agreement

Where employment is terminated so that the Employee may enter the employ of the Liquor and Gaming Authority, Saskatchewan Power Corporation, the Workers' Compensation Board, or of the Government in the public service, the employee's contributions to the pension plan plus credited interest, may, at the option of the Employee and to the extent permitted by the importing plan, be transferred pursuant to a reciprocal agreement to the Liquor Board Superannuation Fund, The Power Corporation Superannuation Fund, The Workmen's Compensation Board Superannuation Fund or the consolidated fund.

Transfer to a Registered Retirement Savings Plan (RRSP)

The Employee may transfer an amount equal to the greater of:

(a) the value of all contributions together with credited interest, plus a matching amount equal to the contributions plus interest; and

(b) the value of:

- contributions together with credited interest, plus a matching amount equal to the contributions plus interest, as at December 31, 1998, and
- 100% of the Commuted Value of the Employee’s pension that is attributable to benefits accrued on and after January 1, 1999; and
- the value of the Employee’s excess contributions,

to an RRSP that is prescribed by the Pension Benefits Act (i.e. locked in).

Employment after Retirement

If a retiree becomes re-employed with SaskTel (placed on SaskTel payroll), the retiree’s pension will be suspended immediately and remain suspended until such time as they are no longer employed by SaskTel.

Questions

Current SaskTel Employees may direct questions and concerns to:

Human Resources – Benefits
13th Floor, 2121 Saskatchewan Drive
Regina, SK S4P 3Y2
Telephone: 777-2195 777-3080 777-5834

Pensioners may direct questions and concerns to:

Finance – Pension Plan
6th Floor, 2121 Saskatchewan Drive
Regina, SK S4P 3Y2
Telephone: 777-2550 777-4123 777-2555

This document is a summary of the provisions of the SaskTel Pension Plan as of December, 2009. The plan text should be referred to for full disclosure of plan provisions.

For further information regarding the Saskatchewan Telecommunications Pension Plan, please refer to the Saskatchewan Telecommunications Pension Plan Text or contact the Benefits or Finance staff directly. Copies of the Plan Text can be printed from *The Source* or obtained from either of the above groups.