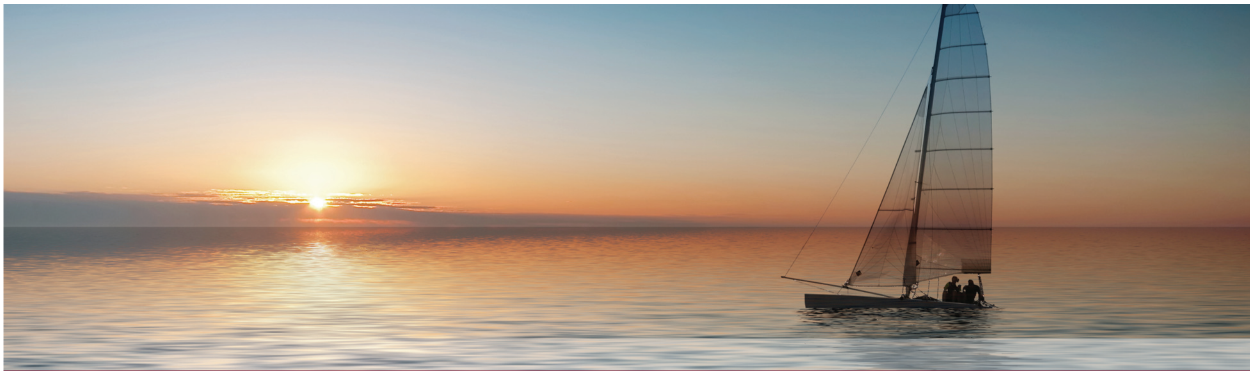


Preparing for retirement

What's in this fact sheet?

This fact sheet explains the basics of retirement planning. For more information, contact the Human Resources Service, Pension Sector:

Telephone: (613) 562-5800 ext. 1747

E-mail: pension@uOttawa.ca

In person: Tabaret Hall, Room 019

What's your retirement life plan?

Moving into retirement can be one of the biggest changes and challenges we face. With the right amount of planning, however, you will be able to spend your retirement years doing the things you love. It might be travel, time with your family, hobbies, or even a career change.

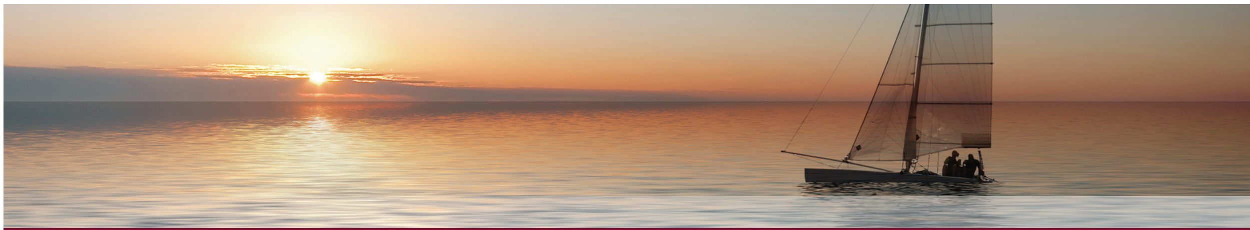
Help with your retirement planning

The University's Centre for Organizational Development and Learning offers a two-day pre-retirement seminar for employees who are age 50 or older. This seminar is designed to provide you with information about how to plan all areas of your life, preferably before your actual retirement day so you can make a smooth transition. The seminar also includes a primer on the University's pension plan and other aspects of financial security. To find out when the next seminar will be held or to register, call the centre at (613) 562-5800 ext. 1543.

Almost all the talk around retirement is about finances. Retirement income is a key consideration when planning your retirement, but retirement is not just about adapting to a new financial picture, it's also about having a new life plan.

When you think about retirement, you should consider the following:

- Why are you thinking about retirement now?
- Do you really want to retire completely? How much of how you define yourself is wrapped up in your job? Does the thought of not working scare you? Will you miss the sense of security?
- What is important to you? What fulfills you? Do you have outside interests or hobbies? Are you planning new activities in retirement?
- What do your retired friends say about retirement?
- Where will you live?



What's your financial future?

There are aspects of your retirement life that you will know before retirement and those that will be unknown.

Here's what you don't know

How long will your retirement nest egg have to last? What if you live to be 95? What will the price of a loaf of bread be in 30 years, or a litre of gas?

Canadians have been enjoying longer retirements. Life expectancy is going up while Canadians have been retiring earlier. This creates a real challenge because retirees may spend as much time drawing income from their retirement assets as they did building them.

Will you have good health in retirement? Usually, health care costs increase at older ages, when people are less able to pay for them.

Here's what you know

Your lifestyle will dictate how much you'll need to save to maintain a standard of living after retirement that is comparable to what you enjoyed while working. As a rule of thumb, most financial advisers say that you should try to have a retirement income of 50% and 70% of your pre-retirement income.

You also know that you will need some inflation protection on your retirement income to maintain your purchasing power during all of your retirement years.

Reviewing your finances

There are three possible sources of retirement income:

- your University of Ottawa pension plan,
- government benefits, and
- your own savings and investments.

University of Ottawa pension plan

The University of Ottawa Retirement Pension Plan is a defined benefit plan. This means that when you retire you will receive a pension based on a formula that takes into account your earnings and the number of years of credited service you have in the plan.

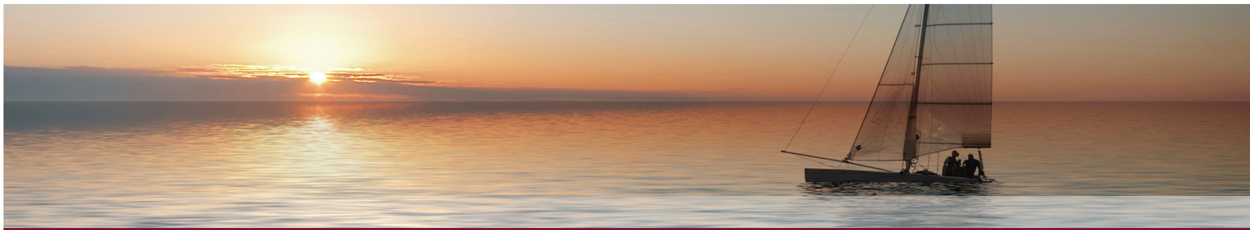
For each year of credited service, the formula is:
1.3% of your average earnings up to the integration level
plus
2.0% of your average earnings above the integration level

Terms you need to know

Credited service
Your credited service is the days, months and years that you contribute to the University's pension plan, including service that you transferred from a previous employer, previous service that you bought back, or service while you were receiving benefits from the University's Long-Term Disability Plan.

Average earnings
The average of your earnings over the 60 highest-paid months recognized by the University for this purpose.

Integration level
The University pension plan provides for a pension that differs for the portion of earnings below and above a certain threshold. The threshold of earnings is based on the maximum earnings covered for purposes of determining the pension payable from the Canada and Quebec Pension Plan and differs for service before and after January 1, 2004.
For example, for someone retiring in 2009, the integration level for service after 2003 is $34,595.



Preparing for retirement

The plan provides a minimum benefit level. At a minimum, benefits accumulated for each year of credited service are equal to 1.5% of your average earnings.

The pension calculated using the formula may be adjusted to reflect the form of pension you select at retirement and your early retirement, if applicable.

See the *Survivor benefits under the pension plan* fact sheet for more details on the forms of pension. Keep reading below to learn more about a potential reduction for early retirement.

The pension amount is also “indexed” to reflect part of the inflation. More on protection against inflation is found below.

Retiring early
You may choose to retire and begin receiving a pension as early as age 55. Your pension is reduced if, at the time of your retirement, you:

- are younger than age 60, and
- have not reached 90 points, that is, your age plus years of credited service do not equal at least 90.

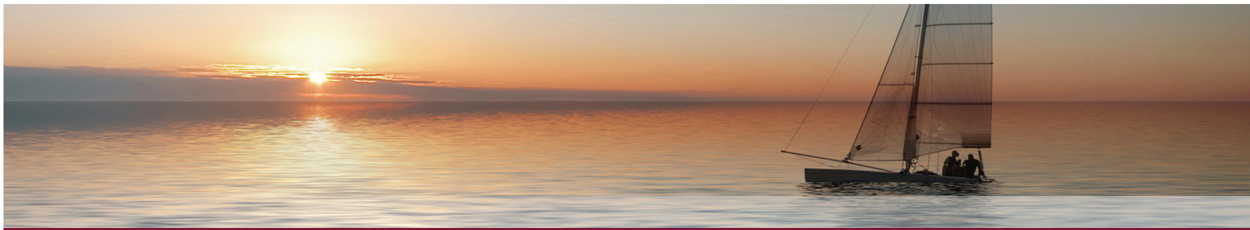
The plan actually has generous early retirement rules. It allows you to retire before age 65 – as early as age 60 (or even earlier if you reach 90 points) – and collect an unreduced pension for your lifetime. If you retire before the age at which you are entitled to an unreduced pension, your pension will be reduced on an actuarially equivalent basis to reflect the fact that it will be paid to you for a longer period of time. Think of it this way – if you retire at age 55, and live until you’re 80, you’ll receive five more years of pension payments than a person who retired at age 60 receiving an unreduced pension who died at the same age.

Protection against inflation
On each January 1 following the start of your pension, your pension will be automatically adjusted to reflect at least part of the increase in the Consumer Price Index (CPI). If the CPI increase for the previous year is less than 2%, the adjustment is equal to the CPI increase. Otherwise, it is equal to the greater of 2% and the CPI increase minus 1%. This adjustment will not exceed 8% for any one year.

Pension statements
Each year in the month of June, you receive a pension statement providing information on the retirement benefits that you have accumulated in the University of Ottawa Retirement Pension Plan. Your pension statement also contains relevant information on your contributions, your beneficiary, etc. This statement is sent to your postal address. If you changed address during the year, please inform the Human Resources Service.

Online tools to assist in your retirement planning
The University provides Personal Information and Retirement Planning pages in the pension section of the Human Resources Service website (www.hr.uottawa.ca/pension). On these pages, you have access to interactive calculation tools and information to help with your retirement financial planning. Among other features, you can:

- calculate your estimated pension from the pension plan,
- prepare a complete, confidential and personalized financial plan for your retirement using the Financial Planner tool, and
- visit the Learning Centre, which contains useful information about financial planning and investments.



Government benefits

Canada Pension Plan/Quebec Pension Plan benefits

When you work in Canada, you automatically contribute to the Canada Pension Plan (CPP) or Quebec Pension Plan (QPP). The retirement benefit you receive is based on several factors: your years in the workforce, the CPP/QPP contributions you made while you were working and your earnings during those years. If your salary is below the Year's Maximum Pensionable Earnings (YMPE), you do not get a maximum CPP/QPP benefit. The maximum monthly benefit in 2009 is $908.75.

You can start CPP/QPP payments as early as age 60 if you have stopped working, or as late as age 70. Your pension will be adjusted to reflect the earlier or later payment starting date. After you begin receiving your CPP/QPP pension, adjustments are made each year to reflect changes in the CPI.

If you die, your survivors can apply for CPP/QPP survivor benefits. If you and your spouse meet certain eligibility requirements, your spouse could receive a monthly benefit after your death. Your dependent children may also receive a monthly benefit, and a one-time lump sum to cover the cost of funeral expenses.

Applying for CPP

To apply online or download a copy of the application form, visit the Service Canada website at:

www.servicecanada.gc.ca/eng/sc/cpp/retirement/answer_applycpp.shtml

You can also call Service Canada toll-free at 1 800 277-9914, if you prefer a paper copy of your application. Be sure to have your Social Insurance Number ready when you call.

Applying for QPP

If you are a Quebec resident, you will apply for a pension from the QPP. To apply online or download a copy of the application form, visit the Régie des rentes du Québec online at:

www.rrq.gouv.qc.ca/en/services/formulaires/regime_rentes/retraite/B-001.htm

Terms you need to know

Year's Maximum Pensionable Earnings

This is the amount the government sets each year, and uses to base your contributions to – as well as your benefits from – the Canada Pension Plan or Quebec Pension Plan. In 2009, the YMPE is $46,300. Annual changes to the YMPE are based on increases in average Canadian industrial wages.

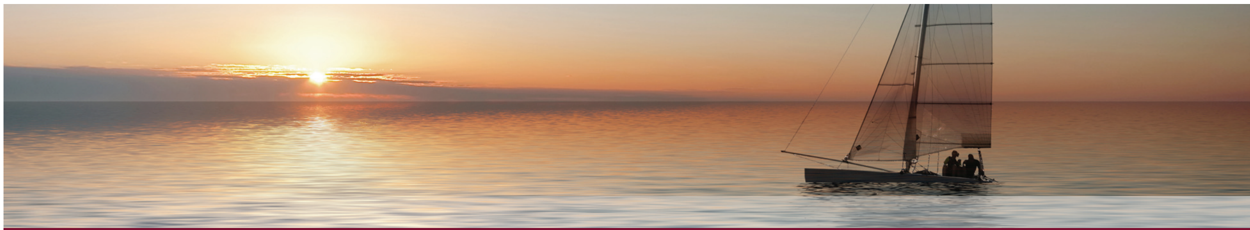
For more information on government benefits

Up-to-date CPP and Old Age Security (OAS) benefit amounts, as well as complete descriptions of these and other plans, are available on the Human Resources and Skills Development Canada (HRSDC) site at:
www.hrsdc.gc.ca/eng/home.shtml

The HRSDC site also allows you to view your personal CPP benefits statement online. For details, visit:
www.hrsdc.gc.ca/en/isp/common/proceed/socinfo.shtml

Complete information on the QPP can be found at:
www.rrq.gouv.qc.ca/en

You can also view your statement of participation in the QPP. For details, visit:
www.rrq.gouv.qc.ca/en/services/services_en_ligne/releve_participation.htm



You can also find paper copies of the application at:

- one of the Régie's client service centres,
- Services Québec,
- most banks and caisses Desjardins, and
- the office of your member of the National Assembly.

Old Age Security

If your income in retirement is below a certain amount, you may be eligible to receive a monthly payment from OAS starting at age 65. Adjustments are made to OAS payments to reflect changes in the CPI.

In 2009, pensioners with an individual net income above $66,335 must repay part or the entire maximum OAS pension amount. The full OAS pension is eliminated when a pensioner's retirement income is $107,692 or above.

Applying for OAS

You should apply for your OAS six months before your 65th birthday. To apply, you must complete and return an application kit, which is available online at:

www.servicecanada.gc.ca/eng/faq/oas.shtml

You can also call Service Canada toll-free at 1 800 277-9914, if you prefer a paper copy of your application.

Personal retirement savings

For most Canadians, accumulating personal savings for retirement means contributing to RRSPs. Contributions to RRSPs are tax deductible up to limits stated in the *Income Tax Act* (Canada). In addition, the investment earnings in an RRSP accumulate tax-free until they are withdrawn.

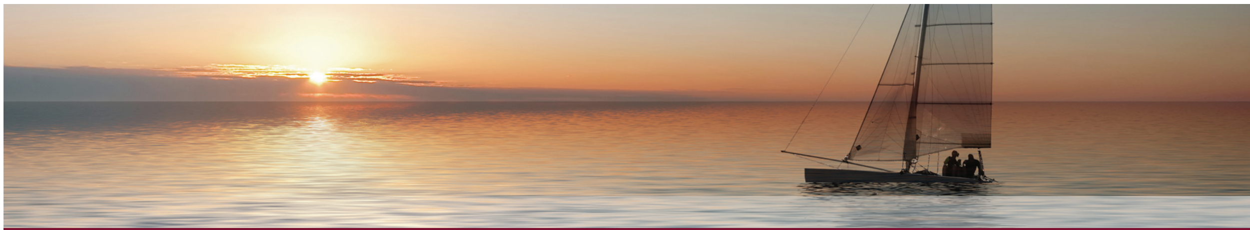
Government rules limit the amount you can save in a personal RRSP. The amount is called RRSP contribution room. In 2009, for example, you may contribute a total of 18% of your previous year's earned income to a maximum of $21,000, less your 2008 pension adjustment (PA). Your PA reflects the amount of pension you earned in the University's pension plan during the year. Your PA is reported on your T4 slip.

If you don't use up all your RRSP contribution room in a year, you can carry forward the unused portion. Also, funds can remain in an RRSP until the end of the year you reach age 71. At that time, you can use them to purchase an annuity (a pension-like payout) or transfer them to a registered income fund.

Seeking financial advice

As you plan for your retirement, you may want to visit an independent financial adviser to help with your decision making. An independent adviser – a financial planner, an actuary or an accountant – will be qualified to give impartial and useful advice.

The University's Human Resources Service website also features a downloadable *Financial Planner Guide*.



Preparing for retirement

How to retire from the University

When the time comes for you to retire from the University, you need to confirm your intent in writing to your supervisor, with a copy of the correspondence going to the Human Resources Service, Pension Sector, as per the required notice.

The Pension Sector will set up a meeting to start the process within two to three months of your retirement date and ensure that you complete the appropriate forms, with relation to your pension, beneficiaries and group benefit options.

In turn, the Human Resources Service will ensure that all data related to your pension entitlements are correct, and carry out the calculations for your benefits.

You will then have a second meeting, if necessary, with the Pension Sector to review your entitlements and complete the remaining paperwork.

Retirement always takes effect on the first of a month. Pension payments always begin on the last business day of the month in which you retired. For example, if you retire in September 2009, you would work up to Monday, August 31, your retirement date would be September 1, and your first pension payment would be paid to you – through direct deposit in your Canadian bank account – on September 30.

Other valuable benefits from the University

Depending on your union or affiliation group, you also may be eligible for a whole host of other valuable benefits during retirement. These include:

- a lump-sum retirement allowance based on your years of service with the University,
- a health spending account funded by the University to help you cover eligible health and dental expenses,
- access to supplementary health, hospital room and dental insurance at competitive group rates,
- life insurance coverage,
- until you reach age 70, the extension of your tuition support program for you, your spouse and dependent children who are younger than age 26,
- use of the libraries,
- access to Sport Services, and
- an e-mail account.

The Human Resources Service can provide you with more details on these benefits and whether or not you are eligible for them.

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