



# Pension Airwaves

## Episode 3 - Contributions (*Transcript*)

Thanks very much for tuning in to today's podcast episode. Today we're going to be talking about contributions, in particular, the contributions that Plan members make into the UBC Staff Pension Plan. Today I have a guest to help explain more about what pension contributions are all about. I want to give a warm welcome to Debbie Wilson, Director, Pensions, here at the UBC Pension Administration Office. Thanks so much for joining me today, Debbie!

**Debbie:** I'm glad to be here!

**Chelsey:** Tell me about pension plan contributions. What are they for?

**Debbie:** The contributions that are made to the Plan are used to ultimately pay for the benefits when Plan members retire. So both Plan members and the employer pays contributions to be able to fund the pensions that are payable in the future.

**Chelsey:** And so... there's employee and employer contributions, right?

**Debbie:** That's correct.

**Chelsey:** Is there a difference?

**Debbie:** Yes there's a difference in terms of amount. Plan members are making a contribution of 6.5% of basic salary. So on each paycheck you'd be able to go into Workday, and you would see your salary, and then you'd see 6.5% coming off and it would be shown as a 'pension contribution.'

**Chelsey:** Ok, so we can go into Workday, and similarly to how we would see our taxes taken off, union dues, other deductions, I can also see my pension contributions there right?

**Debbie:** That's right. And pension contributions are not taxed. So, that's important from your perspective because that means you're paying less tax on your income than you otherwise would if you weren't in a pension plan and making contributions.

The other thing that's not taxed is employer contributions. So the employer contribution rate is 9.4%. That 9.4% is being paid by the employer and you as a plan member are not being taxed on it.

**Chelsey:** So when we make contributions, and UBC, or the employer, makes contributions, does it go into our own individual accounts, or... how does that work?

**Debbie:** So, no it doesn't go into your own personal account, it goes into a trust fund. Our trust fund is with a financial institution called Northern Trust. All of our money each month gets sent to Northern Trust. And why that is important to you as a plan member is: a trust fund has a lot of legal requirements, and in fact the only benefits that can be paid out of a trust are plan benefits (to Plan members) as well as expenses or money owed to Plan members, and expenses of the Plan. So no other creditor can take money out of that trust fund.

**Chelsey:** Can eligible staff opt out of making contributions?

**Debbie:** No. We now have mandatory enrolment into the Staff Pension Plan. When an employee is hired and they meet the requirements, they are automatically enrolled in the Plan, so you can't opt out of the Plan at that point. You can't say "Well, I'd actually rather not be in the Plan." There is no opportunity to not make contributions.

**Chelsey:** That's an interesting point because I've heard anecdotes from members who started working at UBC way before mandatory enrolment became a thing, which I think was in 2020, and they've said that for whatever reason, for age or life circumstances, enrolment in the Plan wasn't top of mind for them, and they didn't enroll right away, even though they were in an eligible position. And now that they've been here for some time and they're starting to think about retirement maybe around the corner... they're now kind of regretting not enrolling right away, because now their pensionable service is going to be less than it could have been.

**Debbie:** Yes, those are the same sorts of stories that we were hearing. There's so many competing interests for your money, that it's hard to agree to enroll in a plan if you have an option. And ultimately, UBC knows that the more time you're in the Plan, the bigger your pension, and the better off you'll be. And it's sometimes hard to see that as a new employee. And that's why the Pension Board recommended the mandatory enrolment change to the Board of Governors back in 2020.

**Chelsey:** What about if new employees are coming into the Plan from another employer that also had a pension plan? Are they allowed to transfer that money into the SPP?

**Debbie:** No, unfortunately you can't, there's no opportunity for members to transfer in funds from an RRSP or another employer's pension plan into our Plan.

**Chelsey:** So what about if someone wants to go on a leave of absence? Do we still pay contributions during that time?

**Debbie:** You have the option to contribute, or not. For some leaves, like a maternity leave or parental leave, if you choose to pay your contributions, then you'd pay your 6.5%, and UBC would pay its 9.4%. Whereas for other unpaid leaves, if you wanted to contribute and continue to earn service in the Plan, you would have to pay both your contributions and UBC's contributions. But, as I say, you have the option - to contribute or not, but know that if you don't contribute, you'll have less pension at the end of the day.

**Chelsey:** Because there's less pensionable service? Given that that's a factor in how our pension benefit is calculated?

**Debbie:** That's correct.

**Chelsey:** What about when a leave of absence is over? Then what happens?

**Debbie:** Once your leave is over, and you come back to work, you will automatically have your contributions re-started. You know, you should go in to Workday when you first come back, have a look at your first paycheck, and just double check to make sure that's happening. Because ultimately you're required to be in the Plan and contributing.

**Chelsey:** What about contributing to other savings accounts, while you're also contributing to a pension plan? I know lots of us hear about RRSPs and "contribution room" during tax time every year... are we allowed to contribute to these other accounts when we're already in the Plan?

**Debbie:** Yes you are. You'll see how much RRSP room you have when you get your tax assessment from Revenue Canada each year. Your RRSP room is impacted by the fact that you are participating in the UBC Staff Pension Plan. So there's a calculation that we do every year that reflects on your T4 slip, and it's called a 'Pension Adjustment'. That Pension Adjustment gets reported to Revenue Canada, and they then reduce your eligible RRSP room by that amount. Your RRSP room is lower by the fact that you're in a pension plan, but you can still contribute up to the amount that is shown on your assessment.

**Chelsey:** What about choosing different savings accounts, like choosing an RRSP versus a TFSA for example?

**Debbie:** The TFSA is different from the RRSP in that the contributions that you put in are not tax deductible. The fact that you're in a pension plan has no impact on the amount that you can contribute to a TFSA. So we recommend that people, as much as they can, set aside additional savings, whether that be an RRSP, or a TFSA, in order to have sufficient retirement income. The Staff Pension Plan is good. But it's really nice to have those additional funds set aside so that you'll have additional money in retirement.

**Chelsey:** Definitely. I know that our workshop, UYSPP (or Understanding Your Staff Pension Plan) has a great slide in it that illustrates this with a 3-legged stool, with one leg being your government pension (so, CPP - Canada Pension Plan), another leg being the employer pension (so, SPP), and then that third leg that I think some people forget about, is your personal retirement savings like an RRSP. So when you think about it like that, it's hard for that stool to stand up if it's only got one or two legs, right?

**Debbie:** Yes that's right, I agree.

**Chelsey:** What about if members leave UBC before they retire? Some members think that they lose their contributions. What really happens there?

**Debbie:** No, you definitely don't lose your contributions. We have a very generous benefit actually, upon termination of employment. You're guaranteed to get back at least one and a half times what you put into the Plan. There's a couple of different calculations we do, but the minimum you will receive, is 1.5 times the amount that you've put into the plan over the years that you've been participating.

**Chelsey:** So if staff work at UBC for a very short period of time, and say they've contributed \$1000 into the Plan, then they will take away \$1500 when they leave?

**Debbie:** That's right. In fact, it's with interest as well.

**Chelsey:** That's great.

**Debbie:** Yeah, and it's certainly something when people join the plan, and they're feeling a bit reluctant to join, we do say... yes it is mandatory, but where else could you get a return of 50% on your investment? Especially these days.

**Chelsey:** I know... I think that's a really important thing to keep in mind, no matter how long we have worked at UBC, I think it gives peace of mind to know that that benefit exists.

So I think that wraps up our conversation around contributions! I want to thank you Debbie for chatting about this with me today and unpacking some details around contributions into the Staff Pension Plan! Thanks very much!

**Debbie:** My pleasure!

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