Understanding Key Plan Definitions

Musicians' Pension Fund of Canada

The following key Plan definitions will help you better understand how the Plan works. If you have questions about the Plan or your benefit, please contact the Fund Office: 416-497-4702 or (toll-free) 888-462-6666.

Act: The Act refers to the Ontario Pension Benefits Act, 1990. The Plan is registered under the Act and is subject to its regulations.

Actuarial adjustment: An actuarial adjustment occurs if you elect an optional payment form. An actuarial adjustment is like buying insurance—you pay a price up front in exchange for the chance of your beneficiary receiving a better benefit if you die. That price depends on a number of factors, including the payment option you choose, your age, your spouse's age (if applicable), current interest rates, life expectancy, etc.

Your pension payments can also increase. This would happen if, for example, you choose a lifetime pension guaranteed for five years. Your Part 1 pension payment would increase, since it's normally guaranteed for 10 years; your Parts 2 and 3 pension payments would decrease, since they're normally guaranteed for your lifetime only.

The actuarial adjustment of your pension payment will depend on your age and your spouse's age when you retire, your gender, your actuarial life expectancy, the payment option you choose, etc.

Actuarial reduction: Actuarial reduction related to early retirement means a reduction in your pension payments if you take your pension before normal retirement age. The reduction occurs because your pension is starting earlier than planned and may be paid over two lifetimes if you are on a Joint and Survivor pension—yours and your spouse's.

Actuarial valuation: An actuarial valuation is a type of appraisal of a pension fund's assets versus liabilities. It uses investment, economic, and demographic assumptions to determine the funded status of a pension plan. The funded status is measured by subtracting the Fund's obligations from assets. The Fund's obligations are the benefits the Fund pays now and the benefits it will pay to future benefit recipients.

Actuary: The Plan's actuary is designated by the Trustees to be the actuary of the Plan and is a Fellow of the Canadian Institute of Actuaries. Every three years, in compliance with pension law, the Fund uses the services of professional actuaries to evaluate the Plan to confirm that it has enough money to pay benefits to current and future retirees and beneficiaries. This is called an actuarial valuation. An actuarial valuation may be conducted more frequently than every three years, at the discretion of the Trustees.

AFM/CFM: AFM is the American Federation of Musicians of the United States and Canada. CFM is the Canadian Federation of Musicians, the name the AFM operates under in Canada. CFM is a professional organization available to Canadian musicians through which they may become participants/members of MPF Canada.

Beneficiary: Your beneficiary is the person(s) or institution(s) that you have designated to receive benefits under the Plan if you die and do not have a legal spouse. You may change your beneficiary at any time by notifying the Fund Office in writing. For the change to be effective, it must be received by the Fund Office before any payments are made to your previously designated beneficiary.

Board of Trustees: The Board of Trustees are the people who are responsible for managing the Plan in the best interest of its members according to Plan terms and applicable legislation. The Board is also responsible for ensuring the collection of contributions from contributing employers, investing Plan assets, interpreting the provisions of the Plan documents, and paying pension benefits.

Commuted value (CV): The commuted value of your pension is the current lump-sum dollar value of your pension benefit calculated in a manner prescribed by legislation.

The commuted value is based on the amount of your pension, plus factors such as your age and your life expectancy. The calculation also reflects interest rates in effect when you transfer the commuted value out of the Plan.

Contribution rate: The contribution rate is the amount that employers contribute to the Plan on your behalf, expressed as a percentage of scale earnings. The contribution rate cannot exceed 18%.

Contributions: Contributions are the money paid to the Fund by employers on your behalf. The Plan is funded through employer contributions that are held in trust to provide benefits to eligible members.

Covered earnings: Covered earnings are your earnings on which contributions made on your behalf are based.

Custodian: The custodian is the organization that holds in safekeeping and values (that is, determines the worth of) the securities and other assets of a pension plan.

Deferred pension: Deferred pension is the pension you become entitled to as a former member, if you terminate your membership before becoming eligible for any other type of pension.

Deferred retirement date: Your deferred retirement date is the first day of the month after the month in which you reach normal retirement age and you're no longer a plan member. If you have not reached normal retirement age, this date can be when you elect to start receiving benefits.

Disability pension: A disability pension is a pension benefit that may be payable to you if you become totally and permanently disabled.

Disability retirement date: Your disability retirement date is the first day of the month after you become permanently and totally disabled. You must provide a completed and signed disability retirement application and other required documents to the Trustees for approval. A disability retirement date cannot be more than 12 months before the month that the completed and signed application and other required documents are received by the Trustees.

Early pension: An early pension is the pension you receive if you retire and you are at least age 55 but less than age 65.

Early retirement date: Your early retirement date is the first day of the month after you have met requirements for an early or special retirement pension, have completed and signed an application, or the month you choose to begin receiving benefits for early retirement.

Employee: An employee is a member of the AFM/CFM whose employer makes contributions to the Fund. An employee can also be an elected or appointed officer of the AFM/CFM, an employee of the Fund, an office or clerical employee of the AFM/CFM, or an employee of the Musicians' Rights Organization Canada.

Employer: An employer is one that has entered into a contribution agreement with the AFM/CFM or one of its locals that obligates it to make contributions to the Fund on an employee's behalf.

Financial Services Regulatory Authority of Ontario (FSRA): FSRA is the Ontario government agency that regulates financial services, including pension plans.

Former member: A former member is an employee or former employee who has a deferred pension in the Plan.

Going concern valuation: A going concern valuation determines whether benefit levels are expected to be sustainable over the long term, given current assets, negotiated contribution rates, and the expectation of the Plan continuing.

Liabilities: Liabilities are the value of pensions owed to members.

Locking in (or locked in): Locking in (or locked in) is a legal requirement that refers to the fact that your Plan benefit cannot normally be taken in cash; it must be taken as lifetime income. This is true even if you terminate membership and take the commuted value of your benefit out of the Plan.

Member: A member is an employee or former employee, other than a pensioner or a former member, who has met membership requirements and has not terminated his or her membership in the Plan.

Normal form: Normal form means that if you do not have a legal spouse on the day your pension starts or your legal spouse has waived his or her entitlement, your pension will be paid to you in equal monthly payments until your death.

Normal pension: A normal pension is the pension you receive if you retire and are at least age 65.

Normal retirement age: Normal retirement age is 65.

Normal retirement date: Normal retirement date is the first day of the month following the month in which you reach age 65 (normal retirement age) or, if later, the first day of the month following the month that covered earnings were last reported for you. You must complete and sign an application to apply for a normal retirement benefit.

Pensioner: You are a pensioner if you are entitled to and receive a pension payable by the Fund (other than if you are a beneficiary).

Permanently and totally disabled: Permanently and totally disabled means you are totally unable, as a result of bodily injury or disease, to engage in or perform duties of any occupation for remuneration or profit, and your disability will be permanent and continuous for the remainder of your life. The Trustees have the sole discretion to determine (based on evidence) if you are permanently and totally disabled. You may be required to submit an explanation by a physician selected by the Trustees.

Pre-retirement spouse's benefit: A pre-retirement spouse's benefit is the benefit your spouse is entitled to receive if you are vested and die before retirement.

Pre-retirement death benefit: The pre-retirement death benefit is equal to the commuted value of your accrued pension benefit.

Postponed retirement: Postponed retirement is when a member retires at any age after normal retirement (65 years). However, pension payments must begin by the end of the year in which you become age 71.

Specified Ontario Multi-Employer Pension Plan (SOMEPP): The Plan is designated as a SOMEPP. This provides temporary relief from solvency funding requirements.

Special retirement pension: A special retirement pension is a pension that is payable to you if you:

1. Are at least age 55 and not yet age 65, **and** have a contribution for an engagement that takes place in the 24 consecutive calendar months that immediately precedes your early retirement date.
2. Have at least 15 vested years (for Part 1 pension) or 20 vested years (for Part 2 pension) in which contributions were made on your behalf.

For contributions relating to engagements after December 31, 2012, you are not eligible for a special retirement pension (for Part 3 pension). This part of your pension is actuarially reduced from age 65.

Spouse: Each province has its own legal definition of spouse—yours is based on the province in which you were last employed. Please contact the Fund Office if you have questions about the definition in your province.

Statement of Investment Policies and Procedures (SIPP): The SIPP is a document that explains the Fund's investment policies and procedures related to the Plan's portfolio of investments. The SIPP provides the Trustees, investment consultants, and investment managers with guidance for specific investment strategies so that the Trustees can effectively select, monitor, evaluate, and oversee the Fund's investment portfolio.

Transfer ratio/solvency valuation: This is the degree to which a pension plan has enough assets to provide pension benefits to current active participants and to retirees if the plan were to be terminated (which is a situation that the Fund has no reason to anticipate will occur).

Trust agreement: Trust agreement refers to the Restated and Amended Agreement and Declaration of Trust effective August 12, 2010.

Trustees: Trustees are members of the Board of Trustees who are responsible for the overall operation of the Plan. Trustees serve without compensation.

Year's maximum pensionable earnings (YMPE): This is the maximum level of annual earnings on which you contribute to the Canada/Quebec Pension Plan (C/QPP). In 2020, the maximum is $58,700. The YMPE is also used to calculate the maximum C/QPP pension.