

## ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs) INFORMATION SHEET FOR MEMBERS OVER AGE 65

Members of the McGill University Pension Plan (“Plan”) who are over age 65 who continue to be employed by the University may elect make AVCs to the Plan and receive an immediate tax relief at source. It is important to note that the University does not match AVCs.

### 1. What is an immediate tax relief at source?

You don’t pay income tax on pension contributions at the time they are deducted from your pay. As a result, your taxable income is lowered by the amount of the contributions being made; therefore, reducing overall taxes being withheld. Amounts become taxable when they are received from the Plan, thereby deferring the payment of taxes to a later point in time.

### 2. How much can I contribute as AVCs?

Your AVC room is the lessor of 18% of your compensation from McGill University in the current year, minus your “pension adjustment” or the money purchase limit established by the [Canada Revenue Agency \(CRA\)](#) (\$33,810 for 2025). For the calendar year in which you turn age 65, the pension adjustment amount represents required contribution. AVCs made to the McGill University Registered Pension Plan (“RRSP”)

Pension Plan differs from RRSP contribution room. AVCs made to the Plan in 2026. Your 2025 RRSP contribution limit is based on your 2024 CRA via the Notice of Assessment. This RRSP contribution room is over

#### **4. When can I start making AVCs?**

If you are over age 65 and are continuing to work, you may elect to make AVCs via payroll deduction in respect of compensation earned with the University directly into your pension account.

#### **5. How long can I continue making AVCs?**

You can make AVCs for as long as you have eligible contribution room as described above. However, under current tax legislation, you must convert your holdings in the Plan into a retirement income arrangement no later than the December 31<sup>st</sup> of the year in which you turn age 71, even if you continue to work. Subject to having sufficient earnings to do so, AVCs will continue to be made until instructed otherwise.

12. Can I w

The following illustrates some of the factors to consider when making a decision regarding AVCs:

**Why contribute to a Registered Retirement Savings Plan (RRSP)**

- Means to increase the amount of funds available to you at retirement
- Tax deferral on contributions and income generated
- Withdrawals are permitted at any time, less required income taxes withheld at source
- May access funds via Home Buyers' Plan and Lifelong Learning Plan
- Ability to contribute to a spousal RRSP and income splitting
- Access to wide range of investment options

**Why make Additional Voluntary Contributions in the McGill University Pension Plan via Payroll Deduction**

- Means to increase the amount of funds available to you at retirement
- Tax deferral on contributions and income generated
- Immediate tax relief at source
- Convenience of payroll deduction
- Access to McGill University Pension Plan investment pools and preferential management fees compared to similar retail products

**Why make non-registered contributions (e.g. buy stock, bonds, mutual funds etc...outside of an RRSP or RPP)**

- No contribution limits
- Means to accumulate additional capital in line with investment objectives
- Preferential tax treatment on dividend income and capital gains
- No investment restrictions