



Municipal Employees' Pension Plan

Your Pension Plan

#1

March

2007





Agenda

- General
- Participation
- Termination and Death
- Eligibility for Retirement
- Pension Calculations
- Retirement Provisions
- Other Benefits
- Sources of Retirement Income





Municipal Employees' Pension Plan

General Information

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Objectives

Provide:

- source of retirement income
- termination, death & disability benefits





About MEPP

- Defined Benefit plan
- Created July 1, 1973
- \$1.3 billion + in assets
- 95th largest plan in Canada





Membership

- Membership of over
 - 12,000 contributing members
 - 3,800 inactive members
 - Over 4,000 pensioners
- 700 + employers





Legislation Governing the Plan

➤ Plan governed by:

➤ ***The Income Tax Act*** (Canada)

➤ how high is too high

➤ ***The Pension Benefits Act*** (Saskatchewan)

➤ how low is too low

➤ ***The Municipal Employees' Pension Act***

➤ specific provisions of the Plan





Plan Administration

- Municipal Employees' Pension Commission
 - Ten members
 - Determine strategic direction of Plan

- Public Employees Benefit Agency
 - Provides day to day administration





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Participating

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Eligibility

➤ Permanent Employees

- Part time, full time or seasonal
- Employed on an ongoing basis
- Must join the plan on first day of work





Eligibility

➤ **Non-permanent Employees**

- Term or temporary employees
- Have definite end date
- Not expected to return
- May elect to join





Contributions

- **Contribute 5.4% pensionable salary**
 - Matched by employer

- **Includes:**
 - Regular pay, retroactive pay, temporary pay, shift differential

- **Does not include:**
 - Overtime, stand-by pay, severance pay, lump-sum holiday pay





Naming Beneficiaries

- Spouse as primary beneficiary
- Spouse as primary beneficiary plus alternates (in the event spouse dies before member)
- Spouse as co-beneficiary with other beneficiaries (shared death benefit)
- Designated beneficiaries only





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Termination & Death

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Two Termination Terms

➤ **Vested**

- entitled to a pension benefit
- funds are locked-in

➤ **Commutated value (CV)**

- value of your pension at calculation date
- calculated when you terminate, retire or die





Vested when Terminate

➤ **CV calculated**

➤ **Options:**

➤ establish deferred pension, or

➤ transfer entire CV to:

➤ locked-in retirement account (LIRA); or

➤ new employer's pension plan





Not Vested at Termination

- **Must remove *your* contributions and interest**

- **Options:**
 - refund, or
 - transfer to
 - RRSP, or
 - new employer's pension plan





If Return to Work Within Two Years

- **If have not withdrawn funds**
 - Rejoin Plan
 - Deferred Pension is undone
 - Service resumes at amount you had at termination





After Two Years

- **If do not return to work:**
 - **If vested**, deferred pension becomes permanent
 - **If not vested**, refund mailed to your last-known address
- **If return to work**, considered new employee





Death *Before* Retirement

Death Benefit

- Value of pension earned to date you die
- Spouse may
 - **transfer to an RRSP, or**
 - **receive a taxable payment**
- Non-spousal beneficiary or Estate
 - **receive a taxable payment**





Waiver of Death Benefit

- **To waive death benefit**
 - spouse must complete spousal waiver
 - lawyer must sign Certificate of Independent Legal Advice

- **Spouse can revoke the waiver**
 - any time prior to your death





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Eligibility for Retirement

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Eligibility for Retirement

➤ **Age and**

➤ **Eligibility Service**

➤ determines eligibility for retirement

➤ depends on pay periods normally worked in a year





Retirement Criteria

➤ Unreduced Pension

- Age 65, or
- Age + Eligibility Service = 80

➤ Reduced Pension

- Age 55, and
- at least 15 years Eligibility Service





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Pension Calculations

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Your Pension

From the date you retire

Lifetime Pension

Payable for your lifetime

If retire before age 65, also receive

Bridge Benefit

Payable to age 65






Calculating Your Pension

➤ Based on three factors:




1
**Highest
Average
Salary
(HAS)**

X



2
**Pensionable
Service**

X



3
**Accrual
Rate**



Highest Average Salary

- Highest three years of *pensionable salary*
- “Annualized” if work less than full-time





Pensionable Service

- **Length of time**
- **Receive one year if employed full-time**
- **Receive a portion of each pay period worked, if employed less than full-time**





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Accrual Rate

Used to calculate pension benefits

Lifetime Pension

1.8%	for	service before 1990, and from 2001 through 2005
and		
1.5%	for	service from 1990 through 2000 and after 2005

Bridge Benefit

.2%	for	service before 1990, and from 2001 through 2005
and		
.5%	for	service from 1990 through 2000 and after 2005





Also - Indexing

- Pension for service prior to 1999 indexed to the lesser of:

Saskatchewan
Consumer Price
Index (CPI)

and

2% Maximum

- As long as funds available to support indexing





The Lifetime Pension

1.8%	x	HAS	x	Pre-1990 Service
<i>plus</i>				
1.5%	x	HAS	x	1990 – 2000 Service
<i>plus</i>				
1.8%	x	HAS	x	2001 – 2005 Service
<i>plus</i>				
1.5%	x	HAS	x	Post-2005 Service





The Bridge Benefit



Bridge Benefit Formula

$2\% \times \text{HAS} \times \text{Pensionable Service}$
less Lifetime Pension Amount





Reduced Pension

- 3% per year retirement date falls before earliest unreduced retirement date
- The reduction:
 - Is permanent, and
 - applies to both the Lifetime Pension and the Bridge Benefit





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Retirement Provisions

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Retirement Benefits

You can choose:

1. Pension from MEPP

2. Transfer CV out of MEPP to

- Locked-in Retirement Account (LIRA); or
- Prescribed Registered Retirement Income Fund (prescribed RRIF)





Normal Form of Pension from MEPP

- If you have joint pensioner:
 - 5-year Guarantee Period; and
 - 60% Survivor Benefit
- If you do not have joint pensioner:
 - 15-year Guarantee Period





Guarantee Period

- **Starts on the date of retirement**
- **Minimum length of time pension will be paid**
- **Joint pensioner will receive 100% of the monthly pension until guarantee period expires**
- **If no joint pensioner**





Survivor Benefit

- Paid from end of Guarantee Period, for the rest of **joint pensioner's** life
- Can choose 60%, 75% or 100% at retirement
- If retired member dies before age 65, includes Bridge Benefit until member would have turned 65





Example – no spouse

- Automatic 15-year guarantee period

<i>You live</i>	<i>100% to you</i>	<i>100% to Beneficiaries or Estate</i>
10 years	10 years	For 5 years
25 years	25 years	No further benefits





Example - Joint Pension

- **5-year Guarantee Period with**
- **60% Survivor Benefit**
- **You die before joint pensioner**

<i>You live</i>	<i>You get 100%</i>	<i>Joint pensioner gets 100%</i>	<i>Joint pensioner gets 60%</i>
4 years	4 years	1 year	Balance of Lifetime
18 years	18 years	n/a	Balance of Lifetime

- **Includes bridge benefit if you die before age 65**





If Transfer Value Out of MEPP

Could transfer CV to:

- Locked-in Retirement Account (LIRA); or
- Prescribed Registered Retirement Income Fund (prescribed RRIF)
 - Spousal waiver required
- Transfers subject to ITA maximum transfer amount





Amount over ITA Maximum

- Receive as single taxable payment;
- Receive a temporary pension
- Transfer portion to RRSP (if you have RRSP room), and
 - receive balance as single taxable refund





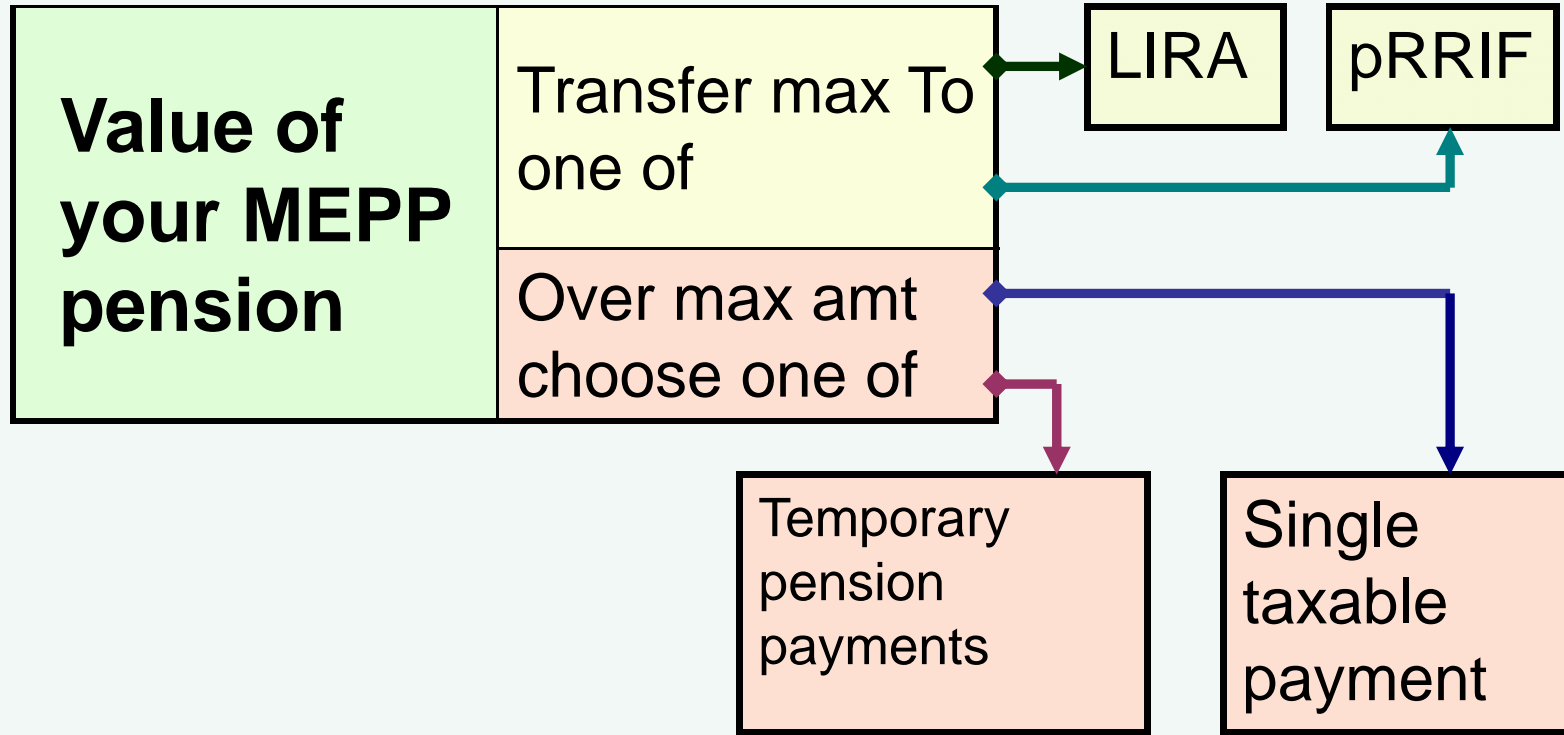
Temporary Pension

- Immediate monthly payment in amount of lifetime pension plus bridge benefit
- Payments could end before you reach age 65
- Payments cannot be made after you reach age 65
- You may still receive taxable payment





Retirement Transfer Options





Other Things to Consider

- Postpone retirement
 - must begin pension by end of the year turn age 69

- If small pension – receive value of pension in single payment
 - transfer to RRSP, or
 - receive as single taxable payment





Starting Your Pension

- **Request a Pension Estimate**
 - six months ahead of time

- **Apply for pension**
 - complete *Application for Pension Benefits*
 - send it to PEBA with required documents
 - allow at least two months

- **Tax is withheld from pension payments**
 - remitted to CRA on your behalf





Starting Your Pension, cont'd

MEPP requires:

- *Application for Pension Benefits*
- *Retirement Declaration*
- *Federal and Provincial TD1*
- May also require:
 - birth certificates
 - proof of spousal relationship
 - *Designation of Beneficiary* form
 - additional documentation





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Other Benefits

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Leave of Absence

- Approved leaves of absence
 - Maternity, parental, adoption leave

- May contribute when return to work if
 - Unpaid leave





Other Benefits

- Purchase of Service
- Portability Transfers
- Disability Leave
- Terminal Illness





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Sources of Retirement Income

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Sources of Retirement Income

Personal Savings

- Personal Investments
- Savings & RRSPs
- House & other assets

Federal Programs

- Canada Pension Plan
- Old Age Security

Pension Income

- MEPP Pension
- Other pension plans





Pension Income

Pension Income

- Pension from MEPP
- For a pension estimate, contact MEPP toll-free at 1-877-506-6377





Federal Programs

CPP & OAS

www.hrsdc.gc.ca

- Applications for Canada Pension Plan and CPP Retirement Pension
- Canada Pension Plan Statement of Contributions Online – to get printed statement

Phone (toll free): 1-800-277-9914





For more information

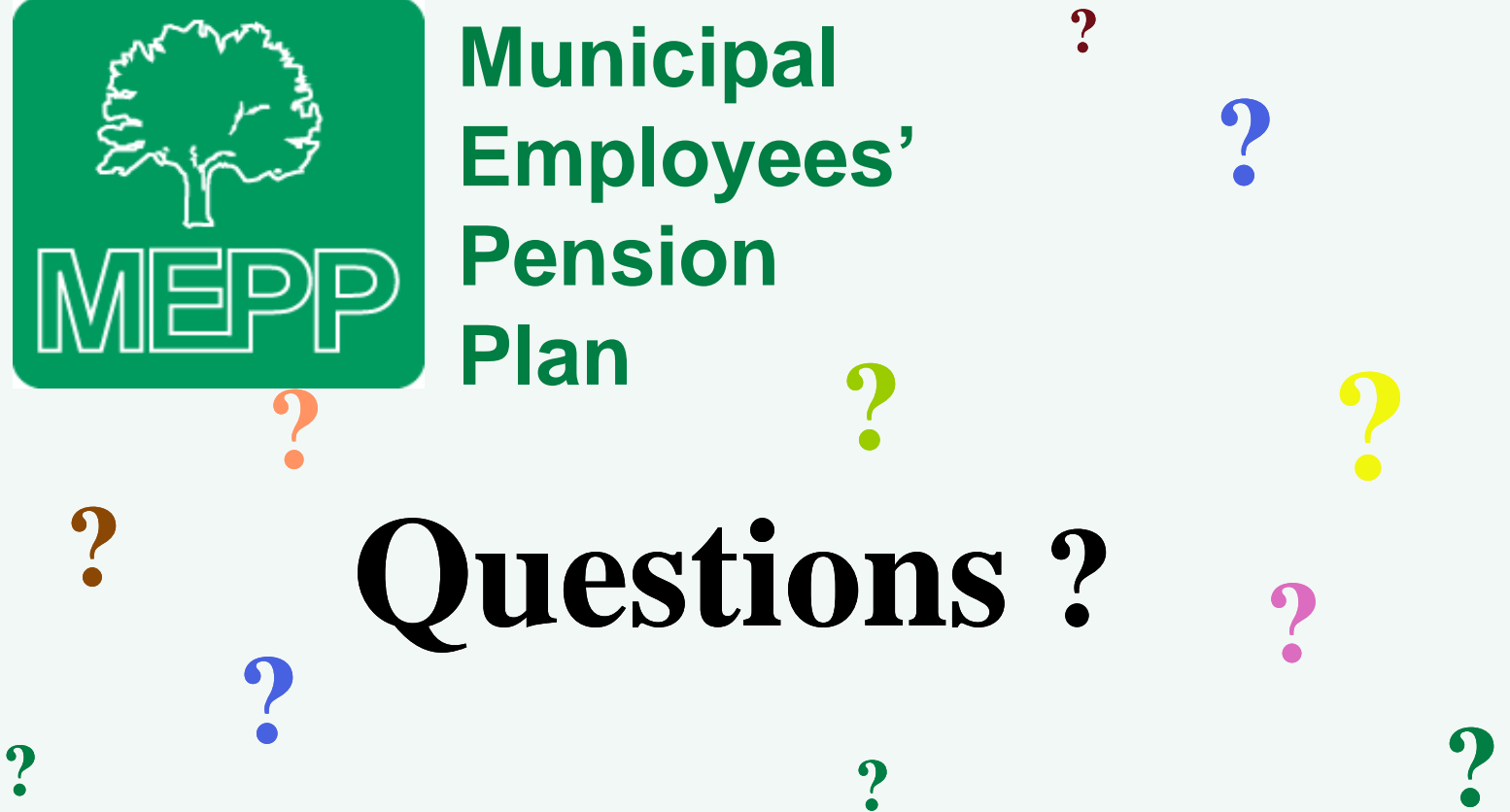
- MEPP *In-Depth*
- MEPP *Matters*
- www.peba.gov.sk.ca
- Annual Statement
- Employee Booklet
- 1-877-506-6377





Municipal Employees' Pension Plan

Questions ?





Example – pension factors

Mary's pension calculation is based on:

HAS:	Pensionable Service	Years
\$22,800/yr Or \$1,900/mo	Pre-1990	9.0833
	1990 through 2000	11.0000
	2001 through 2005	4.2500
Age = 56 yrs	Pensionable Service = 24.3333 years	
Mary's Age plus eligibility service is 80.3333 years		





Example – pension calculation



Calculate Mary's Lifetime Pension

Accrual Rate		Highest Average Salary		Pensionable Service		Accrued Pension
1.8%	x	\$1,900/month	x	9.0833 years	=	\$310.65
<i>Plus</i>						
1.5%	x	\$1,900/month	x	11.0000 years	=	\$313.50
<i>Plus</i>						
1.8%	x	\$1,900/month	x	4.2500 years	=	\$145.35
Mary's lifetime monthly pension:						\$769.50





Example – calculate bridge

Calculate Mary's Bridge Benefit



$$2\% \times \$1,900.00 \times 24.333 = \$924.67 - \$769.50$$

Mary's monthly bridge benefit: \$155.17





Example – unreduced monthly pension

➤ Mary's combined monthly pension to age 65

➤ Lifetime Pension	\$769.50
➤ Bridge Benefit	<u>\$155.17</u>
➤ Total	\$924.67

➤ Mary's monthly pension after age 65

➤ Lifetime Pension	\$769.50
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Example – pension reduction

What if Mary retired at age 55 with same salary & service?

Age: 55 years	Eligibility Service: 23.3333 years
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Total Age + Eligibility Service = 78.3333 years

$80 - 78.3333 = 1.6667$ (1 year, 8 months)
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If Mary had continued working she would be eligible for a full pension in 10 months or .8333 year

$.8333 \text{ year} \times 3.00\% = 2.5\%$
--

Mary's pension will be reduced by 2.5%
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Example – calculate reductions



Reduction to Mary's Lifetime Pension

Lifetime Pension	\$769.50	X	Reduction of 2.5%	=	\$ 19.24
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$\$769.50 - \$19.24 = \mathbf{\$750.26}$					
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Reduction to Mary's Bridge Benefit

Bridge Benefit	\$155.17	X	Reduction of 2.5%	=	\$ 3.88
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$\$155.17 - \$3.88 = \mathbf{\$151.29}$					
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Example – reduced monthly pension

- Mary's combined reduced pension to age 65:

➤ Reduced Lifetime Pension	\$750.26
➤ Reduced Bridge Benefit	<u>\$151.29</u>
➤ Total	\$901.55

- Mary's reduced pension after age 65:

➤ Reduced Lifetime Pension	\$750.26
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