

Municipal Employees' Pension Plan

Registration No. 0355321

Calculating and Reporting

2014 Pension Adjustments

for

Designated Police Officers and Fire Fighters

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MUNICIPAL EMPLOYEES' PENSION PLAN
2014 PENSION ADJUSTMENT GUIDE
FOR DESIGNATED POLICE OFFICERS AND FIRE FIGHTERS

INTRODUCTION

The purpose of this guide is to assist you in calculating and reporting the 2014 Pension Adjustments (PAs). You, the employer, are responsible for the reporting of PAs on your employees' T4 information slips. PAs must be reported for all employees who were members of the Municipal Employees' Pension Plan (MEPP) during the year. The PAs reported on the T4 information slips are used to determine a member's available Registered Retirement Savings Plan (RRSP) contribution room for the next calendar year.

MEPP is a multi-employer, defined benefit, registered pension plan. MEPP's registration number 0355321 must be included on the T4 information slip. Many income tax consultants' newsletters deal with single-employer plans, not multi-employer plans. The information supplied by them may not be applicable to members in MEPP.

Following are some special reporting requirements:

- Employees who worked part of the year and were/are members of MEPP must have a PA reported for them.
- If a member died during the year, do not report a PA for them.
- If a member has more than one job with a single MEPP employer, the PA must be calculated as if the jobs were one continuous job. The maximum pensionable service with a single employer is one year.
- If a member works for more than one MEPP employer, each employer calculates and reports a PA independently.

The pension adjustment tables on the website at www.peba.gov.sk.ca can be used to determine the PA for full time employees. There are two emergency member tables, one for members earning less than \$122,500 and a second for those earning more than that amount. You cannot use the tables and must therefore calculate the PA if an employee:

- worked full time for less than the whole year;
- worked less than full time for the whole year; or
- worked less than full time for less than the whole year.

The steps for calculating these PAs are in the following sections.

TERMS USED

BENEFIT EARNED (BE)

The Benefit Earned is the amount of the member's pension that accrued during the year. The BE calculation uses one of the following formulas:

For members who were employed prior to January 1, 1993 **and** whose Pensionable Salary is greater than \$122,500:

$$\begin{aligned} \text{BE} &= (1.3\% \times \text{Annualized Pensionable Salary to the YMPE} \times \text{Portion of Year Worked}) \\ &\textit{Plus} \\ &(2\% \times \text{Annualized Pensionable Salary over the YMPE} \times \text{Portion of Year Worked}) \end{aligned}$$

For all other members:

$$\text{BE} = 1.7\% \times \text{Annualized Pensionable Salary} \times \text{Portion of Year Worked}$$

PENSION ADJUSTMENT (PA)

The PA is the deemed value of the pension benefit earned by the member during the year. It is calculated using the following formula:

$$\text{PA} = (9 \times \text{BE}) - \$600$$

The Pension Adjustment (PA) is always rounded to the nearest dollar. If the PA is a negative number, the PA is reported as a zero (0).

PENSIONABLE SALARY

Pensionable salary is salary on which pension contributions are made.

PORTION OF YEAR WORKED / PORTION OF FULL TIME WORKED

The Portion of Year Worked or Portion of Full Time Worked is the total pensionable hours a member worked divided by the total potential pensionable hours in the year. The potential pensionable hours are the number of hours the employee could have worked if the employee worked full time for the whole year.

MEMBERS WHO WORK FULL TIME FOR THE ENTIRE YEAR

Members who work full time for the entire year receive one year of pensionable service.

For members whose salary is greater than \$122,500 and who were employed prior to January 1, 1993:

- the accrual rate is 1.3% on pensionable salary to the YMPE plus 2% on pensionable salary greater than the YMPE.

For all other members:

- the accrual rate for the year is 1.7%.

The BE is calculated as follows:

For members whose accrual rate is 1.3% plus 2%:

$$BE = 1.3\% \times YMPE \text{ plus } 2\% \times (\text{Annual Pensionable Salary minus YMPE})$$

For members whose accrual rate is 1.7%:

$$BE = 1.7\% \times \text{Annual Pensionable Salary}$$

The Pension Adjustment (PA) is calculated as follows:

$$PA = (9 \times BE) - \$600.00$$

Calculation for a full time employee:

A full-time designated police officer or firefighter worked full time for the year and has pensionable salary of \$130,000. The YMPE for 2014 is \$52,500.

Calculate the BE:

$\begin{aligned} BE &= 1.3\% \times YMPE \text{ plus } 2\% \times (\text{Annual Pensionable Salary minus YMPE}) \\ &= 1.3\% \times \$52,500.00 + 2\% \times (\$130,000.00 - \$52,500.00) \\ &= 1.3\% \times \$52,500.00 + 2\% \times \$77,500.00 \\ &= \$682.50 + \$1,550.00 \\ &= \$2,232.50 \end{aligned}$
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Calculate the PA:

$\begin{aligned} PA &= (9 \times BE) - \$600.00 \\ &= (9 \times 2,232.50) - \$600.00 \\ &= \$20,092.50 - \$600.00 \\ &= \$19,493 \end{aligned}$

If the above member had been hired on or after January 1, 1993, the calculation would be the same calculation as on page 5.

A full time designated police officer or fire fighter worked full time for the year and has pensionable salary of \$60,000.

Calculate the BE:

$\begin{aligned} \text{BE} &= 1.7\% \times \text{Annual Salary} \\ &= 1.7\% \times \$60,000.00 \\ &= \$1,020.00 \end{aligned}$
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Calculate the PA:

$\begin{aligned} \text{PA} &= (9 \times \text{BE}) - \$600.00 \\ &= (9 \times 1,020.00) - \$600.00 \\ &= \$9,180 - \$600.00 \\ &= \$8,580.00 \end{aligned}$

As stated on page 2, the tables on the website at www.peba.gov.sk.ca can be used to determine the PA for full-time employees who worked the full year.

MEMBERS WITH LESS THAN ONE YEAR OF PENSIONABLE SERVICE

A member may have less than one year of pensionable service if he or she:

- is hired during the year;
- retires or terminates during the year;
- is laid off during the year;
- is on a leave of absence during the year; or
- works less than full time during the year.

The pensionable salary must be annualized whenever a member has less than 1 year of pensionable service. Also, the \$600.00 deduction in the PA formula must be adjusted accordingly.

Calculation for an employee with less than one year of pensionable service:

Example 1: A designated police officer terminated employment after working full time from January 1 through June 25. The member's pensionable salary was \$25,000. The reported Hours Paid for the employee for the period worked was 1,003 hours. The employee's full time hours were 8 hours per day; therefore the Potential Hours for the year were 2,080 (8 x 5 x 52).

Determine the Portion of Year Worked:

Portion of Year Worked	=	Hours Paid / Potential Hours in Year
	=	1,003 / 2,080
	=	.4822

Annualize the Pensionable Salary:

Annualized Pensionable Salary	=	Pensionable Salary / Portion of Year Worked
	=	\$25,000.00 / .4822
	=	\$51,845.71

Calculate the BE:

BE	=	1.7% x Annualized Pensionable Salary x Portion of Year Worked
	=	1.7% x \$51,845.71 x .4822
	=	\$425.00

Note: If the member was employed prior to January 1, 1993 and the member's Annualized Pensionable Salary is greater than \$122,500, the above BE calculation would be calculated at the 1.3% and 2% Accrual Rates (see page 4).

Calculate the PA:

PA	=	(9 x BE) – (\$600.00 x Portion of Year Worked)
	=	(9 x 425.00) – (\$600.00 x .4822)
	=	\$3,825.00 – \$289.32
	=	\$3,535.68 rounded to \$3,536.00

Example 2: A designated police officer worked less than full time hours in each of 12 months. The member's pensionable salary was \$35,000, the member's Hours Paid was 1,560 and the member's Potential Hours were 2,080.

Determine the Portion of Full Time Worked:

Portion of Year Worked	=	Hours Paid / Potential Hours in Year
	=	1,560 / 2,080
	=	.75

Annualized the Pensionable Salary:

Annualized Pensionable Salary	=	Pensionable Salary / Portion of Year Worked
	=	\$35,000.00 / .75
	=	\$46,666.67

Calculate the BE:

BE	=	1.7% x Annualized Pensionable Salary x Portion of Full Time Worked
	=	1.7% x \$46,666.67 x .75
	=	\$595.00

Calculate the PA:

PA	=	(9 x BE) – (\$600.00 x Portion of Full Time Worked)
	=	(9 x 595.00) – (\$600.00 x .75)
	=	\$5,355.00 – \$450.00
	=	\$4,905.00

RETROACTIVE PAY

Benefits earned are calculated on cash received in the year. Any retroactive pay a member receives during the year is to be added to the member's pensionable salary for the purpose of calculating his/her Benefit Earned (BE) and Pension Adjustment (PA).

You must, however, recalculate the previous year's PA for members who retired or terminated before January 1 of the current year, but received retroactive pay for the previous year in the current year. The retroactive pay is to be included in the pensionable salary for the prior year and the BE and PA recalculated. The difference between the PA reported for the prior year and the recalculated amount is to be reported on the current year T4 information slip.

Calculation for determining a revised Pension Adjustment

A MEPP member terminated December 31, of last year when his pensionable salary was \$50,000.00. His PA for last year was \$7,050. In 2014, he received \$5,000 in retroactive pay.

Calculate the revised Benefit Earned:

BE	=	1.7% x salary
	=	1.7% x (\$50,000.00 + \$5,000.00)
	=	\$935.00

Calculate the revised Pension Adjustment:

PA	=	(9XBE) - \$600
	=	(9 x \$935.00) - \$600.00
	=	\$8,415.00 - \$600.00
	=	\$7,815.00

Calculate the PA to be reported on the current year T4 information slip:

Additional PA	=	Revised Prior Year PA - Reported Prior Year PA
	=	\$7,815.00 - \$7,050.00
	=	\$765.00

FOR FURTHER ASSISTANCE

If you have any questions, please contact the Municipal Employees' Pension Plan at the following address or phone number:

Municipal Employees' Pension Plan
c/o Public Employees Benefits Agency
1000 - 1801 Hamilton Street
REGINA SK S4P 4W3

Phone: (toll free) 1-877-506-6377
306-787-2684

Fax: 306-787-0244

E-mail: mepp@peba.gov.sk.ca

Website: www.peba.gov.sk.ca