

MEPP *In-Depth*

Pension Calculations *(General Members)*

As a general member, this issue explains components of the pension calculation and gives examples on how the calculations are made.

For information about retirement eligibility and your options, see [MEPP In-Depth - Eligibility and Retirement Options](#). If you wish to receive a pension from the Plan, see [MEPP In-Depth - Pension Options](#).

Components of the Calculation

Your pension benefit is based on a formula using these components:

- your pensionable service;
- your highest average salary (HAS); and
- the accrual rate.

Pensionable Service

Pensionable service includes service:

- for time you contributed to MEPP;
- for part of a waiting period served;
- for leaves of absence for which you made contributions;
- that you have purchased; and
- that is credited, if you are approved for a disability waiver.

The amount of pensionable service you earn is based on how much you work.

Highest Average Salary (HAS)

Your HAS is the average of your highest three calendar years of pensionable salary while you were a member of MEPP. A calendar year is from January 1 to December 31.

If you work less than full time, your salary is annualized before your pension is calculated. Annualized salary is the amount you would have earned if you had worked full time for the year.

If you terminate before December 31st, salary for the remainder of your last year is taken from your fourth highest year. Your last year is used only if it is one of your highest three years of salary.

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Example: HAS Calculation

Jim terminates his employment on July 31, 2006. He has worked 90 per cent of full time for his entire career. He worked seven months in his final year. His actual salary was \$2,250 per month the last year of his employment. His actual monthly salaries for the previous three years were: 2005 - \$2,200; 2004 - \$2,150; and 2003 - \$2,100.

His highest four years of actual and annualized salaries are:

Year	Actual Salary (\$)	Calculation	Annualized Salary (\$)
2006	15,750	$\div 7 \times 12 \div .90 =$	30,000
2005	26,400	$\div .90 =$	29,333
2004	25,800	$\div .90 =$	28,667
2003	25,200	$\div .90 =$	28,000

Jim worked seven months in his last year of employment. The balance of the year is taken from his fourth highest year. Jim’s HAS is calculated as:

Year	Months	Calculation	Annualized Salary (\$)
2006	7	$30,000 \div 12 \times 7$	17,500
2005	12		29,333
2004	12		28,667
2003	5	$28,000 \div 12 \times 5 =$	11,667
Totals	36		87,167
Monthly HAS (\$87,167 \div 36 months)			\$2,421.31

Accrual Rate

The accrual rate is the percentage of your highest average salary that you receive for each year of pensionable service.

Pension Benefits

Your pension benefit is made up of a lifetime pension and, if you retire before age 65, a bridge benefit payable to age 65.

Your Lifetime Pension

Your lifetime pension is paid to you for your lifetime. If you have a spouse (joint pensioner) when you retire, a percentage of your lifetime pension continues to your joint pensioner as a survivor benefit if you die. See *MEPP In-Depth - Pension Options*.

Note: Your lifetime pension is calculated using a formula based on the accrual rate, your highest average salary (HAS) and your pensionable service.

Lifetime Pension Formula
1.8% x HAS x Years of pensionable service before 1990.
plus
1.5% x HAS x Years of pensionable service from 1990 through 2000.
plus
1.8% x HAS x Years of pensionable service from 2001 through 2005.
plus
1.5% x HAS x Years of pensionable service after 2005.

The Bridge Benefit

If you retire before age 65, you will receive a bridge benefit from your retirement date until you reach age 65. This bridge benefit is paid even if you decide to receive CPP before you are 65.

Note: Your bridge benefit is calculated using a formula based on the accrual rate, your highest average salary (HAS) and your pensionable service.

Bridge Benefit Formula
0.2% x HAS x Years of pensionable service before 1990.
plus
0.5% x HAS x Years of pensionable service from 1990 through 2000.
plus
0.2% x HAS x Years of pensionable service from 2001 through 2005.
plus
0.5% x HAS x Years of pensionable service after 2005.

continued

Example: Lifetime Pension and Bridge Benefit Calculation

Jim retires at age 60 with a monthly HAS of \$2,421.41. He has earned 22.125 years of pensionable service, as follows:

- 7.200 years before 1990;
- 9.900 years from 1990 through 2000;
- 4.500 years from 2001 through 2005; and
- 0.525 years after 2005.

His **lifetime pension** is calculated as follows:

Jim's Lifetime Pension Calculation	
$1.8\% \times \$2,421.41 \times 7.200 =$	\$313.81
plus	
$1.5\% \times \$2,421.41 \times 9.900 =$	\$359.57
plus	
$1.8\% \times \$2,421.41 \times 4.500 =$	\$196.13
plus	
$1.5\% \times \$2,421.41 \times 0.525 =$	\$19.06
equals	
\$888.57/month	

His **bridge benefit** is calculated as follows:

Jim's Bridge Benefit Calculation	
$0.2\% \times \$2,421.41 \times 7.200 =$	\$34.86
plus	
$0.5\% \times \$2,421.41 \times 9.900 =$	\$119.85
plus	
$0.2\% \times \$2,421.41 \times 4.500 =$	\$21.79
plus	
$0.5\% \times \$2,421.41 \times 0.525 =$	\$6.35
equals	
\$182.85/month	

Jim's pension, which includes a bridge benefit, is shown below:

	Monthly
To age 65	\$1,071.42
and	
After age 65	\$888.57

Reduced Pension

If you choose to retire before you are eligible for an unreduced pension, your pension is reduced. The reduction is three per cent for each year that your retirement date falls before the first date you could have retired with an unreduced pension if you had you kept working. Reductions are permanent and apply to both the lifetime pension and the bridge benefit.

Example: Early Retirement Reduction Calculation

Mary decides to retire. She is eligible to start receiving a reduced pension. If she kept working, she would be eligible to start receiving an unreduced pension in two years and six months (2.5 years).

Mary's reduction would be 7.5 per cent ($3\% \times 2.5$ years). She would therefore receive 92.5 per cent ($100\% - 7.5\%$) of the full pension calculated using the Pension and Bridge formulas.

If Mary's unreduced lifetime pension was \$800.00 and the bridge benefit was \$250.00, she would receive:

	Reduced Pension
Lifetime Pension	$\$800 \times 92.5\% = \740.00
Bridge Benefit	$\$250 \times 92.5\% = \231.25

Other Retirement Income

Your benefit from MEPP is only one source of retirement income. Other sources could include:

- Federal retirement income programs;
- Canada Pension Plan (CPP);
- Old Age Security (OAS); and
- Personal savings.

Contact **Employment and Social Development Canada** for information about federal pension programs. Visit www.sdc.gc.ca or call 1-800-277-9914 or 1-800-255-4786 (TTY).



The forms required for your MEPP pension application are available on the website.



Looking for more information? You'll find more information from these sources:

- [MEPP Member Booklet](#)
- [MEPP Matters](#) – the Plan newsletter
- [RetireWithEase](#) – retirement planning workshop



Need assistance? Contact us using one of these convenient options:

Email: mepp@peba.gov.sk.ca

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

Fax: 306-787-0244

The information in this bulletin does not replace or supersede *The Municipal Employees' Pension Act* or *The Pension Benefits Act, 1992* or related regulations. In the case of error or discrepancy, the terms of the Acts and regulations apply.

