

New Member



Municipal Pension Plan

Mid-career



guide for plan members

Near Retirement



After Retirement



May 2011

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This publication provides general information about the pension plan and is based on the relevant plan documents (statutes, regulations and rules). If there is a discrepancy between this publication and the plan documents, the plan documents will apply.

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introduction



We are pleased to welcome you to the British Columbia Municipal Pension Plan. This guide will introduce you to the plan and its benefits.

Even if you've just started working and retirement seems a long way off, there are some things you should know about your pension plan now. As you progress through your career and approach retirement, you will want to keep informed about the plan and its benefits. This guide will help you each step of the way. On the next two pages you will find a brief description of the major questions answered in each section. Clicking on any of the questions will take you directly to that page in the guide.

This guide will help you each step of the way.

We divided the guide into four parts to cover different parts of a member's career: **New Member**, **Mid-career**, **Near Retirement** and **After Retirement**. However, you should find all of the information useful, no matter where you are in your career.










Remember that this is an overview of the pension plan. You can find detailed information, when you need it, in various Pensionfacts fact sheets. See our website at mpp.pensionsbc.ca for Pensionfacts and a glossary of pension terms.



Understanding your pension plan will help you make good choices in the years to come.











New Member

If you just started working, retirement is probably the last thing on your mind. It shouldn't be. Understanding your pension plan will help you make good choices in the years to come. This first part of the guide covers questions newcomers may have about the pension plan, including:

-  *What is the Municipal Pension Plan?*
-  *Am I automatically enrolled in the plan?*
-  *What does "membership" mean?*
-  *What are the age rules for different employee groups?*
-  *What are my contributions to the plan? How are they deducted?*
-  *How does the plan work?*
-  *Are my pension contributions subject to income tax?*
-  *Can I invest in RRSPs at the same time I am contributing to the Municipal Pension Plan?*
-  *Where can I get more information about my pension?*

Mid-career







With your job and other demands, it can be difficult to find the time to read through stacks of pension information. We've put together some key points about the plan so you can easily find what you need to know. Questions covered in this part of the guide include:

-  *What is service?*
-  *Can I purchase service that occurred when I wasn't contributing to the Municipal Pension Plan?*
-  *What happens if I go on a leave of absence—maternity or parental leave, for example?*
-  *What if I want to pay back a refund that I took from the pension plan?*
-  *What about time I take off to have or spend time with my child?*
-  *What if I am disabled before I retire? Am I still eligible for a pension?*
-  *What happens if I decide to leave my job?*
-  *What if I move from one Municipal Pension Plan employer to another?*
-  *Can I move my service time to another pension plan entirely?*
-  *What if I don't understand a decision about my pension benefit?*

We've put together some key points about the plan...

Near Retirement






At some time in your career you will begin to think seriously about retirement. This can be a stressful time as you face numerous decisions and tackle what seems like an avalanche of information. We've gathered information about the most important pension issues that you will face as you near retirement. In this part of the guide you'll find answers to these questions:

-  *When can I start collecting my pension?*
-  *What is the reduction?*
-  *What happens if I die before I retire?*
-  *Who is my beneficiary?*
-  *Who is my spouse for pension purposes?*
-  *What should I do when I decide to retire?*

We've gathered information about the most important pension issues...

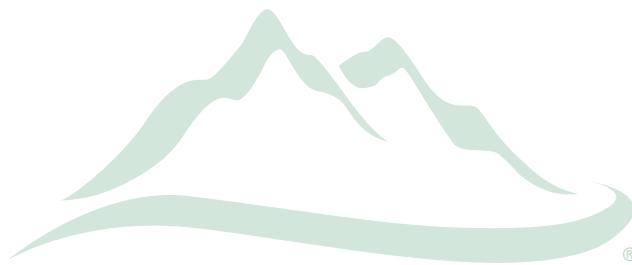
After Retirement

You've made the big leap into retirement. Don't think you can forget about your pension now. There is still a lot to know and learn about your pension. Questions answered in this part include:

-  *How will I know what my monthly pension payment will be?*
-  *What about cost-of-living adjustments?*
-  *What about health benefits?*
-  *What happens to my pension if I decide to go back to work after I retire?*
-  *What happens to my pension if my spouse dies, or if I die?*

There is still a lot to know and learn about your pension.

new member



What is the Municipal Pension Plan?

The Municipal Pension Plan is a defined benefit plan. This means your pension is based on the number of years you made contributions to the plan and the average of your highest five years of salary (not necessarily your last five years). It is not based on your contributions to the plan or on the performance of the plan's assets.

The advantage of a defined benefit plan is that your pension is predictable and is not based entirely on economic conditions that existed during your working lifetime, nor at the time of your retirement.

The Municipal Pension Board of Trustees (the board) is fully responsible for the management of the pension fund, including the investment of the assets, and the administration of the pension plan. The board may amend the pension plan rules as long as changes can be funded by pension fund surpluses. Plan rule changes that result in contribution rate changes must be approved by the partners.

The plan is jointly trusted by the Municipal Pension Plan partners (the Government of BC, the Municipal Pension Employees Committee, the Union of British Columbia Municipalities) and other stakeholders. The partners are responsible for appointing the trustees, and directing amendments to the plan if certain conditions are met. The *Municipal Pension Plan Joint Trust Agreement* is the official document that outlines the governance of the plan. It is available on the plan website at mpp.pensionsbc.ca.

The Municipal Pension Plan is administered by the Pension Corporation. The plan's assets are managed by the British Columbia Investment Management Corporation.

You can read the board's investment policy, service delivery standards and meeting highlights at mpp.pensionsbc.ca.

...your pension is based on the number of years you made contributions to the plan and the average of your highest five years of salary...



Am I automatically enrolled in the plan?

Yes. Immediate enrolment is mandatory for full-time, permanent staff. Enrolment is required for full-time staff (not designated as permanent) who are employed continuously for one year at the end of that year.

Part-time employees have the option to enrol if they complete two years of continuous employment and, in each of two consecutive calendar years, earn at least 35 per cent of the year's maximum pensionable earnings (YMPE)¹, including overtime and other payments.

Part-time employees can also be enrolled if the employer passes a resolution in accordance with the terms of a negotiated collective agreement.

Once enrolled, you must continue to contribute to the Municipal Pension Plan until termination of employment with that employer. If you move to another employer in the Municipal Pension Plan with a break in service of less than 30 days, you must immediately begin contributing for the new employment as well.

Any employee who has the option to enrol in the Municipal Pension Plan but chooses not to enrol must sign a waiver, which the employer keeps on file.

¹ A salary limit set each year by the federal government.

What does “membership” mean?

There are three kinds of members: active, inactive and retired.

You are an active member while you are:

- working and contributing to the Municipal Pension Plan, or
- on a leave of absence or collecting group disability plan (short-term or long-term disability) benefits from an approved group disability plan.

You are an inactive member if you terminate employment and your contributions remain on deposit with the plan.

You become a retired member when you retire and begin collecting your pension.

What are the age rules for different employee groups?

Certain public safety occupations have different rules based on age. Canada Revenue Agency defines which groups of employees fall within “public safety occupations.” Age rules for these occupations are indicated in this guide in parentheses.

Once enrolled, you must continue to contribute to the Municipal Pension Plan until termination of employment with that employer.

Certain public safety occupations have different rules based on age. Age rules for these occupations are indicated in this guide in parentheses



What are my contributions to the plan? How are they deducted?

You contribute to the plan through automatic deductions from your salary. How much you contribute depends on the year's maximum pensionable earnings (YMPE), a salary limit set each year by the federal government.

Both employees and employers contribute at a set rate for your salary up to and including the YMPE, and a slightly higher rate for salary above the YMPE. These rates include the employee and employer contributions that go to the Inflation Adjustment Account (IAA). The IAA is used to offset the effects of inflation. Future cost-of-living adjustments are not guaranteed.

When you have worked and accrued 35 years of pensionable service, you do not contribute to the plan any longer, although you are still an active plan member until you terminate employment or retire.



How does the plan work?

The plan provides a regular lifetime income after retirement for plan members. You, as a plan member, and your employer make regular contributions to the plan based on the salary you earn.

You are “vested” in the Municipal Pension Plan (which means you are entitled to a retirement pension) after you accumulate two years of contributory service.

Your pension—based on the average of your highest five salary years—uses your total pensionable service, to a maximum of 35 years. For most members, the pension formula before age 65 (60) is:

$$2\% \times \text{five-year highest average salary (has)} \times \text{total pensionable service}$$

If you are a police officer or firefighter in group 5, the pension formula before age 60 is:

$$2.33\% \times \text{five-year highest average salary (has)} \times \text{total pensionable service}$$

For all members, after age 65, an extra amount, called the bridge benefit, is removed from your pension. The bridge benefit is calculated like this:

$$0.7\% \times \text{previous year's ympe (or has, if lower)} \times \text{pensionable service}$$

These formulas can also be affected by a reduction factor if you are under age 60 (55). See the section entitled “What is the reduction?”

The pension formula will give you a single life pension. Read the *Choosing Your Best Pension Option* booklet for more information. You can also use the Personalized Pension Estimator on the website at mpp.pensionsbc.ca.

After age 65, an extra amount, called the bridge benefit, is removed from your pension.

Are my pension contributions subject to income tax?

Contributions to the plan are a deduction from income, and therefore not subject to income tax. However, Canada Revenue Agency requires that you pay the income tax later when you actually receive your pension.

Can I invest in RRSPs at the same time I am contributing to the Municipal Pension Plan?

You can buy Registered Retirement Savings Plans (RRSPs) while you are contributing to the plan. However, since you are already contributing to a pension plan, which is also a tax-deferred retirement plan, your RRSP contribution limit will be lower than if you were not in a pension plan.

Each year, the pension plan will send you a pension adjustment statement, which shows the value of your pension benefit for tax purposes. Canada Revenue Agency uses this amount, along with information from your previous year's tax return, to calculate your individual RRSP contribution limit for the following year.

Where can I get more information about my pension?

The pension plan will send you a personalized Member's Benefit Statement once a year while you are working and contributing to the Municipal Pension Plan.

This annual statement will show, based on your salary and service to date, what you would receive in monthly pension payments if you retired at age 55 (50), 60 (55) or 65 (60). Your statement will list:

- your months of pensionable service,
- your months of contributory service, and
- your contributions over the past year.

You can use the information on the statement to access the online pension estimator on the website at mpp.pensionsbc.ca. The Municipal Pension Plan usually sends out communications materials that are of interest to members through employers, and all of our Pensionfacts and other materials are available on our website. You can also call us toll-free at the numbers on the back of this publication.

The Municipal Pension Plan can arrange retirement seminars at the request of employers and employee groups.

Each year, the pension plan will send you a pension adjustment statement, which shows the value of your pension benefit for tax purposes.

The pension plan will send you a personalized Member's Benefit Statement once a year.

mid-career



What is service?

Pensionable service is your actual working time—how many full-time years you spend working and contributing as a member of the plan. It is used to calculate exactly how much your pension benefits will be.

You earn one month of pensionable service when you are working full-time and contributing for every workday during that month. If you work and contribute full-time for half of the month, or work 50 per cent for a full month, you will receive half a month of pensionable service.

Contributory service is how long you make contributions to the plan. It is used to determine whether your pension will be reduced (and by how much) should you decide to retire before age 60 (55).

You earn one month of contributory service when you earn any pay that month, and you and/or your employer make the required contribution for that pay.

You earn one month of pensionable service when you are working full-time and contributing for every workday during that month.

Can I purchase service that occurred when I wasn't contributing to the Municipal Pension Plan?

You may be eligible to purchase a period when you worked with a Municipal Pension Plan employer, but did not contribute to the pension plan. You must be an active pension plan member to purchase service.

You may be able to purchase periods of non-contributory service with your current employer. You must apply to purchase this service within five years from the time you began contributing to the plan or the termination of your current employment, whichever comes first.

For details, read the Pensionfacts entitled *Purchasing Non-contributory Service*, or talk to your employer. You can use the Purchase Cost Estimator on the website to determine how much it will cost to purchase your service and how long the pay back period is. Visit mpp.pensionsbc.ca.



What happens if I go on a leave of absence— maternity or parental leave, for example?

This depends on a number of factors, including whether the leave is paid, partially paid or unpaid. You may be able to buy back the service time for partially-paid or unpaid leave before you terminate employment. However, you must be an active member when you apply to purchase the leave, and you must apply to purchase leaves within five years of the leave ending or before you terminate your current employment, whichever occurs first. For more information, see the Pensionfacts entitled *Purchasing Leaves of Absence*.

You may be able to buy back the service time for partially-paid or unpaid leave before you terminate employment.

What is pensionable salary?

Salary for pension purposes includes all earnings that are part of your ongoing compensation. It includes scheduled or unscheduled hours of work paid at straight-time rates of pay, and is paid on a periodic basis (e.g., weekly, bi-weekly, monthly, seasonal or annual basis). The PensionFacts *Your salary and your future pension* provides a complete list of what is considered pensionable salary.

You can maximize your future pension by making certain all of your pensionable salary is properly accounted for. If you have any questions about your salary reported to the Pension Corporation (which is summarized in your annual *Member's Benefit Statement* and available online through My Account), contact your employer.

What if I want to pay back a refund that I took from the pension plan?

If you withdrew your pension contributions from the Municipal Pension Plan and you are currently an active plan member, working for the same employer, you may be able to reinstate your pensionable service by repaying those funds, plus interest.

You must be an active member when you apply to reinstate service, and you must apply within five years of rejoining the plan or before you terminate your current employment, whichever occurs first.

You cannot reinstate a refund of a commuted value payment or a refund taken from the plan for a period of service that ended after December 31, 1997.

Read the Pensionfacts entitled *Reinstating a Refund* for more information.



What about time I take off to have or spend time with my child?

If you take time off work to raise a child, you may be able to count it as part of your contributory service.

Unlike purchasing a leave of absence, you do not have to pay any money to get credit for child-rearing time. The plan will count the time you took off as regular contributory service, which could benefit you if you decide to retire before you turn 60, and counting your child-rearing time would help you reach the 35 years of contributory service you need for an unreduced pension. Read the Pensionfacts entitled *Claiming Credit for Child-rearing* for details.

If you take time off work to raise a child, you may be able to count it as part of your contributory service.



What if I am disabled before I retire? How will this affect my pension?

If you become disabled, you may be entitled to long-term disability benefits (LTD) or short-term disability benefits (STDB). Keep in mind, though, the value of your pension may be affected while you are receiving these benefits.

For example, if you receive LTD from an approved plan or your employer considers your STDB to be pensionable and deducts contributions for the STDB, you will be credited with service in the plan while you are receiving these benefits. This means your pension's value will continue to increase while you are receiving LTD or STDB.

If you receive LTD from a plan that is not approved or your employer does not consider your STDB to be pensionable, you will not be credited with service in the plan and your pension's value will not increase while you are receiving these benefits. However, you may be able to increase your pension's value at a later date by purchasing the service for the time you were receiving LTD or STDB.

For more information about disability benefits and how they affect your pension, see the *Long-term Disability Benefits* and *Short-term Disability Benefits* fact sheets.

For more information about how you can purchase your time on LTD or STDB, see the *Purchasing Leaves of Absence* fact sheet.

What if I'm not entitled to disability benefits?

If you are not entitled to group disability plan benefits, or if those benefits end, you may be eligible for either a disability pension (if under age 60 [55]) or a regular pension (if age 55 [50] or over) from the Municipal Pension Plan. To receive a plan disability pension, you must formally apply by letter to the plan within two years from when you were last credited with service to the plan. Read the Pensionfacts entitled *Disability Pensions*.

What happens if I decide to leave my job?

If you terminate your employment and are not of retirement age, you will have access to termination options within 90 days. If you do not start contributing to the plan again within 90 days, you will receive a *Termination Selection Statement* from the plan which outlines the options you have.

The options provided in the *Termination Selection Statement* vary depending on your age and the amount of time you have been a plan member. They range from a refund of your contributions, with interest, to a monthly pension. You can also choose to leave your contributions on deposit with the plan.

For details about your options at termination read the *Your Pension Plan termination options* Pensionfacts.

You may be able to transfer your pension credits to another pension plan...

What if I move from one Municipal Pension Plan employer to another?

If you move from one employer to another within a month, you must continue to contribute.

In any event, when you move to another plan employer and start contributing again to the plan, you remain a plan member. Your service from your past and your new job will be combined and will continue to accumulate.



Can I move my service time to another pension plan entirely?

You may be able to transfer your pension credits to another pension plan—it depends on whether the Municipal Pension Plan has a transfer agreement with that plan.

If there is an agreement with your new plan, and if you leave your contributions on deposit with the Municipal Pension Plan, you may be able to transfer service to your new plan.

If you earned service in another plan before you joined the Municipal Pension Plan, you may also be able to add that service to your pension. A transfer agreement ensures that you will receive some credit for your service when you transfer; however, it does not guarantee the transfer of full service from one plan to another. If you choose not to transfer, you will eventually receive separate pension benefits from each of the plans in which you have pensionable service.

The Municipal Pension Plan has transfer agreements with the College, Public Service and Teachers' pension plans, as well as a number of other pension plans both in BC and elsewhere across the country, including the federal public service pension plan. There are no transfer agreements with plans outside Canada.

To find out if you are able to carry pension rights from another plan, contact the pension plan, or read the Pensionfacts entitled *Transferring Service*, for a description of your options.

The Municipal Pension Plan has transfer agreements with the College, Public Service and Teachers' pension plans...

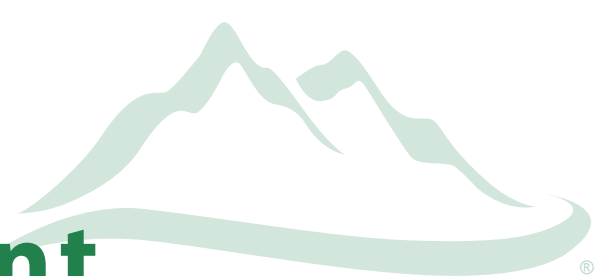


What if I don't understand a decision about my pension benefit?

Contact the Municipal Pension Plan for more information. You can appeal any decision made by the plan that directly relates to you and pertains to the application of plan rules. Plan rule categories include enrolment, purchasing service, termination, disability, pensions and survivor benefits.

See the website at mpp.pensionsbc.ca for more information.

near retirement



When can I start collecting my pension?

You may apply for your pension as early as age 55 (50), if you have at least two years of contributory service.

You will receive an unreduced pension if you are:

- age 55 (50) or older, and the sum of your age plus contributory service is at least 90 (80), or
- age 60 (55) or older with two or more years of contributory service, or
- age 65 (60) or older with any amount of service.

However, if you do not have the minimum amount of age and contributory service above, your pension will be reduced.

What is the reduction?

If you decide to retire early and you do not meet the criteria for an unreduced pension, your pension will be reduced. The bridge benefit is also proportionately reduced.

Your pension will be reduced by three per cent for each year that the sum of your age plus years of contributory service is less than 90 (80) years, to a maximum of 15 per cent, provided you meet these criteria:

- You have at least 10 years of contributory service.
- You are at least age 50 (45) at date of termination.

Otherwise, the reduction is five per cent to a maximum of 25 per cent. Reductions are pro-rated by month for partial years.

What happens if I die before I retire?

If you die before you retire and have contributions on deposit with the Municipal Pension Plan, the plan will pay a pre-retirement death benefit to your beneficiary.

If you decide to retire early and you do not meet the criteria for an unreduced pension, your pension will be reduced.



If you are still working when you die, your employer will advise the plan of your death, and the plan will contact your beneficiary. If you have a spouse, your spouse is automatically your beneficiary unless he or she waived that right in writing.

If you have a spouse, your spouse is automatically your beneficiary...

If you die while still a plan member but not contributing (you left your job, for example, but your pension funds remain on deposit), your beneficiary must apply to the Municipal Pension Plan directly for the benefit.

The pension plan will send your spouse, nominated beneficiary or the executor of your estate a *Pre-retirement Death Benefits Statement* that list their options. The options available to you depend on your age and number of years of contributory service when you die. For details, read the Pensionfacts entitled *Pre-retirement Death Benefits*.

Who is my beneficiary?

Your spouse is automatically your beneficiary. If you do not have a spouse, or your spouse waives entitlement by completing the appropriate form (*Form 4: Spouse's Waiver of Pre-retirement Survivor Benefit*), and you wish to nominate a different beneficiary, you must complete a *Nomination of Beneficiary* form and send it to the plan. If you do not have a spouse, or your spouse waives entitlement, and you do not nominate a beneficiary, benefits are paid to your estate.

Who is my spouse for pension purposes?

Spouse means:

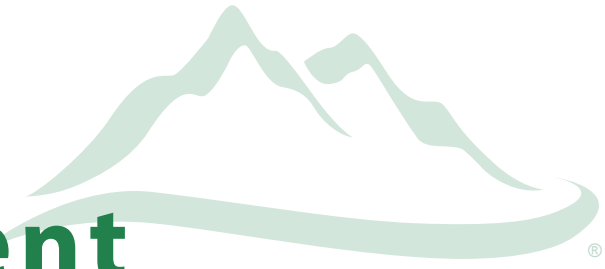
- the person you are legally married to and, for the two-year period immediately before the relevant time (e.g., retirement or death), were not living separate from; or, if this does not apply,
- the person of the same or opposite sex who has lived with you in a marriage-like relationship for the two-year period immediately before the relevant time.

What should I do when I decide to retire?

When you decide to retire, download a *Retirement Planning Package* from the web site at mpp.pensionsbc.ca, or contact the Municipal Pension Plan directly. Use the *Estimate Request* form in the package to obtain an estimate of your pension. We will send you a *Retirement Application Package* containing everything you need to apply for your pension. You can also use the Personalized Pension Estimator at mpp.pensionsbc.ca to help determine your pension.

We will send you a Retirement Application Package containing everything you need to apply for your pension.

after retirement



How will I know what my monthly pension payment will be?

We use the lifetime pension formula to calculate a monthly pension amount, but this is only the beginning. Several other factors also have to be taken into account, including:

The pension option you choose The Municipal Pension Plan offers a number of different pension options, all of which provide you with payments over your lifetime. You may choose a pension that covers only your life, called a single life option, or one that jointly covers your life and the life of your spouse, called a joint life option. You can also choose to guarantee the payments for a specific period of time so that they may continue to your beneficiary after your death. Pension options only apply to the lifetime pension, not to the bridge benefit. For more information, read the *Choosing Your Best Pension Option* booklet.

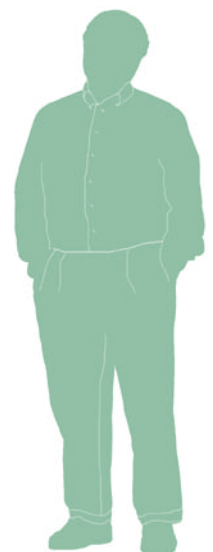
The Municipal Pension Plan offers a number of different pension options...

Once you retire, your pension may be increased by cost-of-living adjustments from the Pension Plan.

The bridge benefit, if you are under 65 when you retire If you retire before age 65, your pension from the Municipal Pension Plan will include a temporary monthly bonus payment, called the bridge benefit. The bridge benefit is designed to “bridge” the gap between your early retirement income and your income after age 65. It ends at the earlier of age 65, or your death.

This amount will be reduced if your lifetime pension is reduced, using the same reduction factor. Your beneficiary will not receive the bridge benefit after your death.

The percentage of health care coverage that you have to pay As a retired member of the Municipal Pension Plan, you may apply for continued health care coverage under the BC Medical Services Plan, the extended health and the dental plan. Depending on your years of service in the plan, you may be eligible for a premium subsidy. Read the section *What about health benefits?* (page 18) for details.



If you are required by a separation agreement or court order to divide your pension with a former spouse The pension plan can divide your pension based on your separation agreement or divorce order, and pay your spouse's portion directly to him or her. We can prepare the pension for division either before retirement or after retirement. For more information, see *How a separation or divorce affects your pension* at mpp.pensionsbc.ca.

What about cost-of-living adjustments?

Once you retire, your pension may be increased by cost-of-living adjustments. Future cost-of-living adjustments are not guaranteed. Once granted, a cost-of-living adjustment becomes part of your basic pension. Any cost-of-living adjustment the Board grants is applied in January.

The Board of Trustees annually considers all relevant factors to determine if a cost-of-living adjustment will be granted. Future cost-of-living adjustments are granted at the discretion of the Board, subject to the limits in the Plan Rules and the *Income Tax Act*.

What about health benefits?

All health and dental benefits are dependent on there being enough money to meet the costs. As a result, the subsidy rates and group benefits currently available to retired members are not guaranteed features of the Municipal Pension Plan.

For details about extended health and dental coverage, rates and subsidies, please visit the Retired Members section of the website. There you will find three publications that explain aspects of the health and dental coverage. Read *Retirement Health Benefits Booklet*, *Retirement Health Benefits Premiums* and Blue Cross *EHB and Dental Summary* booklets.

For details about extended health and dental coverage, rates and subsidies, please visit the Retired Members section of the website.



What happens to my pension if I go back to work after I retire?

If you are retired and receiving a pension from the Municipal Pension Plan, and you become employed again by a plan employer, you have a few options.

If you are over age 71, you are not eligible to contribute to a pension plan under the *Income Tax Act*. If you are under age 71, and you are eligible to contribute to the plan, you need to decide immediately upon re-employment whether you want to contribute again. If you choose to contribute to the plan, your pension will be suspended. When you retire a second time, you will receive your previous pension plus your new pension. If you elect not to contribute to the plan, your pension continues and you earn a salary.

For more information, read the Pensionfacts entitled *Re-employment of a Retired Member*. Contact the plan as soon as possible if you decide to go back to work with a plan employer.

...you need to decide immediately upon re-employment whether you want to contribute again.



What happens to my pension if my spouse dies, or if I die?

When a death occurs, you must settle important matters and make many decisions. The Pensionfacts entitled *In the Event of a Death* should help you with decisions relating to pension income and benefits.

Publications referred to in this guide

Blue Cross EHB and Dental Summary

Choosing Your Best Pension Option

Claiming Credit for Child-rearing

Disability Pensions

How a Separation or Divorce Affects Your Pension

In the Event of a Death

Long-term Disability Benefits

Pre-retirement Death Benefits

Purchasing Leaves of Absence

Purchasing Non-contributory Service

Re-employment of a Retired Member

Reinstating a Refund

Retirement Health Benefits Booklet

Retirement Health Benefits Premiums

Short-term Disability Benefits

Transferring Service

Your Salary and Your Future Pension

Your Pension Plan Termination Options



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