

# MUNICIPAL PENSION PLAN OVERVIEW

## PENSION BASICS

### What is a Pension?

Many employers offer their employees the opportunity to make regular contributions to a plan that will provide them with a pension – a monthly, lifetime income – after they retire from work. This pension is an asset, just like a house or a boat or other property.

### What is the MUNICIPAL PENSION PLAN?

The Municipal Pension Plan is a *defined benefit plan*, that means your pension is based on how many pensionable years you were a plan member and the average of your highest five years of salary (not necessarily your last five years).

It is not based on your contribution to the plan or the performance of the plan's assets. The advantage of this kind of pension plan is that your pension is guaranteed for your lifetime, and may continue for the lifetime of your spouse or eligible dependent (depending on the option you choose at retirement)

### Am I automatically enrolled in the plan?

Enrollment is **mandatory** for full-time, permanent staff after their probationary period of three months.

Regular Part-time employees have their **option** to enroll after a three month probationary period.

Casual employees must complete two years of continuous employment and earn at least 35% of the year's maximum pensionable earnings (YMPE) in each calendar year.

*(The YMPE is based upon the maximum salary on which CPP contribution are made, and is set by the Federal Government on a yearly basis. As of 2025, the maximum CPP pensionable salary is set at \$71,300. That means as a casual you would have make 35% of that amount = \$24,955 to qualify for Municipal Pension Plan enrollment.)*

Once enrolled, employees will continue to contribute to the Municipal Pension Plan until termination of employment with the employer.

Any employee who has the option to enroll in the Municipal Pension Plan but chooses not to enroll, must sign a waiver; which is filed with the employer.

### What are my contributions to the Plan? How are they deducted?

As a member of the Municipal Pension Plan, you contribute both to this plan and the Canada Pension Plan (CPP) through automatic deductions from your salary. How much MPP contributions are depends on the YMPE (year's maximum pensionable earnings) a salary limit set each year by the Federal Government.

Municipal Pension Plan contribution rates are currently set at:

- 8.61% of your salary up to and including YMPE
- 8.61% of your salary above the YMPE

Your employer also contributes to the Municipal Pension Plan on your behalf. Employers contribute at a rate, which is updated annually, based on the number of employees, their salaries, ages and occupations.

## **How does the Plan work?**

The plan will give you a lifetime pension, starting when you retire. After your death, depending on what kind of pension option you chose at retirement, the plan may continue to pay pension benefits to your spouse (if you have one) for his or her lifetime, or to another beneficiary for a set period, or it may pay a lump sum payment to your estate.

Your pension (based on the average of your highest five year salary) increases at a rate of 2% for each year of pensionable service you put in, to a maximum of 35 years. The basic pension formula is:

### **Prior to age 65**

$2\% \times \text{Five Year Highest Salary (HAS)} \times \text{Pensionable Service after January 1, 1966.}$

### **At and After age 65**

$0.7\% \times (\text{lesser of previous year's YMPE or HAS}) \times \text{Pensionable Service after January 1, 1966}$

The basic pension formula is based on the single life annuity, with no guarantee.

## **What is "Pensionable Service"?**

Pensionable service is your actual working time – how many years (full-time equivalent) you spend working as a member of the Municipal Pension Plan. It is used to calculate exactly how much your monthly pension benefits will be.

- You earn one month of pensionable service, when you are paid full time wages for every workday during that month.
- If you work or are paid for half the month, you will receive half a month of pensionable salary.

## **What is "Contributory Service"?**

Contributory service is how many years you (and/or your employer) made contributions to the Municipal Pension Plan. It is used to determine if you are eligible for a pension, and whether your pension will be reduced (and by how much) should you decide to retire before the age of 60.

- You earn one month of contributory service when you earn wages for that month, and you and/or your employer make the required contribution for that time. You are vested (eligible for a pension) after two years of contributory service.

## **As a member of the Municipal Pension Plan, what information can I expect to receive about my pension?**

**Annual Benefit Statement.** Once a year you will receive a benefit statement through your employer that describes your status in the plan. The statement gives you many details including:

- Your Pensionable Service
- Your Contributory Service
- Your normal retirement date
- Your accumulated contributions to the plan (including interest)\_
- Your contributions made to the plan in the last year.
- Your earliest unreduced retirement date
- Your earliest reduced retirement date; and
- An estimate of the amount of your pension benefit at the statement date **if you are already eligible**. Plus future pension estimates assuming you continue to be a member of the plan.

## **Are my pension contributions subject to income tax?**

When you pay into the Municipal Pension Plan, the income tax on the amount you pay is deferred. You will pay the income tax later when you actually receive your pension. The tax is based on your retirement income

## **Can I buy RRSP's at the same time I am contributing to the Municipal Pension Plan?**

You can contribute to your RRSP's while you are contributing to the Municipal Pension Plan. However, since you are already contributing to a pension plan, which is also a tax deferred retirement benefit, your RRSP contribution limit will be affected.

Every year you will be sent a **Pension Adjustment Statement**. You will receive this through your Payroll office sometime before the last day in February. You must include this statement with your yearly income tax return. The pension statement reports the "value" of your MPP pension. You will be advised by Canada Customs and Revenue Agency on your assessment notice **how much RRSP contribution room you will have for the coming year.**