



# **Preparing for Retirement**

As at January 1, 2016

## TABLE OF CONTENTS

<b>INTRODUCTION .....</b>	<b>3</b>
<b>MEMBER SERVICES .....</b>	<b>3</b>
<b>RETIREMENT DATE .....</b>	<b>4</b>
<b>SELECT YOUR PENSION OPTION .....</b>	<b>8</b>
<b>APPLYING FOR YOUR MEBP PENSION.....</b>	<b>9</b>
<b>FREQUENTLY ASKED QUESTIONS.....</b>	<b>10</b>

## MUNICIPAL EMPLOYEE BENEFITS PROGRAM PREPARING FOR RETIREMENT

### INTRODUCTION

The following information provides you with important details about the Municipal Employees Pension Plan (MEPP or The Plan) to assist you in making an informed decision about your retirement benefits.

An exact and complete description of the Plan provisions and entitlements can be found in the Municipal Employees Pension Plan Text. Where questions arise about interpretation, the Plan Text will govern. In addition, the Plan is subject to the provisions of *The Pension Benefits Act* of Manitoba and Pension Benefits Regulation (referred to as the PBA in the brochure) as well as the federal government's *Income Tax Act*.

### MEMBER SERVICES

As you approach retirement, we encourage you to take advantage of the following member services:

#### Online Pension Estimator

Our website at [www.mebp.mb.ca](http://www.mebp.mb.ca) contains the Online Pension Estimator. You can use the On-Line Estimator 24 hours a day, 7 days a week.

The Online Pension Estimator can provide an estimate of your monthly pension benefit earned as at a specific retirement date. It uses employment, service, and earnings information that MEBP has on file for you as at the date the estimate is processed. It can also provide estimates on joint life options if a spouse's or common-law partner's date of birth is entered.

#### MEBP Pension Estimates

If you would like us to run pension estimates for you, contact our office to request the information you need.

It is important that you obtain a pension estimate well in advance of your retirement so you know how much pension you can expect to receive each month.

#### Attend a Pre-Retirement Seminar

You can request to attend a pre-retirement seminar. The seminar will provide general information about your MEBP pension and other topics such as federal government benefits, insurance, taxation and investments.

#### In Office Retirement Counselling

We encourage you to book an appointment with a MEBP Benefits Administrator to review and discuss your MEPP pension benefits within one year of your retirement. We recommend that you bring your partner, if applicable, to the appointment.

#### Financial Advice & Government Sponsored Programs

Your MEBP pension may represent only a portion of your retirement income; therefore, we strongly recommend that you seek advice or information from a financial and/or tax advisor before making any final decisions regarding your retirement.

MEBP does not provide financial planning services; we can only answer questions about your MEBP pension.

Other sources of income may include the Canada Pension Plan (CPP), Old Age Security (OAS) and if applicable, government supplements. Contact CPP and OAS directly at 1-800-277-9914 to determine eligibility requirements and how much you can expect to receive.

## RETIREMENT DATE

In preparing for retirement, you should determine a retirement date. Once you have a date, you can get more accurate information about your MEBP pension benefits.

Selecting a retirement date will be based on when you are eligible to receive your MEBP benefit. Eligibility depends on the following variables:

- the date you terminate your employment with a participating MEBP employer (you must terminate your employment with your participating employer in order to be eligible to start receiving a pension benefit, unless you are an active employee who is age 71 or older),
- your total qualifying service and,
- your age.

## Vacation Pay

Your retirement date is the last day for which you are paid (unless you are on Leave or Lay Off) and may be extended due to accrued vacation pay or any other pensionable earnings that may be issued to you after your last physical day at work.

If you receive accrued vacation pay as a lump sum payment after your last day of work, **no MEBP contributions will be deducted** and your retirement date will be based on the last day for which you received pensionable earnings from your employer.

If you remain on payroll and receive accrued vacation pay as regular earnings until it is all paid out, all MEBP contributions will continue to be deducted and your retirement date will be based on the last day you receive pensionable earnings. It is important that you plan your last day of work and your retirement date with your employer. The date you both agree on is the date to be used on your "Notice of Retirement".

## Retiring Allowance (severance pay)

A retiring allowance is an amount that you may be eligible to receive from your employer at retirement and it may include payment for unused sick leave. MEBP contributions are not required to be deducted from a retiring allowance (severance pay) if it is paid out to you as a lump sum payment. If you remain on payroll and receive the retiring allowance (severance pay) as regular earnings until it is all paid out, all MEBP contributions will continue to be deducted.

Please contact your employer for additional information.

## Service

There are two types of service that apply to the pension plan:

1. **Qualifying Service** – this service is calculated from your first day of employment to the last day of employment or the date of death. It is used to calculate the Rule of 80 date and eligibility for pension benefits. It includes the total number of years and fractions of years that you worked for one or more participating employer. ***Qualifying service must be continuous and can be affected by periods of approved leave or lay off that are greater than 54 weeks in duration.***
2. **Pensionable Service** – this service is the total years and partial years that you have contributed to the Plan. It is calculated from your plan entry date to the last day that you receive pensionable earnings from your employer or the date of death. It is used in the Pension Plan formula to calculate your pension benefit.

The amount of pensionable service that has been credited to your account each year will depend on your employment category (full time, part time, temporary, casual and seasonal) and the number of hours worked each year.

## Retirement Benefit

***Effective January 1, 2018, Plan changes are scheduled to take place. A change that will impact members retiring from the Plan is the introduction of the minimum age 55 requirement. The following information has been divided into two sections; Current and New Plan Provisions, in order to help you determine when you can retire and how your pension benefit is impacted.***

The normal retirement age under the Plan is age 65. You are eligible for an unreduced pension benefit regardless of the length of service if you retire and are age 65. The Plan also offers several early retirement options.

## Unreduced Pension Benefit

An unreduced pension benefit is a pension that **has not been reduced by an early reduction penalty.**

### **Current Plan Provisions (in effect until December 31, 2017):**

You can retire early with an unreduced pension benefit:

- if your age plus qualifying service equal 80 (Rule of 80), or
- at age 60 and have 5 or more years of qualifying service, or
- at age 65, with any amount of qualifying service.

## **New Plan Provisions (Effective January 1, 2018)**

A member who meets the Rule of 80 requirements, must also be a minimum of age 55 to be eligible for early unreduced retirement benefits from the Plan.

### Example 1:

Member who **has not obtained Rule of 80** as at December 31, 2017.

- Date of Birth: October 30, 1966
- Rule of 80 Date: April 26, 2019 at age 52.4 (unable to retire)
- Earliest Retirement Date: October 30, 2021 (age 55)

A member, who obtains their Rule of 80 date prior to January 1, 2018 and is under age 55, is still eligible to retire without meeting the new minimum age 55 requirement.

### Example 2:

Member **who has obtained Rule of 80** as at December 31, 2017 or earlier.

- Date of Birth: October 13, 1967
- Rule of 80 Date: March 25, 2017 at age 49.4
- Earliest Retirement Date: March 25, 2017

## Reduced Pension Benefit

A reduced pension benefit is a pension that has been adjusted by an early retirement penalty or an actuarial reduction.

You can retire early with a reduced pension benefit:

- if you are between the ages of 55 to 60 and have 5 or more years of service, but you have not met the Rule of 80 requirements. (Your pension benefit will be reduced by: for pensionable service before December 31, 1991, **.0625%** for each complete month that the retirement date precedes your 60<sup>th</sup> birthday, and for pensionable service after December 31, 1991, **.25%** for each complete month that the retirement date precedes your 60<sup>th</sup> birthday), or
- if you are between the ages 55 to 65 and have less than 5 years of qualifying service you may be eligible to receive an **actuarial equivalent** pension benefit. This means that the pension that would have been payable at your normal retirement date of age 65, would be reduced and paid earlier.

## Retirement After Age 65

You can continue to contribute to the Pension Plan up to the last pay period of the year in which you turn age 71. After the last pay period of the year, your employer will be advised to stop your pension contributions and you must start receiving your retirement benefit. This is a requirement under the *Income Tax Act*. At age 71, you do not have to terminate your employment with your participating employer in order to receive a monthly pension benefit.

## Bridge Benefit

The bridge benefit is a supplementary benefit paid to members retiring from active status who are under age 60 on their retirement date. The bridge benefit is paid monthly to age 60 and is applied to all pension options.

It provides additional income until age 60, at which time you are eligible to apply for the Canada Pension Plan (CPP). At age 60, MEBP stops paying the bridge benefit and your monthly pension will be adjusted accordingly. The adjustment to your MEBP pension payment will occur automatically, even if you have not applied for your CPP benefits.

## Legislation Requirements

Pension legislation in Manitoba requires plan members who have a spouse, or are party to a common-law relationship, to choose a pension option that has a minimum death benefit of 60% to spouse upon the member's death. MEBP's options that comply with this requirement are 2/3 to spouse and full to spouse.

If these options are not suitable, your spouse can complete the MEBP **"Waiver of Minimum Joint Survivor Pension Form"**, which allows members to select a different type of pension option.

If, after December 31, 1983, you have had a physical separation in either a marriage or common-law relationship, and both parties have agreed to divide family assets, legislation may require that benefits accumulated during the marriage, or relationship, be divided. Please contact MEBP for additional information.

If you select a joint life pension that is payable to your spouse or partner upon your death (2/3, 1/2 or Full to Spouse), the person who you represented as your spouse or partner on your retirement date, is considered to be the named beneficiary of your pension benefit.

If your spouse predeceases you, you cannot change your pension option. The pension benefit will not continue to another beneficiary upon your death, even if you remarry or live common-law with a new partner.

For the guaranteed pensions (10 or 15 year guarantee) more than one beneficiary may be named and the beneficiary may be changed at any time.

## Calculating your Monthly Pension

### Pension Formula

The amount of the monthly pension benefit earned is based on the following formula:

- 1.5% of the average of your 5 highest years of pensionable earnings up to the YMPE, plus
- 2% of the average of same 5 highest years of pensionable earnings over the YMPE,
- Multiplied by your total pensionable service,
- Divided by 12

## Pensionable Earnings

Pensionable earnings are your regular earnings (hourly wage or salary) for a calendar year and include vacation pay and paid leaves of absence such as sick pay and shift premiums. Vacation pay and retiring allowances paid as salary continuance are also considered to be pensionable earnings. Non-pensionable earnings such as overtime, lump-sum payments of severance, Northern Living Allowance, bonuses and certain types of banked time are excluded from pensionable earnings.

Your pensionable earnings are used to calculate your five highest years of average earnings, which are used in the calculation of your monthly pension benefit earned.

## Maximum Pension Amounts

The *Income Tax Act* outlines the maximum annual pension amount that the Plan can provide to its members. This maximum annual pension amount is used to determine the maximum pensionable earnings and contributions that are allowed to be made in any given year. These maximum amounts are set by the Canada Revenue Agency annually. You will be advised if this provision applies to your pension benefit.

Pension contributions are stopped once a member reaches the maximum pensionable earnings that are set for the year. Contributions on pensionable earnings above the maximum are not required because the member will already have earned the maximum pension payable for that year.

## SELECT YOUR PENSION OPTION

There are different pension options to choose from depending on whether you are single or married/ common-law. Choosing a pension option is the most important decision you will have to make before you retire. It is a personal decision based on your own specific situation.

The amount of pension you will receive when you retire and the amount that is left to your surviving spouse, partner or beneficiary, will vary based on the option that's chosen. Once you start receiving your monthly pension benefit, you cannot change your pension option and you cannot name a new beneficiary under the 2/3 to Spouse, Full to Spouse and 1/2 to Spouse, options.

With all the options, if the pension payments made to you and your beneficiaries total less than your contributions plus interest at your retirement date, the difference is refunded to your estate or beneficiary.

**2/3 TO SPOUSE** - This pension benefit is payable for your lifetime. It is based on your age and your spouse's age, at your retirement date.

Upon your death, your spouse will receive two-thirds (66.67%) of your basic pension amount and two-thirds (66.67%) of any cost of living adjustments (COLA) that you may have been receiving prior to your death. This benefit is payable to your spouse for life and will commence the month after your death. If your spouse predeceases you, the pension stops at your death.

**FULL TO SPOUSE** - This pension type is the same as above except that, upon your death, your spouse will receive the full amount (100%) of your basic pension amount and two-thirds (66.67%) of any COLA that you were receiving prior to your death.

**1/2 TO SPOUSE** - This pension type is the same as the previous two except that, upon your death, your spouse would receive 1/2 (50%) of your basic pension amount and two-thirds (66.67%) of any COLA that you were receiving prior to your death.

**LIFETIME** - This pension is payable to you for life with no payments continuing to a beneficiary after your death. If, on the date of your death, pension payments that have been made are less than your total contributions and interest, the Fund guarantees that your estate or beneficiary will receive any remaining contributions with interest.

**10 YEAR GUARANTEE** - This pension benefit is payable to you for life. If your death occurs **within 10 years** of your retirement date, your named beneficiary (ies) will receive a monthly pension payment for the balance of the 10 year guarantee. If your death occurs 10 or more years after your retirement date, the guarantee period will have expired and your beneficiary will not receive any payments.

**15 YEAR GUARANTEE** - This pension type is the same as the 10 year guaranteed pension, except that if your death occurs **within 15 years** of your retirement date, your named beneficiary (ies) will receive the balance of the 15 year guarantee. If your death occurs 15 or more years after your retirement date, the guarantee period will have expired and your beneficiary will not receive any payments.



## APPLYING FOR YOUR MEBP PENSION

### When to Apply

It is best to apply for your pension benefit three to six months before you want to receive your first payment. Any information you provide to MEBP does not get shared with your employer. It is your responsibility to advise your employer of your intent to retire.

### What Documents Are Required

- Pension forms – these forms, along with your pension estimate, will be included in your retirement package, if your retirement date is within 6 months.
- Proof of Age – we require proof of age for both you and your spouse or partner. You will be advised if this information is not already on file at MEBP.
- Banking Information – a void cheque or a letter from your Canadian bank or credit union is required to deposit your MEBP pension directly to your account.
- TD1 Federal and Provincial Personal Tax Credit Forms – these forms will be included in your retirement package.
- Separation Notice – this form will be provided to MEBP by your employer once all monies owed to you have been paid out.

After you have submitted all the necessary documents, you will receive a confirmation letter from MEBP outlining the forms received and the pension option chosen.

Incomplete or missing forms/information may delay the processing of your pension benefit. Changes to your information can only be made **before you receive your first pension payment.**

### Pension Payments

MEBP begins paying pension benefits the day after your retirement date. This means that your first pension payment may be for a full or partial month. If we do not receive a separation notice from your employer prior to your retirement date, your pension may be paid on an “estimate” basis. Once we receive the required information from your employer, payments will be adjusted accordingly. Payments are issued on the second last workday of each month, with any applicable income taxes deducted.

You will receive one or more monthly Pension Statements from MEBP. Once your pension account with MEBP has been finalized, these statements will stop and in the future you will receive a statement only if there is a change to your monthly pension payment amount.

The pension amount that you see on your estimate is the gross amount before deductions. The only mandatory deduction is income tax.

### Post Retirement Insurance

If you have Basic Life Insurance coverage on the date you retire from active employment, then you are eligible for coverage under Post Retirement Life Insurance.

Your coverage will be based on the amount of Basic Life Insurance that you had prior to retirement. The coverage is adjusted based on your age at retirement and deductions are taken directly from your monthly pension payment.

A limited conversion privilege under Basic, Optional and Family Life is available within 31 days of retirement, if you are under age 65. For more information, please contact the MEBP office.

All other group insurance plans offered by MEBP stop automatically on the last day for which you have made contributions and there is no conversion privilege.

## FREQUENTLY ASKED QUESTIONS

### What happens if I pass away before retirement?

If death occurs prior to retirement, a death benefit will be calculated as at the date of death. The death benefit is based on the amount of pension benefit earned at the date of death.

If you were living with a spouse or common-law partner at the date of death, your spouse or common-law partner is eligible to receive the death benefit payable, unless the spouse or common-law partner has waived their entitlement to the death benefit. The **Waiver of Entitlement to Pre-Retirement Survivor or Death Benefit Form** is available on the MEBP website.

If you do not have a spouse or common-law partner who meets the requirements for eligibility for entitlement to the death benefit under the **Pension Benefits Act**, the death benefit will be paid to the named beneficiary (ies) that you have designated. If the beneficiary (ies) is a minor, death benefits will be paid to the named trustee who will be responsible for the administration of benefits to the beneficiary.

If you have not designated a beneficiary, and there is no spouse or common-law partner who meets the requirements for eligibility for entitlement to the death benefit under the **Pension Benefits Act (Manitoba)**, the death benefit will be paid to your Estate.

### What happens if my employer settles an employment or union agreement after I have started receiving my pension?

MEBP pension contributions will be deducted from retroactive pensionable earnings issued by the employer to you, if these earnings cover a period of employment prior to your retirement.

Your employer will need to advise MEBP of the settlement and provide us with a “revised” separation notice. Your pension will be recalculated using the increased salary and an adjustment will be paid retroactively back to your retirement date.

### Will my pension increase during retirement?

Cost of living adjustments (COLA) may be granted on an “Ad Hoc” basis. The Board of Trustees reviews the plan’s overall financial situation at the end of each year and determines whether or not a COLA should be granted.

If granted, the first COLA will be applied to your 13th monthly pension payment. Future COLAs will then be in April of each year. If pension payments continue to a beneficiary, your beneficiary will receive 2/3 of the COLAs that you were receiving, plus 2/3 of any future COLAs.

MEBP is unable to grant a COLA if the Plan’s Solvency Ratio, as determined by the Plan actuary, is less than 90%. The Solvency Ratio is determined on an annual basis.

### Can I Work After Retirement?

You can return to work with any employer after retiring. If you return to work for a participating MEBP employer you may choose to:

- stop receiving your monthly pension benefit and start contributing to the Plan again or
- you can decide not to contribute and continue receiving your monthly pension benefit.

Municipal Employees Benefits Program  
1200 – 444 St. Mary Ave.  
Winnipeg Manitoba R3C 3T1

Phone: (204) 946-3200  
Toll Free (within Canada): 1-800-432-1908  
Fax: (204) 945-5370

## **Manitoba Municipal Employees Benefits Program**

**1200-444 St. Mary Avenue  
Winnipeg Manitoba R3C 3T1**

**Phone: 204-946-3200 • Fax: 204-945-5370 • Toll Free within Canada 1-800-432-1908  
[www.mebp.mb.ca](http://www.mebp.mb.ca)**