

MUNICIPAL AND PUBLIC SERVICE PENSION PLAN

Glossary of Terms

ANNUITY means a regular monthly payment.

BRIDGE BENEFIT is added to your pension to bridge the period from your retirement date until you reach age 65 or die. At age 65, you can start to receive your Canada Pension Plan without a reduction if you have not already started to receive it. (Your beneficiary is not entitled to the bridge benefit.)

HIGHEST AVERAGE SALARY (HAS): When you retire, your pension benefits are based on a formula that uses an average of your highest years of salary. The best five years of full-time earnings from your entire time with the plan are used in calculating your Highest Average Salary.

CONTRIBUTORY SERVICE means the number of months that you and your employer made contributions to the plan. You earn one month of contributory service for each month in which you and/or your employer make contributions to the plan. If you decide to retire early, contributory service is used to determine whether your pension will be reduced, and by how much.

DEFERRED PENSION: If you terminate employment prior to being able to start your pension, you can defer the benefit until a later date. For example, if you terminate employment at age 50, you can leave your funds in the plan and begin to draw your pension as early as age 55. When your pension is calculated, your Highest Average Salary will include adjustments made for increases in the Consumer Price Index from your termination date to your retirement date. This practice is not guaranteed to remain into the indefinite future.

PENSIONABLE SERVICE is your actual working time as a member of the pension plan. You earn one month of pensionable service for one full month of full-time work. If you work half time, you receive half a month of pensionable service. Pensionable service is used to determine the amount of a pension.

SPOUSE: The person to whom you are married and are not living separate or apart from for the two years preceding the relevant time. If the above does not apply, your spouse is the person of the same or opposite gender with whom you are living in a marriage like relationship for two years at the relevant time.

YEARLY MAXIMUM PENSION EARNINGS (YMPE) is used to determine your Canada Pension Plan and is updated annually to reflect the Consumer Price Index. The YMPE for 2007 is \$43,700.

85 OR 90 FACTOR: Under the Public Service Pension Plan, you can retire without a reduction in your lifetime benefit prior to age 55 if your age plus years of service add up to 85. Under the Municipal Pension Plan, you can retire without a reduction in your lifetime benefit prior to age 55 if your age plus years of service add up to 90. Otherwise, under both plans, if you retire prior to age 60 your benefit will be reduced by 3% for each full year that you are less than 60, prorated for partial years.

OPTIONS:

- *Single Life Only Pension:* You will receive the basic lifetime pension amount until you die, with no continuing pension to your spouse or beneficiary.
- *Single Life Pension, five-, 10- or 15- year guarantee:* You will receive less than the Single Life Only Pension for your monthly lifetime pension because your pension payment is guaranteed for a period of time. If you die before the guarantee period expires, the monthly lifetime pension will continue to your beneficiary for the remainder of the guarantee period only (or your beneficiary will receive an equivalent lump-sum payment). If you live beyond the guarantee period, you will continue to receive your monthly lifetime pension, but there will be no pension paid to your spouse, beneficiary or estate when you die.
- *Joint Life 100% Pension:* You will receive less than the Single Life Only Pension for your monthly lifetime pension because the pension is guaranteed for two lives. However, when you die, your pension will continue in the same amount to your spouse.
- *Joint Life Pension at 60% (or other specified percentage) with a guarantee:* You will receive less than the Single Life Only Pension for your monthly lifetime pension, because your pension payment is guaranteed for a period of time. If you live beyond the guarantee period, you will continue to receive your pension for the remainder of your life. If you die before the guarantee expires, 100% of the monthly lifetime pension will continue to your spouse for the remainder of the guarantee period. After the guarantee period, the monthly lifetime pension paid to your surviving spouse will be reduced to 60% (or other specified percentage). If you die after the guarantee expires, your spouse will receive 60% (or the specified percentage) of your pension amount.
- *Temporary Annuity:* A temporary annuity is available before age 65. It is not a stand-alone option, but must be combined with one of the other four types of options. It supplements your pension and is payable until the earlier of age 65 or death. It permanently reduces your monthly lifetime pension.