

## **2015 Pension Adjustments**

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**CALCULATING AND REPORTING  
2015 PENSION ADJUSTMENTS  
FOR  
THE PUBLIC SERVICE SUPERANNUATION PLAN**

**NOTE: Please keep this Guide for use in calculating future years' Pension Adjustments.**

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# PUBLIC SERVICE SUPERANNUATION PLAN 2014 PENSION ADJUSTMENT GUIDE

## INTRODUCTION

The purpose of this guide is to assist you in calculating and reporting the 2015 Pension Adjustments (PA's). You, the employer, are responsible for the reporting of PA's on your employees' T4 information slips. PA's must be reported for all 2015 active and terminated members of the Public Service Superannuation Plan (PSSP). The PA's recorded on the T4 information slips are used by members to calculate the amount of Registered Retirement Savings Plans (RRSP) they can purchase the following year.

The PSSP is a multi-employer, defined benefit registered pension plan. The PSSP's registration number 0349340 must be included on the T4 information slip. Many income tax consultants' newsletters deal with single-employer plans, not multi-employer plans. The information supplied by them may not be applicable to members of the Public Service Superannuation Plan.

### Special Circumstances for Reporting PA's:

- Employees who worked part of the year and were/are members of PSSP must have a PA reported for them.
- If a member died during the year, do not report a PA for them.

## TABLES

The Tables included at the back of this guide can be used to determine the PA for members that had 12 months of pensionable service in 2015. Note: If an employee had less than 12 months of pensionable service you must calculate the PA. The steps for calculating the PA are in the following sections.

## DEFINITIONS

Benefit Entitlement (BE)	⇒	The amount of pension earned by the member during the year.
Year's Maximum Pension Earnings (YMPE)	⇒	Maximum pensionable earnings allowed for the year. The 2015 YMPE is \$53,600.
Pensionable Earnings	⇒	The member's earnings from which PSSP contributions are deducted

## BENEFIT ENTITLEMENT (BE) and PENSION ADJUSTMENT (PA) FORMULAS

$$\text{BE} = (1.3\% \times \text{pensionable earnings up to the YMPE}) + (2.0\% \times \text{pensionable earnings over the YMPE})$$

$$\text{PA} = (9 \times \text{Benefit Entitlement}) - \$600.00$$

If a member has 12 months of pensionable service in the year, you may choose to use the PA Tables in the back of this Guide to determine the PA.

The PA Tables cannot be used when determining the PA for a member who has less than 12 months of pensionable service in the year. This would include a labour service employee if the employee works less than 240 days in the year. See the example on the following page to determine the PA's for this special situation.

Make the calculation in two steps. First, using the PSSP Benefit Entitlement formula, calculate the Benefit Entitlement. Then calculate the Pension Adjustment using the PA formula.

### STEP 1: Calculate the Benefit Entitlement (BE)

Example: A PSSP member has pensionable earnings of \$60,000 in 2015. The Year's Maximum Pensionable Earnings (YMPE) for 2015 is \$53,600.

$$\text{BE} = (1.3\% \times \$53,600) + (2.0\% \times (\$60,000 - \$53,600)) = \$824.80$$

Note: BE is subject to a maximum, which applies even if the member earns a pension benefit greater than the BE maximum. The BE maximum for **2015** is **\$2,818.89**.

### STEP 2: Calculate the Pension Adjustment (PA)

Example: A PSSP member has pensionable earnings of \$60,000 in 2015. The Year's Maximum Pensionable Earnings (YMPE) for 2015 is \$53,600.

$$\text{BE} = (1.3\% \times \$53,600) + (2.0\% \times (\$60,000 - \$53,600)) = \$824.80 \text{ (Step 1 above)}$$

$$\text{PA} = (9 \times \$824.80) - \$600.00 = \$6,823.00 \text{ (rounded to nearest dollar)}$$

**Note:** PA's are subject to a maximum. The maximum Pension Adjustment for **2015** is **\$24,770**. PA is always rounded to the nearest dollar. If your PA calculation works out to a negative number, the PA is zero.

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## SPECIAL SITUATION: LESS THAN 12 MONTHS OF PENSIONABLE SERVICE

Special rules apply if a member does not earn 12 months (see note below for Labour Service employees) of pensionable service in a calendar year. Less than 12 months of pensionable service may occur when:

- the member retires during the year;
- the member terminates during the year; or
- the member is a labour service employee, who worked less than 240 days in the calendar year.

If a member receives less than 12 months of pensionable service during a year, the pensionable earnings must be annualized and the \$600.00 deduction allowed in the PA formula must be prorated on the basis of pensionable service.

**Note:** For Labour Service employees, a year of pensionable service is earned if the employee works 240 days in the year. For a labour service employee who works less than 240 days, the annualization of pensionable salary and the proration of the \$600.00 deduction are based on the actual number of days worked relative to 240 days.

### Example: Less Than 12 Months Pensionable Service

Assume the member has 10 months pensionable service in 2015 and pensionable earnings of \$45,000.

1. Annualize the member's contributory earnings: Divide the member's pensionable earnings by the number of months of pensionable service and multiply by 12 (months).

$$(\$45,000/10) \times 12 = \$54,000$$

2. Using the annualized earnings, calculate the BE in the usual way:

$$(1.3\% \times \$53,600) + (2\% \times (\$54,000 - \$53,600)) = \$704.80$$

3. Prorate the BE for the actual months of service: Annualized BE x ((months of pensionable service)/12 months)

$$\$704.80 \times (10/12) = \$587.33$$

4. Use the prorated BE in the PA formula and prorate the \$600.00 deduction:

$$PA = (9 \times BE) - (\$600.00 \times (\text{months of pensionable service})/12)$$

$$PA = (9 \times \$587.33) - (\$600.00 \times (10/12)) = \$4,786.00 \text{ (rounded to nearest dollar)}$$

## RETROACTIVE PAY

Benefit entitlements are calculated on cash received in the year. Any pensionable retroactive pay a member receives during the year is to be added to the member's pensionable earnings for the purpose of calculating his/her benefit entitlement (BE) and pension adjustment (PA).

If a member receives pensionable retroactive pay in a year **after retirement or termination**, you must recalculate the PA for the previous year, including the pensionable retroactive earnings. The difference between the original PA and the recalculated PA is reported on the T4 for the year in which the payment is made.

### **Example: Pensionable Retroactive Pay**

Assume a PSSP member terminated in 2014 when his/her pensionable earnings were \$50,000. His/her PA for 2014 was \$5,250.00. In 2015, he/she received \$5,000 in retroactive pay.

The revised 2014 BE and PA is:

$$\text{BE} = (1.3\% \times \$52,500) + (2\% \times (\$50,000 + \$5,000) - \$52,500) = \$732.50$$

$$\begin{aligned} \text{PA} &= (9 \times \text{BE}) - \$600.00 \\ &= (9 \times \$732.50) - \$600.00 \\ &= \$6,592.50 - \$600.00 \\ &= \$5,992.50 \end{aligned}$$

The PA to be reported on the 2014 T4 information slip is:

$$\text{Revised 2014 PA} - \text{Reported 2014 PA} = \$5,992.50 - \$5,250.00 = \$743.00 \text{ (rounded to the nearest dollar)}$$

## **FOR FURTHER ASSISTANCE**

If you have any questions regarding this guide, please do not hesitate to contact:

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