

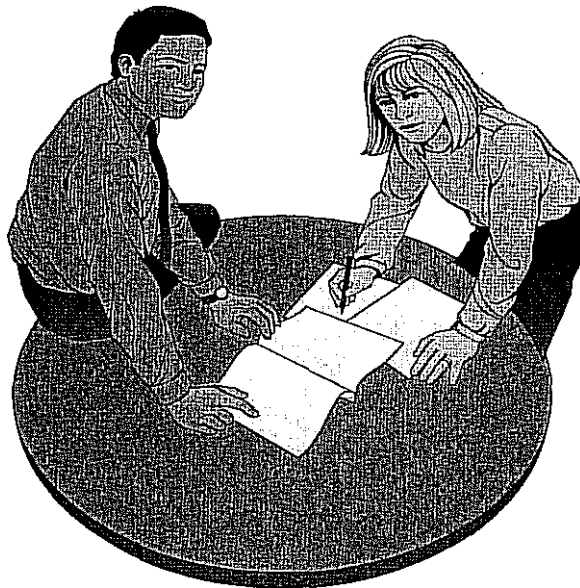
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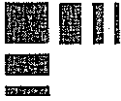
PENSION ADJUSTMENTS

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PENSION ADJUSTMENTS

SOME BASIC INFORMATION ON HOW TO CALCULATE
YOUR OWN PENSION ADJUSTMENTS





PENSION ADJUSTMENTS

WHAT IS A PENSION ADJUSTMENT?

- A Pension Adjustment (PA) approximates the value of pension benefits earned during a year
- The PA amount is used to reduce the contribution limit to an RRSP
- RRSP limit = (earnings x 18%) - PA



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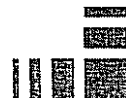


PENSION ADJUSTMENTS

HOW DO YOU CALCULATE PA'S?

- PA formula is:
(1.4% x earnings up to the YMPE, plus 2% x earnings above the YMPE) x 9 - \$600
- Example (for a full time teacher):
Members pensionable earnings = \$50,000
The 2000 YMPE = \$37,600
Benefit earned = (1.4% x \$37,600) + {2% x (\$50,000 - \$37,600)} = \$526.40 + \$248.00 = \$774.40

- PA:
|| (9 x \$774.40) - \$600 = \$6,370 (rounded)





PENSION ADJUSTMENTS

HOW DO YOU CALCULATE PA'S?

- When a teacher works less than a full year or less than full time, earnings must be annualized
- Example:
 - " If a teacher is earning \$37,500 and working 75% time you would annualize the earnings as follows:
 - $\$37,500 / .75 = \$50,000$, or
 - $\$37,500 / 150 \times 200 = \$50,000$
- Using the formula this person's PA would be:-
 - "PA of $\$6,369.60 \times .75 = \$4,777.00$ (rounded)



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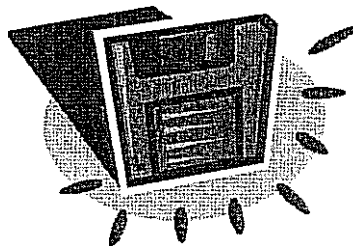
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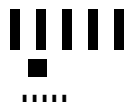


PENSION ADJUSTMENTS

TRAF'S PA SPREADSHEET

- To assist you in your calculations we are giving you a diskette of our PA spreadsheet
- It is formatted for Quattro Pro, Excel and Lotus

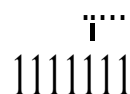




PENSION ADJUSTMENTS

THINGS TO KNOW ABOUT THE SPREADSHEET

- You will need to enter in the YMPE at the beginning of each year
- You will also need to enter the calendar year
- Service is FTE days paid x .005 (1/200th for teachers); months paid x .083 (1/12th for superintendents)
- Changes in salary base or percent of service must be entered on a separate line



PENSION ADJUSTMENTS

THINGS TO KNOW ABOUT THE SPREADSHEET

- Percent of service is keyed as 1 for 100%, .5 for 50% time, .75 for 75% etc.
- Make sure you protect the cells that use formulas
- The spreadsheet automatically calculates on a 10 month or daily rate when there are events such as changes in percent of service, extra time, a commencement or termination date





PENSION ADJUSTMENTS

ENTERING INFORMATION IN THE SPREADSHEET

- You will need to enter information under the salary base, earnings, service and percent of service
- Here are a few examples...
Our examples use a full time annual salary of \$50,000



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PENSION ADJUSTMENTS

EXAMPLES OF DIFFERENT INFORMATION YOU ENTER ON THE SPREADSHEET AND THE PA THAT IS CREATED

1. Teacher worked 50% time for the full year and had 25 substitute days paid at \$100/day

SB	Earn.	Serv.	.eOS	EA
12	\$25,000	.500	.500	\$3,185
10	\$ 2,500	.125	1.000	\$ 240



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PENSION ADJUSTMENTS

EXAMPLES (CONT'D)

2. Teacher worked until March 24, 2000 and was paid for 59 days, or is paid 3/10ths

SB	<u>Earn.</u>	<u>Serv.</u>	<u>EaS</u>	<u>EA</u>
10	\$14,750	.295	1.000	\$1,879
10	\$15,000	.300	1.000	\$1,911

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PENSION ADJUSTMENTS

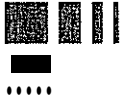
EXAMPLES (CONT'D)

3. Teacher worked 100% time for the spring term and 50% for the fall term

SB	<u>Eam.</u>	<u>Serv.</u>	<u>EaS</u>	<u>EA</u>
12	\$33,333	.600	1.000	
12	\$ 8,333	.200	.500	\$5,096
10	\$30,000	.600	1.000	
10	\$10,000	.200	.500	\$5,096



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PENSION ADJUSTMENTS

RETROACTIVE PAY

- To calculate a PA in the year a retroactive pay adjustment has been made, simply add the retro pay to the regular earnings and calculate normally
- If a retroactive salary adjustment is paid to a former teacher (retired or resigned) you have to add the retro pay to the prior year's earnings and recalculate that year's PA.
- The difference in the two PA's becomes the current years PA

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PENSION ADJUSTMENTS

RETROACTIVE PAY- EXAMPLE

1. Teacher worked 100% time in the spring term 1999 and then retired that June. In 2000 they received a retroactive pay adjustment of \$2,500

SB	<u>Earn.</u>	Serv.	EoS	EA
10	\$30,000	.600	1.000	\$3,828 (1999)
10	\$ 2,500	.000	1.000	\$4,278 (recal)
Difference in two PA's is the 2000 PA				\$ 450 (2000)



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PENSION ADJUSTMENTS

CURRENT SERVICE PURCHASES

- When a teacher buys back current service with TRAF (ie. Sub. service, ed. leave, mat. leave etc.), the earnings and service need to be added in and the PA calculation adjusted
- TRAF will advise you when someone purchases current service
- If the purchase is for service in previous years, a Past Service PA (PSPA) needs to be calculated. This will be done by TRAF ; ;

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PENSION ADJUSTMENTS



CURRENT SERVICE PURCHASES - EXAMPLE

1. Teacher worked 100% time from Jan.-Mar., 2000, went on mat. leave from Apr -Aug, returned to work Sept - Dec. Upon returning to work she purchased her period of mat. leave

SB	Earn.	Serv.	EQS	EA
10	\$35,000	.700	1.000	
10	\$15,000	.300	1.000	\$6,370





PENSION ADJUSTMENTS

VOLUNTARY CONTRIBUTIONS

- Voluntary contributions are simply added to the PA total
- TRAF will notify you when someone makes voluntary contributions

Example: If a teacher's PA, after using the formula, is \$6,370 and he makes a lump sum voluntary contribution of \$2,500, you will report a final PA of \$8,870 (\$6,370 + \$2,500)

Note: the total PA cannot exceed 18% of earnings _____



PENSION ADJUSTMENTS

"70%'ers"

- These are the people who have reached their pension maximum
- Generally, they have significantly high earnings and over 35 years of service
- In these cases, TRAF will advise you who these individuals are as they receive a PA of zero



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PENSION ADJUSTMENTS

MAXIMUM PA AMOUNT

- You will need to call the Registered Plans Division of Canada Customs and Revenue Agency each year to find out the maximum benefit entitlement (1-800-267-3100)
- Currently the maximum benefit is \$1,722.22 per annum per year of service
- Therefore, the maximum PA is:
 $\$1,722.22 \times 9 - \$600 = \$14,900$

