

12 DEFINITIONS

Accrue. To accumulate over a period of time. For example, service accrues with each month worked.

Active member. Plan member making (or deemed to be making) regular contributions to the plan, including those on an approved leave of absence (with or without pay), those receiving benefits under an LTD plan, and those who are no longer required to contribute because they have earned 35 years of pensionable service.

Actuarial valuation. Assessment of the financial health of a pension plan by an independent actuarial consulting firm.

Amended pension adjustment (APA). A pension adjustment that has been amended after reporting to Canada Revenue Agency. For example, if a member purchases a leave of absence and pays for it before April 30 of the year following the end of the leave, an amended purchase pension adjustment is submitted to include the increased benefit from the leave. (See Pension adjustment.)

Appeal. A person directly affected by a decision made by the Pension Corporation in the application of the Municipal Pension Plan Rules may appeal to the board of trustees. Some examples of plan rule categories that can be appealed are enrolment, purchase of service, pension and survivor benefits. More information is available on the plan website.

Arrears. Contributions owed to the plan for a period when the member should have contributed to the plan but did not.

BC Medical Services Plan (MSP). BC's basic medical insurance plan.

Beneficiary. A recipient of any pre- or post-retirement survivor benefits from the pension plan when the member dies. If the member has a spouse, the spouse is the beneficiary (unless the spouse waives that right). If the member does not have a spouse (or the spouse has waived entitlement), the member can name a new beneficiary(ies). If the member does not have a spouse (or the spouse has waived entitlement), and has not named any beneficiaries, then the beneficiary is the member's estate.

Benefit. A commuted value, pension, refund or any other entitlement payable to a plan member (or their beneficiary(ies) by the pension plan.

Board of trustees. See Municipal Pension Board of Trustees.

Bridge benefit. Formerly called CPP Offset. A temporary pension, paid to the member from the date of retirement until age 65 or death, whichever comes first.

CRA. Canada Revenue Agency

Canada Pension Plan (CPP). The federal pension plan. It applies in all provinces and territories of Canada except Quebec.

Child-rearing. Time a member takes off work to directly and actively care for their dependent child under the age of seven. The member may claim up to five years of child-rearing time as contributory service.

Commuted value. The commuted value benefit is the amount of money that needs to be set aside today, at current market interest rates, to provide sufficient funds to pay for a member's retirement benefit when they retire. The lower the current interest rates, the higher the commuted value will be, because it is assumed that the amount today will earn less from now until the member retires; and, conversely, the higher the current interest rates, the lower the commuted value.

Consumer price index (CPI). The consumer price index measures monthly and yearly changes in the cost of numerous goods and services commonly bought by Canadians. If the combined cost of this "basket" of items goes up, then there has been inflation. The greater the increase, the higher the inflation rate has become.

The CPI is one of the factors the board annually considers to determine if a cost-of-living adjustment will be provided. Future cost-of living adjustments are not guaranteed but, once granted, become part of the basic pension.

Contribution. The amount of money you and your employee are required to pay into their pension plan fund.

Contribution rate. The percentage of salary that you and your employee contribute to the plan. These rates are set separately and change from time to time.

Contributory service. Number of months an employee and/or employer make contributions to the pension plan or during which the member receives benefits under an LTD plan. It is used to determine if a plan member is eligible for a pension and whether their retirement benefit will be reduced (and by how much) should they decide to retire before the age at which the member could receive an unreduced retirement benefit.

Cost of living. The average cost of goods and services required by a person or family, as measured by the consumer price index (CPI). (See Cost-of-living adjustments and Consumer price index.)

Cost-of-living adjustments (COLA). Once a pension starts, it may be increased by cost-of-living adjustments. Once granted, a cost-of-living adjustment becomes part of the basic pension.

Future cost-of-living adjustments are not guaranteed. The Municipal Pension Board of Trustees annually considers all relevant factors to determine if a COLA will be granted. Future cost-of-living adjustments are granted at the discretion of the Board, subject to the limits in the plan rules and the *Income Tax Act*. The plan rules provide that a COLA cannot exceed the increase in the CPI, nor can it exceed the amount of money in the plan's IAA.

Any cost-of-living adjustments the board grants are applied in January. COLA is pro-rated for pensions in effect less than one year and applies to the retirement benefit and bridge benefit portions of the pension.

CPP offset. See Bridge benefit.

Deferred pension. A retirement benefit payable at a later date, either because the plan member terminates employment before the earliest date at which the pension may begin, or because the member chooses to start the retirement benefit at a later date. For example, a member may choose to defer in order to later receive an unreduced retirement benefit.

Defined benefit plan. A pension plan that provides a pension based on a benefit formula tied to a member's salary and years of service.

Defined contribution plan. A pension plan that provides a pension based on the contributions made by you and your employee and the interest earned on those contributions.

Dental benefits. Dental insurance plan that is available to retired members. More information is available on the plan website.

Dependant. A person who, at the time the pension is granted to a member, is dependent on the member for support and is:

- the child or grandchild of the member or the member's spouse, or
- the parent, grandparent, brother, sister, uncle, aunt, niece or nephew, if living in Canada at any time in the year, of the member or the member's spouse.

Disability benefit. A benefit payable to disabled plan members who meet the eligibility criteria established by the pension plan.

Earliest retirement age. The earliest age at which a member can start to receive a pension. For plan members other than public safety employees, this is age 55. For public safety employees, this is age 50.

Early Retirement Incentive Package (ERIP). From time to time, employers introduce temporary retirement incentives to their employees. These incentive packages may include special arrangements for altering eligibility for unreduced benefits.

EHC. See Extended health care.

Employee group. A grouping of one employer's employees who share common characteristics and have a single set of plan rules that are used to determine their retirement benefits. An employer can have more than one employee group, and each employee group has a unique identifier assigned to it.

Employer reporting. On a regular basis, employers covered under the pension plans submit reports of their employees' personal and pension-related data, along with payment of both employee and employer contributions, to the Pension Corporation.

ERIP. See Early Retirement Incentive Package.

Extended health care. Health insurance plan that extends medical coverage beyond what is provided by the MSP and the PharmaCare program.

Family Law Act (FLA). The provincial statute that governs how family assets, including pensions, are divided when a marriage ends in separation or divorce.

Firefighter. The Municipal Pension Plan Rules define firefighter as “*persons who are employed in the fire sector*”

1. *as firefighters,*
2. *as a fire chief, and*
3. *any other person employed in, or appointed to, a fire department and assigned to undertake fire protection services which includes:*
 - a) *fire suppression,*
 - b) *fire prevention,*
 - c) *fire safety education,*
 - d) *communication,*
 - e) *training of persons involved in the provision of fire protection services,*
 - f) *rescue and emergency services, and*
 - g) *the delivery of all those services.”*

[Bullets and paragraphing are editorial in nature and have been added for increased readability. See section 96.1 of the Municipal Pension Plan Rules for the legal definition. In case of any discrepancy between the information provided here and the plan rules, the latter will apply. Plan rules are available on the plan website.]

For greater clarity, the definition of firefighter does not include clerical, secretarial or administrative staff.

Fiscal year. A period of 12 months over which annual accounts and taxes are calculated. The fiscal year for the plan is January 1 to December 31.

Freedom of information. British Columbia’s *Freedom of Information and Protection of Privacy Act* governs the collection of personal information, public rights of access to information and the use and disclosure of personal information by public bodies. The purpose of the act is to make public bodies more accountable to the public and to protect personal privacy.

Fund interest rate. An interest rate specified by the Municipal Pension Board of Trustees, based on the actual earnings of the pension fund. The fund interest rate is used to calculate interest on reinstatement costs.

Group disability plan. See Long-term disability (LTD) policy.

Highest average salary (HAS). The salary used in the calculation of a member's retirement benefit. It is the average of their highest five years of annual salary.

Inactive plan member. A member who was an active member, has terminated employment, left their contributions on deposit in the pension plan and is entitled to receive a benefit from the plan at a later date.

Inflation adjustment account (IAA). An account of the pension fund used to pay for cost-of-living adjustments.

Interim pension. Pension paid if a final retirement benefit is delayed (perhaps by incomplete or missing information or by administrative delays). The interim pension is usually less than the anticipated retirement benefit amount to avoid over-paying pensions due to differences between estimated amounts and the final retirement benefit.

Interplan Pension Transfer Agreement (IPTA). Pension transfer agreement effective October 1, 1999 between the Municipal, College, Public Service, Teachers' and other BC public sector pension plans.

Joint life pension. This is a monthly pension that is payable for as long as a member, the member's spouse (or former spouse) lives, and can be chosen with a guarantee period.

Joint trusteeship. With respect to pension plans, the management of a pension plan that is shared between the representatives of both plan members and plan employers.

Latest retirement age. The age at which a member must start receiving retirement benefits.. Latest retirement age is reached on November 30 of the calendar year in which the member turns age 71.

Leave of absence. An employer-approved absence from work, with or without pay.

Life income fund (LIF). A tax-sheltered retirement savings arrangement registered under the *Income Tax Act* (Canada) that meets the locking-in requirements under the *Pension Benefits Standards Act*.

Limited member. A spouse or former spouse of a plan member, who has been designated, as the result of a marital breakdown, as a "limited member" and is entitled to a portion of the plan member's retirement benefits to be paid directly from the pension plan.

Locked-in. Refers to pension plan funds that cannot be paid in cash. The funds must be used to provide a retirement benefit.

Long-term disability (LTD) policy. A group disability plan that pays long-term disability benefits to qualified persons. Employers may apply to have LTD policies approved for plan purposes. Members receiving benefits under an LTD plan will have pensionable and contributory service credited to them without any employer or employee contributions required.

Marital breakdown. For pension purposes, this means a relationship breakdown between spouses. (See *Family Law Act* and Limited member.)

Member. See mpp.pensionsbc.ca/types-of-plan-members.

Member's Benefit Statement. Once a year, members will receive a benefit statement through you that describes their status in the plan. The statement gives many details about a member's account, including:

- pensionable service,
- contributory service,
- accumulated contributions in the plan (including interest),
- contributions made to the plan in the past year,
- earliest unreduced retirement date,
- earliest reduced retirement date, and
- an estimate of the amount of the member's retirement benefit at the statement date if they are eligible for a pension, plus future pension estimates assuming the member continues to be a member of the plan.

Minor. A person under 19 years of age.

Municipal Pension Board of Trustees. The Municipal Pension Board of Trustees established under the Municipal Pension Plan joint trust agreement. The board is made up of employer and employee group representatives.

Non-contributory service. Period of time a member worked for a pension plan employer but did not contribute to the pension plan.

Normal form. The "normal" form of pension in the plan is a single life pension with no guarantee.

Normal retirement age. Age 65 for employees in Group 1 or age 60 for employees in Group 2 or Group 5.

Offset. See Bridge benefit.

Old age security (OAS). The basic federal income security program for seniors who are age 65 and older.

Past service pension adjustment (PSPA) statement. The difference between the sum of pension adjustments actually reported and the sum of pension adjustments that include any increased benefits from the purchase of post-1990 service. (See Pension adjustment.)

Pay Date. The actual date that your employee is paid, for a defined pay period.

PBSA. See *Pension Benefits Standards Act*.

Pension. A benefit paid by a pension plan.

Pension adjustment (PA). The value of the pension benefits accrued by a member during the calendar year. This information is provided to you electronically for employee T4 slips, or in hard copy before the end of February (for income tax purposes).

Pension Benefits Standards Act (PBSA). The provincial statute designed to protect the interests of British Columbia pension plan members. The PBSA sets minimum standards for BC pension plans in areas such as eligibility, vesting, portability and disclosure to members and sets out rules for the funding and investment of pension plans.

Pension Corporation. The administrative agent for the Municipal Pension Plan.

Pension Enrolment Election (form). Used by an employee who previously waived the right to enrol in the pension plan.

Pension formula. The formula used by the pension plan to determine the amount of the retirement benefit.

Pension plan options. Forms of pensions which provide different guarantees.

Pensioner. See Retired member.

Pension fund. Trust fund in which your contributions and your employee's contributions accumulate and are invested to pay for current and future pension benefits.

Pension plan rules. The Municipal Pension Plan Rules established by the board of trustees with respect to areas such as enrolment, retirement, benefits, disability, purchase of service, contribution rates and death benefits.

Pensionable salary. Portion of the member's salary that is used to calculate contributions to their pension plan, and highest average salary.

Pensionable service. The actual time a member worked while contributing to the plan. Members earn one full month of pensionable service when they work full time for a month. If they work half time, they receive half a month of pensionable service. Pensionable service is used to determine the amount of a commuted value and a pension.

Plan member. mpp.pensionsbc.ca/types-of-plan-members.

Plan Member Record (PMR). An electronic form that you will use to provide employment data for an employee to the Pension Corporation. Completion of a PMR indicates that an employee has been enrolled in a pension plan, and employer and employee contributions must start.

Police officer. Police officer is defined under the Municipal Pension Plan Rules as “a person appointed under the *Police Act* as a provincial constable, special provincial constable, designated constable, municipal constable, special municipal constable, auxiliary constable or enforcement officer, but does not include a person who is a member of the Royal Canadian Mounted Police.”

Pre-retirement survivor benefits. A benefit paid by the pension plan to the member's beneficiary(ies) when the member dies, if the member dies while still an active or inactive member of the plan.

Proof. The Pension Corporation may require a plan member to provide proof of:

- age
- identity
- marital status
- employment
- termination of employment
- spouse or dependants

or any proof necessary for the determination of entitlement to a benefit.

Reduced pension. A reduced retirement benefit paid when a member applies for a pension and does not meet the minimum age plus contributory service requirements required for an unreduced retirement benefit. (See Reduction factor.)

Reduction factor. The factor used to calculate a reduced pension when a member retires before meeting requirements for an unreduced retirement benefit. This reduction factor is a percentage reduction based on the member's age at termination of employment, their age at retirement, and the number of years of contributory service the member has earned.

Refund of contributions. Cash refund (payable in the form of a cheque) of the member's contributions to the plan, plus a legislated amount of interest. (See Reinstating a refund).

Registered retirement savings plan (RRSP). A retirement savings plan, approved and registered under the provisions of the *Income Tax Act* (Canada), under which taxes on the deposits and investment income may be deferred until the savings are withdrawn.

Reinstatement. Repayment of contributions of a refund previously taken by a member in order to receive credit for the prior service. See Reinstating a refund.

Reinstating a refund. Paying back a refund of contributions in order to receive a credit for the prior service.

Retired member. A plan member who is collecting a pension from the pension plan. Also known as a pensioner.

Registered retirement income fund (RIF). An option into which RRSP funds may be transferred once a person has reached latest retirement age. (See Life income fund and Registered retirement savings plan.)

Remittance. The payment of employee and employer pension plan contributions by an employer to the pension plan.

Retirement benefit. The portion of a member's pension that is paid for the member's lifetime. It does not include additional amounts such as the bridge benefit or cost of living increases.

Service event. Any data you report about your employees to the plan. Includes Regular, Adjustment, Retroactive, Long-term Disability and Rehabilitation service events.

Single life pension, no guarantee. A pension that pays for the life of the member only. The pension stops payment with the member's death; there is no residual payment to any beneficiary or the estate after the member dies.

Single life pension, guaranteed five years. A pension that pays for the life of the member. If the member dies before the end of the five year period (60 monthly payments), the pension is paid to the beneficiary(ies) for the remainder of the guarantee period (or as a lump sum to the estate).

Single life pension, guaranteed ten years. A pension that is payable as long as a member lives. If they die before the completion of 120 payments (ten years), their beneficiary(ies) will continue to receive payments until 120 payments have been made. No payments are made to the beneficiary(ies) if the member dies after the ten-year guaranteed period.

Single life pension, guaranteed 15 years. A pension that is payable for as long as a member lives. If they die before the completion of the 180 payments (15 years), their beneficiary(ies) will continue to receive payments until 180 payments have been made. No payments are made to the beneficiary(ies) if the member dies after the 15-year guaranteed period.

Small benefit refund. A lump-sum payment paid at termination of employment or at retirement, in place of a pension, when a member's benefit is less than a specified dollar amount prescribed by the *Pension Benefits Standards Act*.

Spouse. For plan purposes:

Persons are spouses for the purposes of this act on any date on which one of the following applies:

- a) they
 - i) are married to each other, and
 - ii) have not been living separate and apart from each other for a continuous period longer than two years;
- b) they have been living with each other in a marriage-like relationship for a period of at least two years immediately preceding the date.

Survivor benefits. See Pre-retirement survivor benefits.

Temporary annuity. An extra annuity that a member can "purchase" from their basic pension. The temporary annuity pays from the date of retirement until the member reaches age 65 or dies, whichever comes first.

Termination of employment. Occurs when a member ceases employment with their employer. The Pension Corporation will provide pension options to the member.

Unreduced pension. Monthly retirement benefit where there is no reduction to the pension formula. (See Reduced pension.)

Variance. Occurs when the contributions you *report* for a plan member are different from the contributions *required* for the pensionable salary you report for that member.

Vesting. Right of a plan member to a retirement benefit from the plan. Once a member's pension is vested, they are entitled to receive their accrued benefits at retirement, even if they terminate employment before retirement age.

Waive. To relinquish (give up) a right or entitlement.

Waiver of Pension Coverage (form). Used by an employee to waive their rights to become a member of, and contribute to, the pension plan.

Year's maximum pensionable earnings (YMPE). Maximum salary limit for contributions to the Canada Pension Plan. The current YMPE is available on the Canada Revenue Agency website. More information about the Canada Pension Plan is available on the Canada Pension Plan website.