

are made during a calendar year, the "annual earnings ratio" recorded for that year is zero.)

Primary Contribution Period

The number of years from the effective date of the Plan or from age 18, if that age is attained after the effective date, to age 65 less the number of years, if any, during which a disability pension was payable.

Examination of the above formula will make it clear that, in addition to the exclusion from the benefit calculations of the whole period during which a disability pension is payable, certain lowest recorded annual earnings ratios may, under usual circumstances after the Plan has been in operation for 10 years, be excluded from the benefit calculations by reason of contributions made after age 65 and by reason of a 10% "drop-out" provision.

The following four examples are given to illustrate the operation of the benefit formula. For all examples, it is assumed that the effective date of the Plan is January 1, 1966, and that the contributory earnings upper limit is \$5,000 for 1966 and 1967 and increases by \$100 for each year thereafter.

- (a) Suppose that a worker aged exactly 60 at the effective date has annual pensionable earnings of \$5,000 for each of the first five years and that he elects to have his pension commence immediately thereafter, that is, at age 65.

Initial amount of annual pension

= Average earnings ratio \times average of the contributory earnings limits for the three years ending with the year in which pension commences \times 25%,

$$\begin{aligned} &= \frac{1}{10} \left(2 \times \frac{5,000}{5,000} + \frac{5,000}{5,100} + \frac{5,000}{5,200} + \frac{5,000}{5,300} \right) \times \frac{1}{3} (5,200 + 5,300 + 5,400) \times 0.25 \\ &= 0.4885 \times 5,300 \times 0.25 \\ &= \$647 \end{aligned}$$

- (b) Suppose that a worker aged exactly 60 at the effective date has annual pensionable earnings of \$5,000 for each of the first ten years and that he elects to have his pension commence at page 70.

Initial amount of annual pension

$$\begin{aligned} &= \frac{1}{10} \left(2 \times \frac{5,000}{5,000} + \frac{5,000}{5,100} + \frac{5,000}{5,200} + \frac{5,000}{5,300} + \frac{5,000}{5,400} + \frac{5,000}{5,500} + \frac{5,000}{5,600} + \frac{5,000}{5,700} + \frac{5,000}{5,800} \right) \\ &\quad \times \frac{1}{3} (5,700 + 5,800 + 5,900) \times 0.25 \\ &= 0.9353 \times 5,800 \times 0.25 \\ &= \$1,356 \end{aligned}$$

- (c) Suppose that a worker aged exactly 45 at the effective date has earnings of \$3,000 in 1966, that his earnings increase by \$200 for each year after 1966 up to and including the year in which he attains age 69, and that he elects to have his pension commence at age 70. The pertinent details relating to the calculation of his pension are shown in the schedule below. (It will be noted that, for each year after 1984, the amount of the worker's pensionable earnings is the same as the contributory earnings upper limit for the year even though the amount of his actual earnings becomes increasingly greater than the applicable contributory earnings upper limit.)