

APPENDIX "A"

EXAMPLE OF APPLICATION OF INTEGRATION FORMULA TO AN
ILLUSTRATION EXPLAINED TO THE SPECIAL JOINT COMMIT-
TEE OF THE SENATE AND HOUSE OF COMMONS EXAMIN-
ING THE CANADA PENSION PLAN

	<i>Mr. C.</i>
(1) Public Service Superannuation Act average salary (best of 6 years)	6,600
(2) Maximum CPP benefit salary (average last 3 Y.M.P.E.'s)	7,000
(3) Service after inception of C.P.P.	19
(4) Service before inception of C.P.P.	10
(5) Total service (line 3 plus line 4)	29
(6) 2% formula benefit under present Act ^(a)	3,828
(7) 1.3% formula benefit ^(b)	2,950
(8) C.P.P. pension ^(c)	1,650
(9) Combined pension (line 7 plus line 8)	4,600
(10) Increase in combined pension over 2% formula benefit (line 9 minus line 6)	772
(11) Line 10 expressed as a percentage of line 6	20.2

(a) The benefit under this formula is—total years of service \times 2% \times average salary.

For Mr. C.: 29 years \times 2% \times \$6,000 = \$3,828 p.a.

(b) The benefit under this formula is—years of service before inception of C.P.P. \times 2% \times average salary plus years of service after inception of C.P.P. \times 1.3% \times average salary not exceeding the maximum C.P.P. benefit salary plus years of service after inception of C.P.P. \times 2% \times average salary in excess of maximum C.P.P. benefit salary.

For Mr. C.: 10 yrs. \times 2% \times \$6,600 + 19 yrs. \times 1.3% \times 6,600
= \$2,950 p.a.

(c) The maximum C.P.P. benefit in the year of retirement is 25% of the average of the Y.M.P.E. in the year of retirement and the Y.M.P.E.'s for the previous 2 years. Mr. C's Public Service Superannuation Act benefit salary is 6600/7000 of the maximum C.P.P. benefit salary. Hence Mr. C's C.P.P. benefit is assumed to be 6600/7000 of 25% of 7000 or \$1,650 p.a. (The actual C.P.P. benefit in this example is \$1,621.92 p.a. knowing the full details of the contributor's employment history under the C.P.P.)