

Calculation of the retirement pension



For example, a person born in November 1953 who applies for a retirement pension at age 65 will be entitled to his or her pension in December 2018. How much would the retirement pension be if the person's Statement of Participation showed the earnings entered in column I of the table on the back of this leaflet?

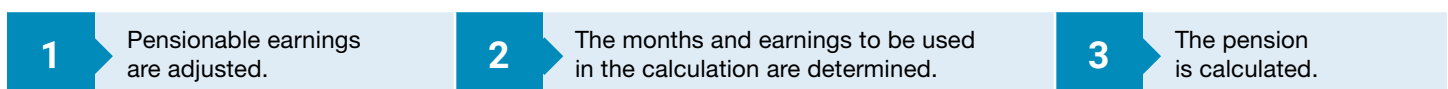
General rules

The pension for a person under age 65 is reduced, for the entire period the pension is paid, according to an actuarial adjustment factor. If the person was born before 1 January 1954, the amount of his or her pension is decreased by 0.5% for each month preceding his or her 65th birthday. If the beneficiary was born in 1954 or later, the adjustment factor varies depending on the amount of the retirement pension. For pensions beginning in 2018, it varies between 0.5% and 0.6% for each month preceding the beneficiary's 65th birthday. The retirement pension of a beneficiary who is over age 65 will increase by 0.7% for each month following the beneficiary's 65th birthday until payment of his or her pension begins, to a maximum of 42% at age 70.

A retirement pension under the Québec Pension Plan may be increased each year if, during the preceding year, the beneficiary made contributions. This increase (known as the retirement pension supplement) applies in all cases.

Disability pensions and surviving spouse's pensions under the Plan are based on the amount of the retirement pension, without taking into account the actuarial increase or decrease. The death benefit under the Plan is a lump-sum payment of a maximum amount of \$2500.

A three-step process



Step 1: Pensionable earnings are adjusted.

Before calculating the average monthly pensionable earnings, past yearly earnings must be adjusted to their current value. We do this by multiplying the pensionable earnings for each year (shown in column I of the table) by the average maximum pensionable earnings for the year in which the pension begins and the four preceding years (AMPE 5). The result is then divided by the maximum pensionable earnings (MPE) for the year being adjusted (shown in column II of the table).

For 2018, the person's earnings for 1971 (in our example, \$368.50) would be adjusted as follows:

$$\frac{\$368.50 \times \text{AMPE 5 for 2018}}{\text{MPE de 1971}} = \frac{\$368.58 \times \$54\,440}{\$5400} = \$3715.03$$

The AMPE 5 is calculated as follows:

$$\text{AMPE 5 for 2018} = (\$52\,500 + \$53\,600 + \$54\,900 + \$55\,300 + \$55\,900) \div 5 = \$54\,440$$

After adjustment, the earnings of \$368.50 for 1971 are valued at \$3715.03 in 2018. A similar adjustment must be made for each of the years in question. The results are shown in column III of the table.

Step 2: The months and earnings to be used in the calculation are determined.

A person's contributory period begins on the first day of the month that follows the month of his or her 18th birthday, but no earlier than 1 January 1966, and ends at the end of the earliest of the following months:

- the month preceding the one in which a retirement pension becomes payable;
- the one in which the beneficiary turns 70;
- the month in which the beneficiary dies.

In our example, the contributory period begins on 1 December 1971 and ends at the end of November 2018, that is, the month before the one in which payment of the pension starts, for a total contributory period of 564 months. (See column V of the table.)

All the pensionable employment earnings during that period can be used in calculating the pension. However, the *Act respecting the Québec Pension Plan* allows the exclusion of 15% of the months in the contributory period during which the person's earnings were the lowest. In the example, a total of 85 months can be excluded (564 months \times 15% = 85), representing earnings of \$284 027.30, as shown in columns VI and VII of the table. This means that the pension will be calculated on the basis of the best 479 months (564 – 85), which represent earnings of \$2 137 811.27 (\$2 421 838.57 – \$284 027.30).

Step 3: The pension is calculated.

In calculating the average monthly earnings, we must exclude the 85 months mentioned above from the contributory period and at the same time, subtract from the person's total earnings (\$2 421 838.57) the earnings for those 85 months of lowest earnings. As shown in column IV of the table, those months are one month in 1971 and all 12 months of 1972, 1979, 1986, 1998, 1999, 2003 and 2004, which amounts to \$284 027.30 in earnings. The result is as follows:

$$\$2\,421\,838.57 \quad - \quad \$284\,027.30 \quad = \quad \$2\,137\,811.27$$

The monthly retirement pension corresponds to 25% of the average monthly earnings for the best 479 months, calculated as follows:

$$\frac{(25 \times \$2\,137\,811.27)}{100} \quad \div \quad 479 \quad = \quad \$1\,115.77$$

In our example, payment of the monthly retirement pension of \$1115.77 begins in December 2018. If the contributor had contributed the maximum amount for the 479 required months (for 39 years and 11 months), he or she would receive the maximum payable in 2018 (\$1134.17 a month). If a person with the same average monthly employment earnings¹ had reached age:

- **64** in 2018 (12 months before age 65), the pension would be \$1035.65 a month, according to the following formula:

$$\$1\,115.77 \quad - \quad \left[\frac{12 \times (0.5 + 0.1 \times (1115.77 \div 1134.17))}{100} \right] \times \$1\,115.77 \quad = \quad \$1\,035.65$$

- **66** in 2018 (12 months after age 65), the pension would be \$1209.49 a month, according to the following formula:

$$\$1\,115.77 \quad + \quad \left[\frac{12 \times 0.7}{100} \right] \times \$1\,115.77 \quad = \quad \$1\,209.49$$

1. Although the person has the same average monthly employment earnings as the person in our example (born in 1953), he or she will not have the same earning profile since his or her year of birth is different (that is, 1954 if the person is age 64 or 1952 if he or she is age 66).

Table of earnings

Year	I Annual pensionable employment earnings	II Maximum pensionable earnings	III Adjusted annual earnings	IV Adjusted monthly earnings	V Months in the contributory period	VI Months excluded (15%)	VII Earnings excluded (15%)
1971	\$368.50 ^a	\$5400.00	\$3715.03	\$3715.03	1	1	\$3715.03
1972	\$0.00 ^a	\$5500.00	\$0.00	\$0.00	12	12	\$0.00
1973	\$5900.00	\$5900.00	\$54 440.00	\$4536.67	12	-	
1974	\$6600.00	\$6600.00	\$54 440.00	\$4536.67	12	-	
1975	\$7400.00	\$7400.00	\$54 440.00	\$4536.67	12	-	
1976	\$8300.00	\$8300.00	\$54 440.00	\$4536.67	12	-	
1977	\$9300.00	\$9300.00	\$54 440.00	\$4536.67	12	-	
1978	\$10 400.00	\$10 400.00	\$54 440.00	\$4536.67	12	-	
1979	\$6702.00 ^a	\$11 700.00	\$31 184.35	\$2598.70	12	12	\$31 184.35
1980	\$13 100.00	\$13 100.00	\$54 440.00	\$4536.67	12	-	
1981	\$14 700.00	\$14 700.00	\$54 440.00	\$4536.67	12	-	
1982	\$16 500.00	\$16 500.00	\$54 440.00	\$4536.67	12	-	
1983	\$18 500.00	\$18 500.00	\$54 440.00	\$4536.67	12	-	
1984	\$20 800.00	\$20 800.00	\$54 440.00	\$4536.67	12	-	
1985	\$23 400.00	\$23 400.00	\$54 440.00	\$4536.67	12	-	
1986	\$23 466.00 ^a	\$25 800.00	\$49 515.08	\$4126.26	12	12	\$49 515.08
1987	\$24 113.00 ^a	\$25 900.00	\$50 683.85	\$4223.65	12	-	
1988	\$25 232.00 ^a	\$26 500.00	\$51 835.10	\$4319.59	12	-	
1989	\$26 101.00 ^a	\$27 700.00	\$51 297.42	\$4274.79	12	-	
1990	\$27 332.00 ^a	\$28 900.00	\$51 486.30	\$4290.53	12	-	
1991	\$29 954.00 ^a	\$30 500.00	\$53 465.43	\$4455.45	12	-	
1992	\$31 250.00 ^a	\$32 200.00	\$52 833.85	\$4402.82	12	-	
1993	\$31 782.00 ^a	\$33 400.00	\$51 802.76	\$4316.90	12	-	
1994	\$32 751.00 ^a	\$34 400.00	\$51 830.36	\$4319.20	12	-	
1995	\$34 900.00	\$34 900.00	\$54 440.00	\$4536.67	12	-	
1996	\$33 333.00 ^a	\$35 400.00	\$51 261.26	\$4271.77	12	-	
1997	\$35 800.00	\$35 800.00	\$54 440.00	\$4536.67	12	-	
1998	\$33 825.00 ^a	\$36 900.00	\$49 903.33	\$4158.61	12	12	\$49 903.33
1999	\$34 283.00 ^a	\$37 400.00	\$49 902.85	\$4158.57	12	12	\$49 902.85
2000	\$37 600.00	\$37 600.00	\$54 440.00	\$4536.67	12	-	
2001	\$38 300.00	\$38 300.00	\$54 440.00	\$4536.67	12	-	
2002	\$35 842.00 ^a	\$39 100.00	\$49 903.80	\$4158.65	12	-	
2003	\$36 575.00 ^a	\$39 900.00	\$49 903.33	\$4158.61	12	12	\$49 903.33
2004	\$37 125.00 ^a	\$40 500.00	\$49 903.33	\$4158.61	12	12	\$49 903.33
2005	\$37 675.00 ^a	\$41 100.00	\$49 903.33	\$4158.61	12	-	
2006	\$40 000.00 ^a	\$42 100.00	\$51 724.47	\$4310.37	12	-	
2007	\$43 700.00	\$43 700.00	\$54 440.00	\$4536.67	12	-	
2008	\$44 900.00	\$44 900.00	\$54 440.00	\$4536.67	12	-	
2009	\$46 300.00	\$46 300.00	\$54 440.00	\$4536.67	12	-	
2010	\$47 200.00	\$47 200.00	\$54 440.00	\$4536.67	12	-	
2011	\$48 300.00	\$48 300.00	\$54 440.00	\$4536.67	12	-	
2012	\$50 100.00	\$50 100.00	\$54 440.00	\$4536.67	12	-	
2013	\$51 100.00	\$51 100.00	\$54 440.00	\$4536.67	12	-	
2014	\$52 500.00	\$52 500.00	\$54 440.00	\$4536.67	12	-	
2015	\$53 600.00	\$53 600.00	\$54 440.00	\$4536.67	12	-	
2016	\$54 900.00	\$54 900.00	\$54 440.00	\$4536.67	12	-	
2017	\$55 300.00	\$55 300.00	\$54 440.00	\$4536.67	12	-	
2018	\$51 241.67 ^{ab}	\$55 900.00	\$49 903.34	\$4536.67	11	-	
Total	-	-	\$2 421 838.57	-	564	85	\$284 027.30

Earnings of \$284 027.30 (for the 85 months of lowest earnings) must be subtracted from \$2 421 838.57, which leaves total earnings of \$2 137 811.27 for the remaining 479 months.

a Indicates that the contributor did not reach the maximum pensionable earnings for the year.

b Indicates the maximum pensionable earnings for the months during which the contributor could contribute to the Québec Pension Plan.