



PLAN UPDATE

2026 Past Benefit Improvements

Active Members

At the most recent valuation, the Plan has more assets than it needs to cover its liabilities – meaning it is in surplus. The Board of Trustees has decided to use this surplus to fund past benefit improvements for eligible members, increasing basic lifetime pensions.

This change provides an increase to the basic lifetime pension formula to 1.60% from 1.40% for the years January 1, 2001 to December 31, 2024, resulting in a higher basic lifetime pension at no additional cost to members.

As part of these improvements, members on approved disability for more than one year prior to 2025 will have their deemed earnings retroactively increased for each year of disability. As a result, members whose earnings while on disability are among their highest average contributory earnings will see a further increase to their benefit.

How does this change affect my pension?

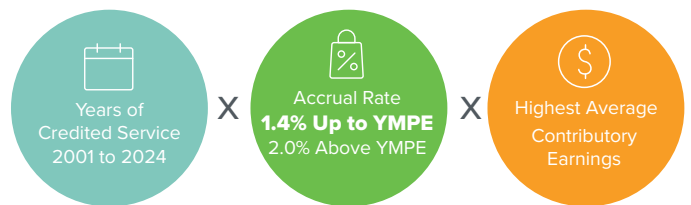
This change applies to credited service between January 1, 2001, and December 31, 2024. Increasing the accrual rate for that period impacts the multiplier used to calculate your pension, resulting in a higher basic lifetime pension.

Do I need to contribute more to the Plan?

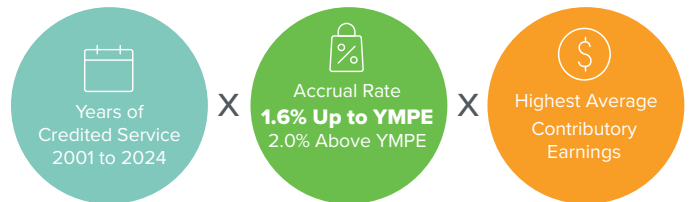
No. This past benefit improvement is funded by the Plan's surplus and does not require additional contributions from members or employers.

People. Pensions. Results.

Previous Benefit Formula



Improved Benefit Formula



Note: The Year's Maximum Pensionable Earnings (YMPE) is a measure of the average wage in Canada. It is set every year by the federal government and forms the basis for Canada Pension Plan (CPP) benefits and contributions. The 2026 YMPE is \$74,600.

Do I need to do anything to receive the increase?

No. If you have service between 2001 – 2024, your updated pension amount will be reflected in your Annual Pension Statement as of December 31, 2025, as the improved formula is automatically applied and recalculated by SHEPP.



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When will I see the impact of this change?

The new accrual rate will be reflected in your Annual Pension Statement as of December 31, 2025, as part of the Plan's regular annual reporting.

Will this change my pension estimates?

Yes. Any pension estimates that include service between 2001 and 2024 will change to reflect the higher accrual rate. Updated estimates will be reflected in your Annual Pension Statement and in any future projections, as your pension is recalculated using the improved formula for past service.

Who benefits most from this improvement?

Members with more service between 2001 and 2024 will see the greatest increase, as the higher accrual rate applies to each year of eligible service during that period.

Understanding PSPA and Tax Impacts

What is a Past Service Pension Adjustment (PSPA)?

A PSPA is applied when pension benefits are increased for service you've already earned. It is required by the Canada Revenue Agency (CRA) to reflect the additional value of your pension.

A PSPA will reduce your available RRSP contribution room, as it ensures your total tax-deferred retirement savings remain within CRA limits.

You will receive a T215 tax slip to confirm that your PSPA has been reported.

For more detailed information, please refer to the PSPA Information Sheet.

More Information

For additional information about this benefit improvement, please refer to the Active Member Newsletter included with your Annual Pension Statement.

To learn more about Plan funding and SHEPP's 2024 valuation results, please review SHEPP's 2024 Valuation Summary.

Questions?

If you have any questions, please feel free to contact us by email at sheppinfo@shepp.ca or call 1.866.394.4440.