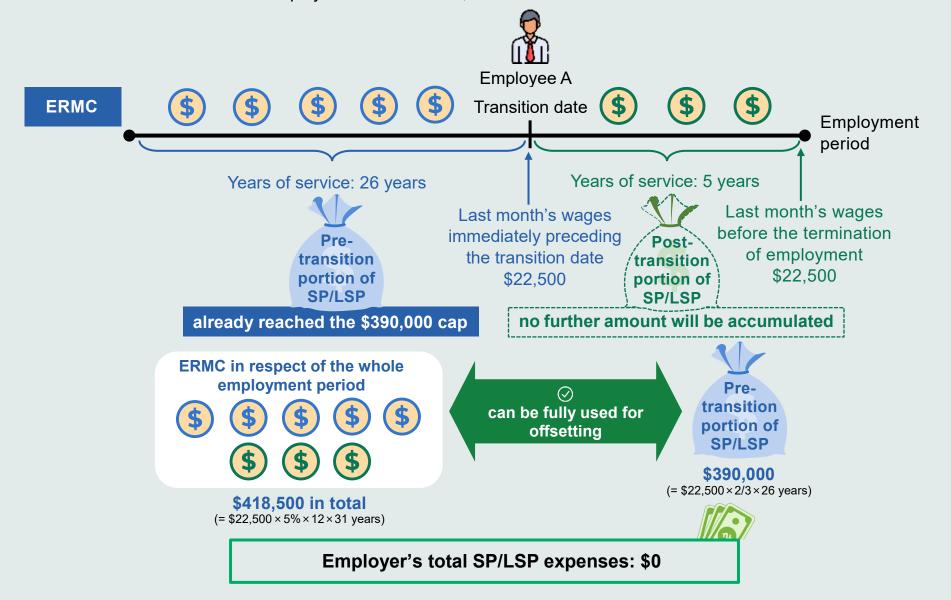


## Scenario 1: Employer continues to employ an existing employee after the transition date

Assuming an employer employe Employee A for 26 years before the transition date and continues to employ Employee A for 5 years after the transition date. Assuming the last month's wages of Employee A immediately preceding the transition date and before the termination of employment are both \$22,500.



## Scenario 2: Employer dismisses an existing employee before the transition date and employs a new employee after the transition

Assuming the employer dismisses Employee A who has 26 years of service before the transition date and employs a new Employee B for another 5 years. Assuming the last month's wages of Employee B before the termination of employment is also \$22,500. **Employee B Employee A** Transition date **ERMC Employment** period Years of service: 5 years Years of service: 26 years Last month's wages Last month's wages before the termination before the termination SP/LSP SP/LSP of employment of employment of of \$22,500 \$22,500 **Employee B Employee A** \$75,000 calculate afresh from zero already reached the \$390,000 cap  $(= $22,500 \times 2/3 \times 5 \text{ years})$ **ERMC of Employee A** (X)**ERMC** of Employee B  $\odot$ SP/LSP cannot be used for **Offsettable** of offsettina **Employee A** Employer pays \$39,000 \$351,000 \$67.500 \$390.000  $(= $22,500 \times 5\% \times 12 \times 26 \text{ years})$  $(= $22,500 \times 5\% \times 12 \times 5 \text{ years})$  $(= $22,500 \times 2/3 \times 26 \text{ years})$ Employer's total SP/LSP expenses: \$39,000 + \$75,000 = \$114.000

The above example illustrates that if the employer dismisses an existing employee before the transition date and employs a new employee afterwards, an additional amount of \$114,000 SP/LSP is incurred.