

RETIREMENT



TERMS YOU SHOULD KNOW

Service

Periods for which pension contribution has been paid

- Counts in calculation of pension benefit (2% per year)
- Represents how much you will be paid

Eligibility

Periods with a job tie whether or not a contribution has been paid

- Represents when you can retire

ACRONYMS YOU SHOULD KNOW

CARRA

Commission administrative des regimes de retraite et d'assurances

- Administers all civil service pensions

RREGOP

Regime de retraite des employes du gouvernement et des organismes public

- Covers teachers, nurses and other civil servants

RAMQ

Régie de l'assurance maladie du Québec

- Administers the public health and prescription drug insurance plans

CPI

Consumer Price Index

- Monthly measurement of changes in consumer prices or cost of living in Canada

OAS

Old Age Security

- Canada's pension plan

QPP

Quebec Pension Plan

- Administered by the Quebec government

IA

Industrial Alliance

- Administers teachers' insurance benefits

PENSION TYPES

Defined Contribution

A plan providing for an individual account for each participant and for the benefits based solely on the amount contributed to the account, plus or minus income, gains and losses allocated to the account.

- Pension depends on the market value of your contributions at the moment of your retirement
- Actuarial value is self-administered at retirement.

Defined Benefit

Value of pension is fixed at retirement based on pre-defined factors and is not affected by market fluctuations.

- Administered by the group plan.
- Most of Quebec civil servants are with RREGOP
- The employer (government) matches your contributions dollar for dollar (in theory)
- Pays you until you die. When you die pension is paid to the spouse. If anything remains when the spouse is deceased it is given to the estate.

At retirement teachers are entitled to three pensions:

- RREGOP
- QPP
- OAS.

How secure is my pension?

63 % of workers in the private sector have only RRSPs or similar plans not traditional pensions. This means that workers must save for their own retirement and assume all of the investment risks themselves.

Government backed defined benefit pensions (RREGOP) are the most secure pensions available since your pension is not affected by market volatility.

CONTRIBUTION RATES

- Basic salary
\$65 000
- Exemption: 35% of the MPE (maximum pensionable earnings) in 2008
\$15 715
- Salary on which contributions are calculated
\$49 285
- Rate of contribution
8.19%
- Contributions for 2009
\$4036

EXEMPTIONS FROM CONTRIBUTIONS

- When receiving salary insurance, including the 5 - day waiting period, and during the first three years of a disability.
- 130 days for each maternity leave.
- On deferred salary sabbatical for the deferred portion of the salary.

PERIOD OF ILLNESS

Pension contributions are covered for periods of illness up to three years per disability period.

Example:

A teacher falls sick and is off for 4 years. The first 104 weeks (2 years) is covered by salary insurance paid by the school board. During this period 2 years of service is credited for pension purposes. After two years of salary insurance the teacher is covered by long-term disability insurance (LTD) provided by Industrial Alliance for years 3 and 4 of the disability. The first year of LTD is credited as pension service at no cost. The second year of LTD (year 4 of the disability) must be bought back.

$$4\% \text{ of } 68 = 2.72\%$$

$$68 - 2.72 = 65.28\% \text{ of average salary}$$

Note: CARRA will do the calculation.

OAS ELIGIBILITY

At age 65.

- Amount as of July 1, 2011: approx. \$538 per month (\$6456 per year).
- A claw back applies if the gross income exceeds \$66,335 per year.

Example:

- Total income minus \$66,335 times 15%.
- Ex. $\$70,000 - \$66,335 \times .15 = \$549.75$.
- OAS is lost at: \$107,692.
- Upon death surviving spouse gets 1/2 of pension.

QPP ELIGIBILITY

Payable between age 60 and 71.

- Teachers normally collect as early as age 60 but no later than age 65.

TAKE QPP AT 60 or 65?

PENSION EVOLUTION – QPP AT AGE 60

- Age 58 with 35 years of service - average salary \$70 000
- RREGOP, TPP pay \$49 000
- Age 60 QPP pays $\$8064 + \$49\ 000 = \$57\ 064$
- During 5 years extra \$40 320 from QPP
- Age 65 QPP is integrated
 $\$49\ 000 - \$11\ 500 = \$37\ 500 + \$8064 = \$45\ 564$
- OAS is added
 $\$6\ 456 + \$45\ 564 = \$52\ 020$

Financial advisors might suggest this scenario because they will invest it for you.

Personality: “devil me care”.

PENSION EVOLUTION – QPP AT AGE 65

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- RREGOP, TPP pay \$49 000
- Age 60 (no change) \$49 000
- Age 65 QPP is integrated
 $\$49\ 000 - \$11\ 500 = \$37\ 500 + \$11\ 500 = \$49\ 000$
- OAS is added
 $\$6\ 456 + \$49\ 000 = \$55\ 456$

Make \$3000 more for rest of your life; less from 60 – 65 but more from 65 to death.

QPP and OAS are indexed. Our pension is not. Best scenario based on CPI.

Intend to live long this is the better choice.
Personality: "conservative".

INTEGRATION WITH QPP BENEFITS

All workers in Quebec pay into the QPP (Quebec Pension Plan). At age 65 teachers receive about \$11 500 from the QPP per annum. Since civil servants are NOT allowed to collect the QPP in addition to the RREGOP pension, the RREGOP pension is reduced by \$11 500 so that a teacher's pension remains stable.

INDEXATION

Each year pensions are indexed on January 1 based on the CPI figures for the previous October. Pension from service before 1982-07-01 is indexed fully. Pension from service from 1982-07-01 to 2000-01-01 is indexed at CPI minus 3%. Pension from service since 2000-01-01 is indexed at the better of CPI -3 or 50% of CPI.

- QPP is fully indexed to the CPI once per year.
- OAS is fully indexed to the CPI four times per year.
- RREGOP is not indexed

EXAMPLE OF INDEXATION

- Retirement date 2010-06-30 with 35 years of service
- 7 years before 1982-07-01
- 17.5 years between 1982-07-01 and 2000-01-01
- 10.5 years after 2000-01-01
- CPI: 2%
- Composite rate:

$$(7 \times 2.0\%) + (17.5 \times 0\%) + (10.5 \times 1.0\%) / 35 = 0.700\%$$

Significant: your pension will be worth less in the future due to inflation. Think about this and plan!

OPTIONS FOR MONEYABLE SICK DAYS

- Cash – taxable.
- Transfer to an RRSP.
- Retiring allowance - sick day money is allocated to years earned. Board has the application form.

REDEMPTION OF SERVICE

- When you retire the pension plans provide a **bank of 90 days** (.450 of a year) that can be added to your years of **service** (prior to 2011) to complete years, which would otherwise be incomplete (ex. strike days, suspension).
- These days are NOT moneyable, transferable nor can they be used to retire earlier.
- Left over days can be used to offset the cost of a buyback (for leaves prior to 2011).
- If you are still missing some days of leave of absence without pay, you may apply to buy them back.
- Can use residual balance of 90 days to buy back parental leaves.

ABSENCES FOR LESS THAN 30 CONSECUTIVE DAYS OR LEAVES OF ABSENCE LESS THAN 20%

- No buyback is required.
- The employer deducts full pension cost automatically and credits the absence for service.
- Contribution calculation based on full-time salary.

BUYBACKS

Leaves of absence without pay which you can buy back:

- Full-time leaves of absence of at least 30 consecutive days after July 1, 1973.
- Part-time leaves of absence after July 1, 1983.
- For extended parental leaves after Jan. 1, 1991, the cost is 50% of the normal cost.
- A maximum of 5 years of leaves of absence may be bought back after 1991.
- Three extra years may be added to the buyback if they are maternity or adoption leaves.
- Even though leaves of absence since 1988 give eligibility, they must be bought back if you want them recognized for service.
- Periods of teaching as a “casual” employee between July 1, 1973 and January 1, 1988 may be bought at a reduced cost.

CARRA determines the cost based on the salary at time of buyback. Go to www.carra.gouv.qc.ca for the buyback estimate tool.

- Cannot pay into pension during a leave of absence, only when you come back to work.
- For a buy back, you must pay your portion and employer's.
- Buy back quickly due to interest.

BUYBACK COST EXAMPLES

Year Bought	Age 39 or less	Age 40 to 47	Age 48 to 54	Age 55 plus
Prior to 1982	10.5 %	13.5 %	17 %	21 %
1982 to 1999	8.5 %	11 %	14 %	17 %
2000 to now	9 %	11.5 %	14.5 %	18 %

% of salary in the year the buyback is initiated.

TRANSFERS AND DEFERRED PENSION

- If you leave without being eligible for a pension you may as of the 21st day following your departure transfer to a locked-in retirement annuity (LIRA) the higher of the following amounts: your contributions (plus interest in RREGOP) **or** the value of the deferred pension.
- If a transfer agreement exists with CARRA, pension funds can be transferred between plans. You may transfer the actuarial value of the pension.
- If you leave your money in the RREGOP, the deferred pension is payable at age 55 or over. It is reduced for each month between the date you apply and age 65. The reduction is 4% per year in RREGOP.

PROGRESSIVE RETIREMENT

- After agreement with the employer, you may take a 1 to 5 year program with a minimum 40% regular workload in any given year.
- CARRA must confirm in advance that the person is eligible for a pension at the end of the program.
- Salary is paid for the time worked, pension contributions are on the full salary and credit is 100%.
- Retirement is obligatory at the end of the program.
- Request at discretion of Board.
- Cannot change mind after 1 year. Could change to a leave of absence but must buy back which may have tax implications.

WORKING AFTER RETIREMENT

As of January 1, 2008 and you retire under RREGOP there is no penalty even after age 65. There are no restrictions outside Quebec, in the private sector, or for self-employment.

- No impact on amount from RREGOP but may affect QPP/OAS.
- Make sure you are not making any further contributions.

LTD AND RETIREMENT

Long Term Disability Insurance is compulsory until a teacher reaches either of the following: age 53 or 33 years of service. Do not cancel your LTD coverage until the income from your pension after 104 weeks of salary insurance will equal or exceed LTD income (50% of gross salary to 90% net).

INSURANCE

Since 1997, Quebec citizens without access to a private plan must be covered by the RAMQ. QPAT has a health insurance plan with Industrial Alliance for retirees who are members of QPAT. To be a member of QPAT you must **apply**. If you apply and are under 65 and live in Quebec, you must join the IA plan. If you do not apply and are not a member, you must join the RAMQ plan, unless you are covered by another private plan.

- Lose insurance 60 days after retirement.
- Must pay \$50 to be member of QPAT.

RAMQ vs IA

RAMQ (rates as of July 1, 2011)

- Reimburses 71.5 % / 71% / 70% / 69% ... 68% of drug costs.
- Premium is \$563 per year.
- Maximum monthly payable \$80.25 at pharmacy.
- Maximum yearly payable \$963 plus premium per individual.
- Maximum total \$1526 per family member.
- You must find alternative insurance for all other expenses or pay from your own pocket.
- Join this can't go back to IA.

IA

- Reimburses 80% of drugs with a D.I.N.
- The maximum payable per policy per year for the deductible is \$1040.
- After \$5200 of drug purchase, there is 100% reimbursement.
- Individual premium for 2011 is \$2132.
- Family premium for 2011 is \$4260.
- After age 65 with RAMQ coverage: individual \$784 and family \$1486.

QPAT PLANS

Health Insurance

- Same as for active teachers with one significant difference: semi-private hospitalization is restricted to 90 days for any one illness.

Basic Life

- \$10 000 for an individual if insured as an active teacher.
- \$5 000 for the spouse if insured when active.
- Expires at age 75.

Optional Additional Life (to age 65)

- \$25 000 if at least \$50 000 coverage as an active.
- \$50 000 if at least \$75 000 coverage as an active.

Accidental Death and Dismemberment Insurance (IA Pacific)

- Same as active coverage.
- Available to age 75.

SURVIVOR BENEFITS RREGOP

- Pension to spouse (including same sex spouse) is only payable if you are eligible for a pension at time of death.
- 50% (or 60% at your choice, pension is reduced by 2% in the granting of the initial pension).
- If you are not eligible for a pension, your surviving spouse or your estate will receive a refund of the actuarial value of the indexed, deferred pension, or your contributions plus interest, whichever is the higher amount.
- If there is no spouse, the estate will receive a refund of any positive balance between contributions plus interest and benefits paid.
- Spouse includes common law spouse.
- You cannot prevent a spouse from receiving the pension but a spouse may renounce it in favor of the children. Surviving spouse can renounce 50% to the estate.

APPEAL PROCEDURE

- Within one year you may ask for a reexamination.
- If you still do not agree with the decision, you have 90 days to apply for arbitration.
- The case will be heard before a single arbitrator whose decision is final and can be contested only through the civil courts.

QPP/OAS APPLICATIONS

- Forms are widely available at the Caisses populaire, post office, CSLC, clinics, drug stores etc.
- Online application is now possible.
- Apply 6 months in advance.
- Original birth certificate may be required.
- Direct deposit is available.
- QPP website www.rrq.gouv.qc.ca
- OAS website www.hrsdc.gc.ca

RETIREMENT CHECKLIST – HOW TO RETIRE

1. Letter of resignation submitted to the school board 3 months before the date of retirement (before April 1st if retiring June 30th).
2. Complete and sign the retirement form prepared by the school board. Send it by registered mail three months before your retirement date. Keep a copy. CARRA will communicate with you regarding retirement preferences such as direct deposit and death benefits.

Documents required by CARRA

- Original birth certificate (if not a Quebec resident).
 - A cancelled/voided blank personal cheque for direct deposit.
 - Tax exemption forms (not required if you do not declare dependents)
3. Take care of insurance coverage. Contact QPAT and they will send insurance package.

IMPORTANT INFORMATION

- The school board must close the teacher's salary file as of June 30th (salary for July and August and bank of redeemable sick days).
- The process becomes irrevocable for the CARRA as soon as the first pension cheque is deposited.
- The process becomes irrevocable for the school board as soon as they receive and accept the letter of resignation for retirement.
- The minimum notice required for resignation is in the local contract – normally 15 workdays.
- It is possible to have the value of the redeemable sick leave days transferred into a RRSP.

CONTACTS

CARRA	1 800 463-5533	www.carra.gouv.qc.ca
QPAT	1 800 361-9870	www.qpat-apeq.qc.ca
QPP	1 800 463-5185	www.rrq.gouv.qc.ca
OAS	1 800 622-6232	www.hrdc-drhc.qc.ca



Courtesy of Paul Barnes – Executive Director – QPAT