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The Top 10 Things to Know Before Retiring

Pre-retirement tips from the National Association of Federal Retirees

National Association of Federal Retirees

Association nationale des retraités fédéraux

In the following pages, we provide useful information by answering the questions we receive most frequently from federal public servants who are close to their retirement.

The more you know about these topics, the more seamless and stress-free your transition into retirement will be. It is never too early to start planning for this exciting stage of your life, and we are happy to support you however we can along the way.

You can count on the National Association of Federal Retirees to advocate on your behalf, to defend the security of your pension and benefits and to work towards the best possible life in retirement for all Canadians.

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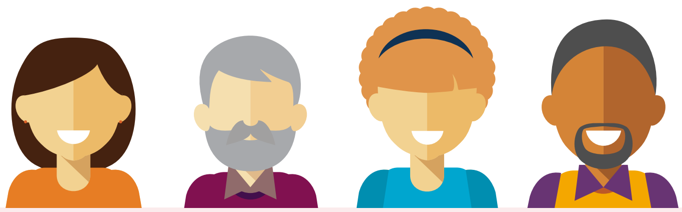
The National Association of Federal Retirees



170,000 members

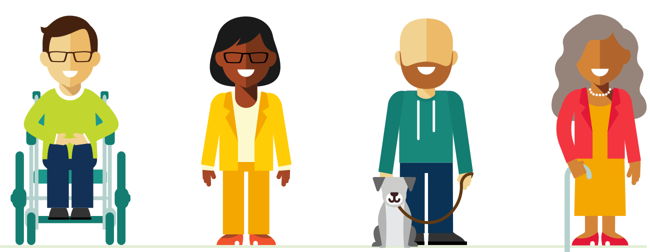
Founded in

1963

Largest advocacy group for current federal employees and future federal retirees, representing active and retired members of:

The federal public service	Canadian Armed Forces	Royal Canadian Mounted Police (RCMP)	Retired federally appointed judges	And their partners and survivors

Non-partisan advocates for the protection of our members' hard-earned pensions and benefits



We fight for retirement security and a strong, sustainable health-care system for federal public servants and all Canadians.

What is the Public Service Pension Plan (PSPP)?

The first thing you need to know is that the PSPP is not a traditional defined benefit or defined contribution plan. The Public Service Pension Plan is a legislated pension plan as described by the Public Service Superannuation Act, the RCMP Superannuation Act, the Canadian Forces Superannuation Act and the Judges Act.

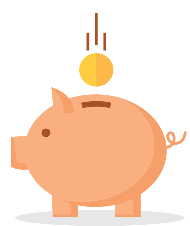
Before the year 2000, employees paid between five per cent and seven and a half per cent of their salary into the federal government's consolidated revenue fund's (CRF's) "superannuation account." In turn, contributors were owed a statutory defined benefit and the federal government would cover deficits.

Bill C-78, which came into effect in 1999, changed a few things:

1. The Treasury Board now controls contribution rates and sets them according to actuarial valuations.
2. Benefits earned before April 1, 2000, continue to be paid from the consolidated revenue fund on a pay-as-you-go basis.
3. An arms-length organization named Public Sector Pension Investments became the organization that invests pension contributions.

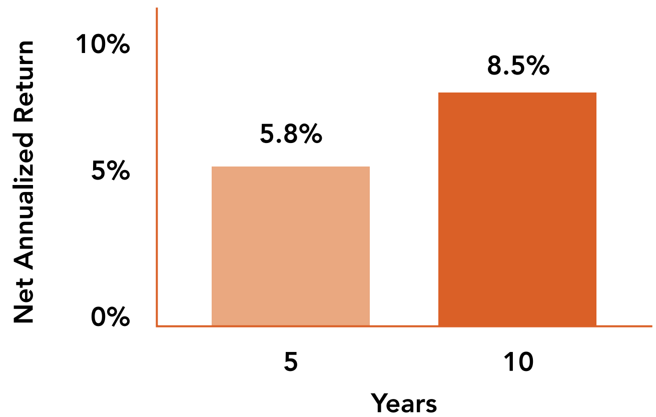
How are PSP investments doing?

The pension plan is performing quite well. As of March 31, 2020, your pension plan had:



$**169.8** billion

in net assets under management



How is my pension calculated?

Your lifetime pension is based on the average of your five consecutive years of highest paid service and years of pensionable service, using the following formula:

Lifetime Pension

(1.375% x [Average salary (up to the AMPE)] x [Years of pensionable service (max. 35 years)])

+

[2% x ([Average salary (in excess of the AMPE)] x [Years of pensionable service (max. 35 years)])]

1.375 per cent multiplied by your average salary up to the average maximum pensionable earnings (AMPE) multiplied by your years of pensionable service (maximum 35 years) plus 2 per cent multiplied by your average salary in excess of the AMPE multiplied by your years of service (maximum 35 years).

Bridge Benefit

(0.625% x [Average salary (up to the AMPE)] x [Years of pensionable service (max. 35 years)])

If you retire before 65, add the Bridge Benefit, which is 0.625 per cent multiplied by your average salary up to the AMPE multiplied by your years of pensionable service (maximum 35 years).

Indexation will also be applied in January and calculated using the Consumer Price Index (CPI), which is generally released in the autumn.

You can find information about your estimated pension in the compensation web application (CWA) or by contacting the Pension Centre.

What happens when I turn 65?

The Public Service Pension Plan (PSPP) contribution rates have been co-ordinated with those under the Canada Pension Plan (CPP) or Quebec Pension Plan (QPP) since 1966. Therefore, before you reach the age of 65, your pension consists of your lifetime pension and a temporary bridge benefit.

When you reach 65 (or earlier if you start receiving CPP or QPP disability benefits,) the bridge benefit ceases, as does that portion of your indexation. This means you will see a drop in your income, so be prepared.

By age 65, you qualify for Old Age Security (OAS) and CPP/QPP (without penalty), which normally offsets any decrease in your federal pension.

Think of your pension as four streams:

1 **Your base pension**

2 **Your bridge benefit**
(between retirement and age 65)

3 **Your CPP/QPP**
(standard age to start the pension is 65, but you can take it at a reduced rate at 60 or late at a higher rate up until age 70)

4 **OAS**

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What are the types of pension benefits?

While there is only one pension plan, you may be eligible for different pension options, depending on your age, years of service and when you choose to retire or leave the federal public service.

Remember, pension amounts are calculated by your best five consecutive years of salary and your years of pensionable service. When we say "full pension," we mean the pension calculated according to your years of service and salary factors. You can be eligible for a full pension with 15 years of service, or with 30 years of service, but the amounts will be different.

Want a higher pension? If so, you will need to plan to work longer to accrue more years of service (you can accrue up to 35 years). Think about your career progression goals and how that will impact your best five years of salary. Alternatively, you can always look into service buy-back options (more on that below).

What are the pension options available to me?

Immediate annuity

Another word for a full pension, without reductions and payable immediately when you retire. This is normally only payable if you reach age 55 and have at least 30 years of pensionable service.

Deferred annuity

A pension without reduction, that will begin to be paid at age 60. It is a pension that is deferred. This is useful if you plan to leave the federal public service before you reach your 50s as this option "locks in" your pension and ensures you'll have a steady retirement income stream when you reach age 60.

Annual allowance

A pension that is permanently reduced to reflect the early payment of a retirement pension.

Transfer value

A lump sum that represents the actuarial value of your pension, normally transferred to another pension plan.

Return of contributions

Your pension contributions are returned to you, with interest, but not including the employer's matching contributions.

(Note: these describe benefits for people who joined the federal public service before Dec. 31, 2012. For folks who joined the federal public service after Jan. 1, 2013, add five years to the age requirements).

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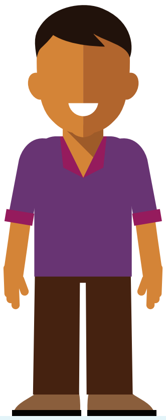
What are the types of pension benefits?

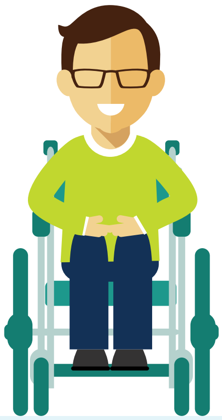
When can I get a full pension?



You can get an immediate annuity, or a full pension, when:

- You are age 55 or over, with at least 30 years of pensionable service
- You are age 60 or over, with at least two years of pensionable service

I'm not there yet — what are my options?



If you have at least two years of pensionable service and you are:

- Age 50 or younger, you can choose from a
  - Deferred annuity
  - Annual allowance
  - Transfer value
- If you are between 50 and 60, you can choose from a:
  - Deferred annuity
  - Annual allowance

If you are under age 60 and retiring due to disability, you are eligible for an immediate annuity.

If you are any other age with fewer than two years of service, you receive a return of contributions with interest.

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What is a "service buy-back"?

You have the option of purchasing a period of prior service, where you did not contribute to the federal pension plan, to increase your pensionable service under the PSPP.

You can buy back prior service (term/casual), for example:

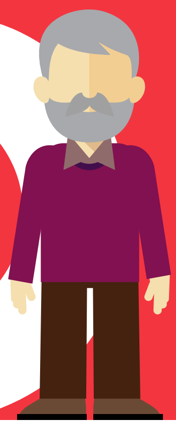
Within the public service

With the Canadian Armed Forces, regular force or reserve force, or RCMP

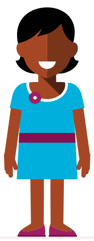
As a member of Parliament

There are also some pension transfer agreements (for people who worked outside the public service for a period, including for Crown corporations) that can help boost your pensionable service.

If you leave the federal public service before you start your pension, consider your options. If you go to an employer with a Pension Transfer Agreement, get advice on whether you are better to leave your federal public service pension intact instead of taking a transfer value, or whether you should transfer your pension to your new employer's plan. Remember, you must be in receipt of a public service pension to be eligible for the Public Service Health Care Plan (PSHCP) and Pensioners Dental Services Plan (PDSP) in retirement. More on page 10.



What happens if I took a leave of absence?



When you take a leave of absence or leave without pay (LWOP)

you continue to contribute to the pension plan for the first three months (just your share of contributions). After that point, you can choose whether to count the balance of your LWOP as pensionable.

If you are on pre-retirement transition leave (which is something you should investigate if you want to slowly transition into retirement)

or

leave with income averaging

your contributions will continue for the entire period of the leave.

While still employed, in most cases, you may choose not to count periods of leave without pay beyond the first three months. You can also change your mind, even after choosing not to count your leave without pay. You can choose to count it through a service buyback.

The **maximum LWOP that can be treated as pensionable earnings is five years**, excluding sick leave without pay.

You are still covered by the Supplementary Death Benefit (SDB) if you are on leave without pay.

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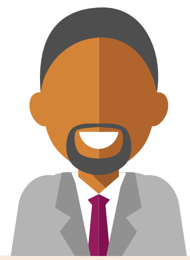
What happens if I am re-employed after retirement?

If you want to work part time at your local tool store, for example, or anywhere other than the federal public service, you can. Doing so will not affect your pension.

If you go back to work for the federal government and are not eligible to contribute to the pension plan, **you can receive your pension and the salary from the new position**.

If you go back to work for the federal government and your new position requires you to contribute to the pension plan again, your pension and indexation will cease. **You cannot contribute to the plan and receive a pension at the same time**.



Decisions to work while receiving your pension — whether back at the federal government or elsewhere — could affect your taxes and eligibility for benefits such as Old Age Security (OAS) and the Guaranteed Income Supplement (GIS). **Therefore, it is always wise to check with your financial adviser or accountant before you decide.**

It is also always a good idea to contact the Pension Centre directly if you plan on returning to work for the federal government. They will be able to explain how your decision will impact your pension and your retirement in greater detail. You can reach them at **1-800-561-7930**.

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What happens when I die?

There are a few benefits that your survivors can receive:

Survivor benefits

- This is paid to a spouse or common-law partner. Please note that the relationship must have existed prior to your retirement.
- It is equal to half the pension benefit you would have received at age 65.
- If you marry after retirement, you can request that your pension be reduced to provide a survivor benefit. You have one year to elect to do this.
- There is also a minimum benefit: between yourself and your survivors, you cannot receive less than the total amount of your contributions to the public service pension plan.
- If your surviving spouse is eligible to receive a survivor pension, they may also be eligible for health, vision and dental coverage under the PSHCP and PDSP.

Child allowances

- Each of your dependent children would be entitled to 10 per cent of the pension benefit you would have received by age 65, or 20 per cent if you have no eligible survivors (person who was married to the contributor at the time of death, or person in a relationship for at least a year before the death.) The maximum allowance for all children combined is the equivalent of four children's benefits.
- This is payable until the child reaches 18 years of age, or age 25 if the child is a student.

(Note: These rules are for public servants, outside of veterans and RCMP, whose rules are slightly different.)

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What happens when I die?

Supplementary Death Benefit

- The Supplementary Death Benefit (SDB) is a lump-sum benefit equal to twice your final annual pensionable salary, payable to your designated beneficiary or your estate.
- The lump-sum amount decreases over time: starting at age 66, the coverage decreases by 10 per cent each year to a minimum of $10,000 by age 75.
- You must elect to retain this benefit the year before leaving the federal public service, or 30 days after leaving.

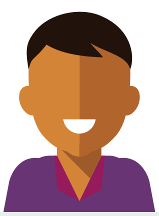
You can choose whether to designate a beneficiary. At the time of this writing, only one beneficiary can be designated. This is another aspect of your retirement planning process that is worth discussing with a financial adviser or a professional with experience and knowledge in estates. Your decision to designate a beneficiary could have an impact on your estate taxes.

What about errors in pay/severance?

If you have an unresolved pay issue

You should immediately contact your former supervisor, your departmental human resources team or the Public Service Pay Centre.

Your pension payments will be revised if an error is discovered, and this includes retroactive changes.



If you are overpaid

The Pension Centre will work with you on repayment options. The Pension Centre's system is separate from Phoenix and it does its own calculations.

However, there are still some issues and many members have had to wait an extended period to receive severance payments. Be sure to keep a copy of your personnel records identifier (PRI) number and your pension number handy.

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What else should I know?

Be intentional about your retirement plans and start thinking about your pension options early.

Indeed, this is something to start considering as soon as you join the federal public service. You never know if some of your previous experience could be counted for a service buy-back, and it can be more economical to do this earlier.

Saving and smart financial planning can also help you down the road with income taxes and ensuring eligibility for things such as Old Age Security, should you need it. **Plan early, plan often**.

If you receive a pension, you are entitled to continued coverage under the PSHCP.

If you opt to continue the coverage, pensioners should expect to pay premiums. As an employee, your premiums are paid by the employer. Once retired, deductions are collected from your monthly pension payment and, depending on your circumstances, there could be a delay in the start of coverage at the beginning of your retirement. Coverage is retroactive to your retirement date, though, so be sure to keep your receipts.

Please note that the PSHCP is only available to pensioners with at least six years of pensionable service. For more information, you can contact the Pension Centre at **1-800-561-7930** or the plan administrator, Sun Life at **1-888-757-7427**. Also of note, Sun Life will only be the plan administrator until 2023, at which point it will change to Canada Life.

You will also have access to the PDSP.

The coverage differs from what you received as an employee, and pensioners are required to pay for a portion of premiums. If you have questions, you can contact Canada Life at **1-855-415-4414**.

Seek advice from a qualified financial adviser before you retire.

Again, the earlier you do this, the better. Do not wait until the last minute to seek advice. Retirement finances can be complex, as you are dealing with revenue from multiple sources (CPP, OAS and RRIFs, for example.). Furthermore, some federal public service pension arrangements can be quite complicated. It is best to get advice from a qualified professional.

It is important to include clear wording on your termination letter. The letter should very clearly state the date you are planning to retire. For example, "I will be retiring effective close of business on (date)." Be sure to save a copy of the acceptance from the employer and retain all documentation you receive from the employer and/or Pension Centre.

And of course, towards the end of your career in the federal public service, please remember to join the National Association of Federal Retirees. No other organization looks out for the interests of federal pensioners and advocates to protect your hard-earned pensions and benefits like we do. You can reach us toll free at **1-855-304-4700 ext. 300**, or at **service@federalretirees.ca**. Again, you do not need to be retired to join.

Presented by the National Association of Federal Retirees

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of Federal Retirees

Association nationale
des retraités fédéraux

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