

QUEBEC
PROVINCIAL ASSOCIATION
OF TEACHERS



L'ASSOCIATION PROVINCIALE
DES ENSEIGNANTES
ET ENSEIGNANTS DU QUÉBEC

Basic Pension Information for QPAT Members





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Introduction: Your Pension Plan

As a teacher in one of Quebec's public schools you contribute to a pension plan called RREGOP that will provide you with a guaranteed benefit when you retire. For most teachers, their pension is their most valuable financial asset by the end of their careers. For this reason, it is important to be aware of your pension plan and its provisions. In addition, our most recent round of collective bargaining has resulted in some changes to the pension plan. This information document provides essential basic information to help you understand your pension plan.

What is RREGOP?

The *Régime de retraite des employés du gouvernement et des organismes publics* (RREGOP) is the name of the pension plan to which teachers in school boards belong, as well as other public sector workers such as nurses, support staff and many civil servants. All teachers, full-time, part-time, hourly rate or casual supply, are covered by this plan.

What is Retraite Québec?

Retraite Québec is the administrative body that maintains and processes all the relevant pension information for individuals that are part of the public sector pension plans, including RREGOP. They keep individuals' pension data and perform the calculation and payment of pensions. This work was done by CARRA (*La Commission administrative des régimes de retraite et d'assurances*) prior to January 1, 2016. Retraite Québec also performs these same administrative tasks for the Quebec Pension Plan (QPP).

What is the importance of Retraite Québec documentation?

Retraite Québec documents (as well as ones previously issued by CARRA) are important as they reflect the information that Retraite Québec would use in order to determine the employee's pension. Retraite Québec sends a statement of participation with cumulative pension information every year, normally during the month of May for teachers. Other documentation, such as the statement of contributions and pension estimates, is sent upon request. QPAT recommends that teachers contact Retraite Québec directly every few years to obtain an up-to-date statement of contributions and that they keep all Retraite Québec and CARRA documents and verify their accuracy.

On my Retraite Québec documentation, there's "service for calculation" and "service for eligibility". What's the difference?

Service for calculation is the length of time for which you have paid contributions into your pension. It is used to calculate the amount of your pension. *Service for eligibility* is the length of time for which you had an employment connection with a RREGOP employer, whether you made contributions or not. It is used to determine when you can receive an unreduced pension.

What is my pension benefit?

Your pension benefit depends on two things: how many total years you paid in to the plan (service for calculation) and how much you earned in your five best-paid years. The formula is as follows:

Basic pension = service for calculation X 2% X average income of five best-paid years

Example:

If you taught and contributed for 30 years to your pension and your best five years paid you \$75,000 on average, your basic pension would be:

$$30 \times 0.02 \times \$75,000 = \$45,000 \text{ per year}$$

When am I eligible for my pension?

It depends on whether you will retire before or after July 1, 2019.

A) Any retirement that starts by July 1, 2019

There are the two possible scenarios.

Scenario 1: Your basic pension, as calculated above, will be paid **without reduction** if you meet **one** of the following conditions:

- a) you are 60 years old or older
- or
- b) you have at least 35 years of service for eligibility

Scenario 2: Your basic pension, as calculated above, will be paid **with reduction** if you are 55 years old and you do not meet either condition in scenario 1. The reduction is 0.333% of the value of the pension for each month (4% per year) prior to age 60 or prior to 35 years of service for eligibility, whichever would have come first. The reduction is permanent.

Example:

You are entitled to a basic pension of \$45,000 with 30 years of service and you retire on your 59th birthday, exactly one year early. This means your basic pension is reduced by 4%. This is equal to \$1,800 (\$45,000 x 4%), so the pension that will be paid is \$43,200 (\$45,000 - \$1,800).

B) Any retirement that starts after July 1, 2019

There are three possible scenarios. Differences with pensions taken prior to July 1, 2019 are in bold.

Scenario 1: Your basic pension, as calculated above, will be paid **without reduction** if you meet **one** of the following conditions:

- a) You are **61** years old or older
- or
- b) You have at least 35 years of service for eligibility
- or
- c) **You are at least 60 years old with a "90 factor"** (age plus years of service for eligibility, typically someone who has just turned 60 and has 30 or more years of service for eligibility)

Scenario 2: If you retire between July 1, 2019 and June 30, 2020, your basic pension, as calculated above, will be paid **with reduction** if you are at least 55 years old and you do not meet any of the three conditions in scenario 1. The reduction is 0.333% of the value of the pension for each month (4% per year) prior to age **61**, or prior to 35 years of service for eligibility, or **prior to age 60 with a 90 factor**, whichever would have come first. The reduction is permanent.

Scenario 3: If you retire after July 1, 2020, your basic pension, as calculated above, will be paid **with reduction** if you are at least 55 years old and you do not meet any of the three conditions in scenario 1. The reduction is **0.5%** of the value of the pension for each month (**6%** per year) prior to age **61**, or prior to 35 years of service for eligibility, or **prior to age 60 with a 90 factor**, whichever would have come first. The reduction is permanent.

What is the maximum number of years I can contribute?

It is possible to have up to 38 years of service for calculation accumulated prior to January 1, 2017. Since January 1, 2017, it is possible to add service beyond 38 years. This will be progressively implemented in order to allow for up to 40 years of service for calculation as of January 1, 2019. It is not possible to add years of service after the calendar year in which you turn 69 regardless of how many years you have accumulated.

I have heard that my RREGOP pension is reduced at age 65. Is this true?

Yes. Your RREGOP pension will be reduced at age 65 because RREGOP and the Quebec Pension Plan (QPP) are integrated at that time. This integration happens because teachers do not contribute either to RREGOP or to QPP on their full income. If you wait until 65 to receive your QPP, you will receive the full value of QPP to which you are entitled based on your contributions. In this case, the portion of QPP based on your years of teaching will approximately offset the reduction in your RREGOP so that you receive a similar total pension, but from two sources rather than one.

But I can take a reduced QPP as early as age 60. Will that change when my RREGOP is reduced?

No. Regardless of when you choose to take your QPP (anywhere between ages 60 and 70), your RREGOP will be reduced at age 65. Be careful about when you choose to take your QPP as it will have a permanent impact on your pension income stream. See the appendix for more details and examples about the integration of the RREGOP and QPP pensions.

How much will the reduction be at age 65?

The reduction is based on how many years you contributed to RREGOP and the average maximum pensionable earnings (MPE) of the QPP for your last five years prior to receiving your RREGOP pension. The reduction is calculated according to the following formula:

Reduction in RREGOP at age 65 = Service for calculation x 0.7% x Average MPE of the QPP of your last five years

Example:

If you contributed for 35 years and the average MPE of your last five years was \$52,000, the reduction would be:

$$35 \times .007 \times \$52,000 = \$12,740.$$

The MPE changes each year. If your pensionable earnings in any of your last five years were below the MPE, then your pensionable earnings are used in the calculation instead of the MPE. A maximum of 35 years of service for calculation is used in the calculation; further pensionable service accrued after that (up to 40 years, as explained above) is not reduced.

Is my pension indexed to inflation?

Yes, but only partially. Indexation is based on three periods of time:

- Service prior to July 1, 1982 is fully indexed to inflation;
- Service between July 1, 1982 and December 31, 1999 is indexed by the rate of inflation minus 3%;
- Service since January 1, 2000 is indexed by the rate of inflation minus 3% or by 50% of the rate of inflation, whichever is more advantageous to the pensioner.

Consequently, the degree to which your pension is indexed depends on which years you worked.

Example:

A teacher retired on June 30, 2016 with 35 years of service. One year was before July 1, 1982, 17.5 years were between July 1, 1982 and January 1, 2000, and 16.5 years were after January 1, 2000. If the inflation rate is 2%, her indexation for the current year would be:

$$\frac{(1 \text{ year} \times 2.0\%) + (17.5 \text{ years} \times 0\%) + (16.5 \text{ years} \times 1.0\%)}{35 \text{ years total service}} = \mathbf{0.53\%}$$

In other words, her pension would be increased by about 0.53% this year, even though inflation is 2%.

What happens to my pension if I am absent from my teaching job for a certain period of time?

It depends on why you are absent. The table below illustrates the most common possibilities:

NATURE OF ABSENCE FROM WORK	EFFECT ON PENSION
<p>Full-time leave of absence (i.e. unpaid absence)</p>	<p>No contributions are made to the plan and no service for calculation is recognized. The service needs to be bought back to be recognized after the leave of absence is over.</p>
<p>Part-time leave of absence (i.e. a full-time teacher who is granted some time off during a year)</p>	<p>If the leave of absence is 20% or less of a full-time workload, contributions are paid based on full salary and the period of absence is recognized for pension purposes as if the teacher had been at work full time. This is also true for any leave of 30 consecutive calendar days or fewer; in this case the teacher makes up the missed contributions once he or she is back at work.</p> <p>If the absence is 21% or more of a full-time workload, the entire period of absence must be bought back to be recognized for service once the absence is complete. This is also true for any leave of absence of more than 30 consecutive calendar days.</p>
<p>Maternity leaves</p>	<p>Up to 21 weeks per maternity leave are credited at no cost. Subsequent leaves of absence that extend the maternity leave must be bought back to be recognized as years of service.</p>
<p>Paternity leave</p>	<p>The teacher contributes to his pension for up to six weeks of total leave (one week for birth of the child, five weeks for paternity). Extensions to this leave need to be bought back to be recognized as contributed service.</p>
<p>Sick leaves</p>	<p>Up to two years of salary insurance paid by the school board plus up to one year of long term disability (LTD) are recognized as years of service and credited at no cost. Subsequent years of LTD must be bought back to be recognized.</p>
<p>Sabbatical leave with deferred pay (e.g. 4 years salary paid over 5 years with one year off work)</p>	<p>The entire period is recognized for pension purposes, including the period of absence. The full salary that would have been earned is also recognized for pension purposes for the entire period.</p>

What is a buy-back? What is its advantage?

A buy-back allows you to pay to have a leave of absence recognized when you did not contribute to the plan originally. It increases your contributory years (service for calculation), thereby increasing your pension benefit when you retire.

I have a part-time contract of 70% this year. Can I buy back the 30% I'm missing to make a full year?

No. You will contribute on the basis of your contract and receive credit for 70% of a year. You were never scheduled to work the remaining 30%; therefore you cannot buy it back. If, on the other hand, you are a regular teacher with a full-time contract who normally works a full year and have taken a 30% leave of absence, then you may buy back the time.

I had part-time contracts and did substitution work prior to 1988; I did not pay contributions and I do not have service recognized for those contracts and days. Can I do anything to have them recognized?

Yes. Prior to 1988, casual employees (part-time teachers, teachers-by-the-lesson, hourly rate teachers and substitute teachers) were not eligible to contribute to the pension plan, only full-time teachers could. It is possible to buy back those years at a cost that is much lower than a regular buy-back.

How much does a buy-back cost?

The cost depends on your age and salary at the time you request the buy-back, as well as the amount of time and the specific years you are buying back. Typically, buying back work as a casual employee prior to 1988 and maternity leave extensions since 1991 are considerably less expensive than buying back a regular leave of absence. The cost of a buy-back is lowest if the buy-back request is made within six months of the end of the absence. After that, higher rates apply.

How do I apply for a buy-back?

Contact your school board's human resources or personnel department to assist you in completing the forms that you need to send to Retraite Québec. The form is also available on the Retraite Québec website (see contact information at end of document).

I am only missing a few days at a couple of points in my career when I had to take unpaid time off; otherwise, I have never missed any work. Do I have to buy back those days to have them recognized?

Probably not. Retraite Québec will credit automatically up to 90 days of absences to you free of charge for any absences prior to 2011 or towards extended parental leaves since then. Also, since 2002, employees pay their pension contributions for leaves of absence of 30 consecutive calendar days or fewer during the work year in question, as mentioned previously. However, if your total absences are more than 90 days, or your leave of absence is more than 30 calendar days and is not covered by the 90-day bank, you will have to buy back in order to receive the credit for that time.

I am near the end of my teaching career; I want to continue working but reduce my workload. Can I do this without sacrificing my pension or having to buy it back?

Yes, you can apply for a progressive retirement agreement if you meet the following conditions:

- You must be eligible according to Retraite Québec for a pension at the end of the agreement;
- You must be a full-time regular teacher;
- The agreement must last at least one full year but cannot be more than five.
- You must work at least 40% of your regular workload for each year of the agreement, but the percentage can be different for each year.

You will be paid according to the percentage of your workload, but your pension contributions are based on your full salary, which means that these years are recognized both as full contributory years and full salary years. You must retire by the end of the agreement at the latest, but you can retire at any point after the first year and still protect the full pension time for which you have contributed.

If I start a progressive retirement plan before July 1, 2019, will this protect me from the change in age to 61 or the change in actuarial reduction to 6% per year (as of July 1, 2020) if I take my retirement after those dates?

No, it will not protect you. Your pension will be calculated based on the rules in effect at the time you decide to retire with no consideration as to whether you were in a progressive retirement contract or not. The only exception that applies is for a teacher who was already in a progressive retirement agreement at the beginning of the 2016-2017 school year or earlier.

I would like to go back to work after I retire. Will my pension be reduced?

No. Your RREGOP pension will not be affected by a return to work of any sort. However, you may not participate in the RREGOP plan again nor improve your RREGOP pension in any way once you are receiving it.

What happens if I leave teaching and the public sector entirely before I am eligible for a pension?

If you have more than 2 years of service and you are not yet 55 years old, you can receive a deferred pension at age 65. You may also start receiving this deferred pension as of age 55, but the value of the pension will be reduced by 0.333% per month (4% per year) for each month prior to age 65 that you start receiving it (0.5% per month/6% per year as of July 1, 2020). Otherwise, you can transfer the value of your pension to a locked-in retirement account (LIRA) or a life income fund (LIF), but you must wait 210 days after you stopped working and still be under 55 years of age.

If you have less than two years of service and are under age 55, you may obtain a refund of your contributions, plus interest. You must wait 210 days before making this request.

What benefits are payable when I die?

It depends on your situation. The table below summarizes the various possibilities:

You are a pensioner at time of death	You are eligible for pension at time of death	You are not eligible for pension at time of death
<ul style="list-style-type: none"> Your spouse receives 50% of the integrated pension. This amount is 60% if you took a 2% reduction in your pension at the time of retirement. If there is no spouse, your estate will receive the difference between contributions plus interest and benefits paid. 	<ul style="list-style-type: none"> Your spouse receives 50% of the integrated pension. If there is no spouse, your estate will receive the contributions plus interest. 	<ul style="list-style-type: none"> With less than two years of service a refund of contributions plus interest is paid to your spouse. With two years or more of service, either contributions plus interest or the actuarial value of an indexed deferred pension, whichever is higher, is paid to your spouse If there is no spouse, the payment is made to your estate.

This document is intended to provide you with an overview of common pension questions and does not address every possible situation. The examples are simplified for purposes of illustration. You are encouraged to obtain further information about your pension plan that is specific to your situation. Your best sources of information are:

- Retraite Québec, the administrative body that manages the individual files of contributors and pensioners. Only Retraite Québec can provide definitive information about your pension file.

Phone: 1-800-463-5533

Website: www.retraitequebec.gouv.qc.ca

- The Quebec Provincial Association of Teachers (QPAT), your provincial union. QPAT can provide assistance in helping you understand your pension situation and your options.

Phone: 514-694-9777

Toll-free: 1-800-361-9870

Website: www.qpat-apeq.qc.ca

- Your school board's human resources or personnel department, which can provide you with specific details about the information in your employment file with your board that is relevant for pension purposes.
- Your local union can also provide you with assistance.

Appendix

How Pension Integration Works at Age 65:

As indicated previously in this booklet, at age 65 the teacher's RREGOP pension is integrated with the Quebec Pension Plan (QPP) pension, which means that the RREGOP payment is reduced to account for the eligibility for the 100% level of QPP benefits. This is how the pension plan was designed from the start; teachers do not pay contributions to both the RREGOP and QPP on each dollar of income. The total pension received based on years of teaching is effectively the same before and after age 65 if the teacher waits until age 65 to collect the QPP.

Here is an example to illustrate how the process works (all numbers are approximations for illustrative purposes and are not exact):

A teacher retires with 35 years of service at age 58 and receives a pension of \$53,000.

Scenario 1 – the teacher waits until 65 to apply for the QPP pension. At 65, 100% of the QPP pension is granted which is approximately \$13,000 per annum (2017).

From age 58 until his/her 65th birthday the teacher will receive a RREGOP pension of \$53,000.

At age 65 the QPP pension is FULLY integrated such that:

The RREGOP will be reduced by \$13,000, but the teacher will be paid \$13,000 in QPP benefits.

Age 58 to 65 \$53,000 from RREGOP

Age 65+ \$40,000 from RREGOP (RREGOP pension is reduced by the full amount of the QPP)

 \$13,000 from QPP

Pension income at 65 remains stable at **\$53,000**

Scenario 2 – the teacher opts to collect his/her QPP pension beginning at age 60

Age 58 to 60 \$53,000 from RREGOP

Age 60 to 65 \$53,000 from RREGOP

 \$ 8,500 from QPP (QPP is reduced from full value by 7.2% per year, or 36% for taking it five years early)

Total pension = \$61,500

Age 65+ \$40,000 from RREGOP (RREGOP pension is reduced by the full amount of the QPP = \$13,000)

 \$8,500 from QPP (QPP remains permanently reduced)

Total pension income at 65 = **\$48,500**

	Scenario 1	QPP@65		Scenario 2	QPP@60	
Age	Pension	QPP	Total	Pension	QPP	Total
58-60	\$53,000	\$0	\$53,000	\$53,000	\$0	\$53,000
60-65	\$53,000	\$0	\$53,000	\$53,000	\$8,500	\$61,500
65+	\$40,000	\$13,000	\$53,000	\$40,000	\$8,500	\$48,500

Neither of these scenarios includes the Old Age Security (OAS) from the federal government. This is a separate benefit altogether and is not part of the integration process. Individuals can receive it as of age 65 or defer it as late as age 70 for an increased amount. The age 65 amount is about \$6,900 per year (2017).

If you opt to collect the QPP at age sixty, you are, in effect, taking an advance on your QPP. This has the effect of **permanently** reducing your monthly QPP payments since you have taken part of your pension early.

Factors affecting the decision:

Longevity: On average female RREGOP retirees live to age 87 and male RREGOP retirees live about 84 years. If you expect to live anywhere near this long, considering your genetic makeup and your health, delaying collecting the QPP until 65 makes sense since you will have recouped the \$42,000 you forwent between ages 60 and 65 by the time you are about 75; after that you will be ahead for the rest of your life.

Current financial status: Depending on your tax status and financial needs, it may make sense to collect the QPP as early as age 60.

Time preference: You may value having extra money between the ages of 60 and 65 more than you value having a more stable pension payment over your whole retirement, or vice-versa.

