NORMAL RETIREMENT

You've decided to retire?

Congratulations! Statistics show that people are enjoying longer retirements than ever before, with a quality of life that is often undiminished from their working days.

Of course, there are many changes associated with the end of employment, and we all need to determine how to best adapt to these changes. Completing forms to get your pension started should be one of the simpler tasks. This pamphlet outlines the options and the process for retiring when you reach age 65.

A benefit for life

The "normal retirement date" in the CAAT Plan is the last day of the month in which a member turns 65. Although it is no longer mandatory that anyone retire at age 65, all pension plans have a normal retirement date, for the purposes of making a number of calculations. Age 65 was the standard when the CAAT Plan was established.

If you choose to retire when you reach age 65, you will receive a "normal retirement pension." It will be paid to you every month after you retire for the rest of your life. If you have a spouse who outlives you, he or she will receive a survivor pension after you are gone. Your pension has no reduction, unlike the pensions of some who retire before reaching age 65, and it will receive some indexing for cost of living increases. Although your CAAT Plan pension will not be your only source of retirement income, it will likely be the foundation of it.

...and beyond

Once you die, your spouse will receive a survivor pension equal to 60% of your monthly lifetime pension, and it will be paid for the rest of his or her life. You will also have a choice on your option document to increase your spouse's pension to 75% of your amount, in return for accepting a smaller pension for yourself. The amounts are determined by an actuarial calculation, with the goal of making the total amount of payments roughly equal. Of course this is affected by how long people live. Both pension amounts will appear on your option document, to help you with this decision.

If you have children under age 18 when both you and your spouse are gone, a children's benefit will be paid to them until they reach age 18. There is also a 60 Months Pension Guarantee in the Plan – in no case will your total pension payments equal less than 60 months of your initial monthly amount. Any final payment relating to this guarantee would be paid to your designated Beneficiary, or to the estate of the last recipient of the pension payments.

Your pension is calculated using the following formula.

PENSION FORMULA

1.3%	x	HAPE up to the average YMPE	x	Pensionable Service
plus				
2.0%	x	HAPE above the average YMPE	x	Pensionable Service

HAPE (Highest Average Pensionable Earnings): the sum of your earnings over the 60 consecutive months of Pensionable Service during which your earnings were their highest, divided by 60 and multiplied by 12. Some payments, such as overtime, are not included in this calculation. If you have been a Member for less than 5 years, the Plan uses your actual earnings and service to create the average.

Pensionable Service: the total years and months of service during which you contributed to the Plan. It includes any service you may have purchased or transferred in, and service for a period when you received a Long Term Disability benefit or a Workplace Safety and Insurance full loss of earnings benefit. It does not include any previous CAAT Plan service for which you received a contribution refund, or for which you transferred out a Commuted Value.

YMPE: the Year's Maximum Pensionable Earnings, the maximum amount of earnings on which you are required to contribute to the Canada Pension Plan. In 2009, this amount is $46,300.

Average YMPE: the average of the YMPE for the year you retire, and the four previous years.

A few simple steps

You should check with your College's Human Resources representatives to see when to apply for normal retirement, and what documents you will need. They will start the process by helping you complete and sign a *TRD Pension Claim* form to send to the CAAT Plan. This form details your service and earnings history.

The Plan will then calculate your pension and send you a *Retirement Option Document* and any other forms you may need to complete and sign, such as *TD1* income tax forms. You'll need to supply a void cheque, and you may need to supply proof of age for yourself and for your spouse. To make sure your benefit starts as soon as possible, complete all paperwork accurately and submit it promptly.

Your pension is payable for the rest of your life on the first business day of each month following your retirement date. If the Plan receives your complete paperwork in a timely manner, you will get your first payment, by direct bank deposit, on the first business day of the month after you retire. Otherwise, your pension will start on the first business day of the next month, along with any retroactive payment. Income tax will be deducted from your payments, based on the amounts you claimed on the *TD1* forms.

One other thing...

Although your official pension can only be calculated by the Plan at the time you retire, you can get an informal estimate using the online Pension Estimator. It provides an approximation of your pension amount based on your age, Highest Average Pensionable Earnings, and Pensionable Service. Your most recent Annual Pension Statement, which you receive from your College each year, is a good source of the information you need to complete an estimate.

If you have deferred...

If you are a former Member (one who left the Plan in the past) with a deferred pension who has now reached age 65, you are eligible to begin your pension.

You could, if you were eligible, have chosen to start this pension before reaching age 65, with a reduction. At age 65, there is no reduction involved. In the years since you ended your College employment, the indexation increases that were granted in the Plan have been added to the amount of your deferred pension, thereby helping it keep up with inflation.

You'll need to complete and sign a deferred pension claim form, and return it to the Plan along with *TD1* tax forms, a void cheque and, if requested, proof of your age and your Spouse's age.

→ DEFERRED PENSION DEFINED

A pension calculated when a Member leaves employment, payable at age 65, that does not start when employment ends either because the Member is not old enough to receive a pension, or because the Member chooses to wait until later to collect it.

We'll keep in touch

While your pension payment is deposited in your bank account each month, you will continue to receive some written materials from us. There will be three newsletters each year concerning the Plan's activities. These will keep you up to date about items such as Plan amendments, investment strategies, or procedural changes.

Income tax will be deducted from your payment each month. In February each year, you will receive a T4A tax slip, which indicates the total pension paid to you and the tax deducted during the year. These slips are required for completion of your annual income tax return.

Annual indexation

One other item you will receive towards the end of the year is a letter announcing the indexation increase for the coming year, if there is an increase. For some years of service, credit for indexation depends on the Plan having adequate funding.

Indexation is an annual increase to the amount of your pension payment that helps to reduce the erosion of your pension caused by inflation. The calculation is based on annual changes to the Consumer Price Index – the Plan pays 75% of the CPI annual increase. The amount of your increase will also depend on your years of service.

NOTE

The letter you receive will tell you the indexation rate for the upcoming year, and the new amount of your pension. You will notice the increase starting in the following January. During your first year of retirement, any increase will be pro-rated for the amount of months you received a pension in the preceding year.

Income in retirement

Your CAAT Plan pension will of course make up only part of your retirement income. You will also receive some government pension, and you may have personal savings from accounts such as Registered Retirement Savings Plans. Some people will go back to work, and gain additional income from that.

If you have contributed to the Canada Pension Plan, you will collect a CPP pension. It will be unreduced if you start it when you turn 65. You have to apply to Service Canada to receive a CPP pension.

Old Age Security is another federal benefit that provides a minimum retirement income to all Canadians, regardless of whether they worked in Canada or not. There are some residency requirements and the benefit is income tested – those at higher income levels may be required to repay some or all of it.

You also need to apply to receive OAS payments. For both federal pensions, it is a good idea to apply a number of months before you want to start receiving them. For more information, contact Service Canada by phone at 1-800-277-9914 or visit the website at www.servicecanada.gc.ca.

Work, work, work

Some people choose to return to the workforce after retirement, either to enhance their financial security, or to help in maintaining an active, enjoyable life. Keep in mind that whether you return to a College or find work elsewhere, your earnings may have an impact on the amount of government pension you are eligible to collect.

Of course, having considered your options, you may want to keep working at your College, rather than retire. As there is no longer a mandatory retirement law in Ontario, you can now continue working past age 65. If you continue to work, your membership in the Plan will continue until you reach age 71. Before this age, you would have to stop working to collect your pension. At age 71, your pension must start, even if you are still working.

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