Starting your pension before age 65

Early Retirement

caat PENSION PLAN

Will you retire before age 65?

The Plan's flexible retirement options mean you can retire as early as age 55, or even as early as age 50 if you have 20 or more years of pensionable service.

Is this booklet for you?

If you are interested in retiring before age 65, this pamphlet is for you.

If you are going to be leaving your employment before you are eligible to retire, please refer to our Termination Pamphlet: *Leaving your job, not your pension plan.*

A pension for life

As a member of the CAAT Pension Plan, you are entitled to a lifetime pension. The Plan's "Normal" retirement date is the last day of the month in which you turn 65 - if you start your pension before age 65, you are "retiring early."

Members who retire before age 65 enjoy the same great pension benefits as those who retire at age 65 or later:

- A pension paid for life
- A lifetime survivor pension for your eligible surviving spouse
- Some inflation protection to partially offset the rising cost of living

Members who retire early also benefit from the Plan's early retirement provisions:

- The possibility of an unreduced pension
- A low reduction factor for early reduced pensions
- An additional 'bridge' benefit, paid to age 65.

With a variety of retirement options, you can start your retirement at the time that's right for you.

When should you retire?

One of the advantages of membership in the CAAT Pension Plan is the ability to choose the right retirement date for you. Choosing the right time is an individual decision, based on a variety of personal, financial and career factors. To help you choose your retirement date, be sure to take advantage of the resources the CAAT Plan has to offer:

Pension Estimator

Our online 3-Step Pension Estimator is a simple way to model different retirement scenarios. Simply input a few pieces of information to see your estimated earliest retirement dates, and the estimated lifetime pension at each of those dates. If you have a specific date in mind, you can estimate your pension on that date as well.

Contact us

You can also contact the Plan at any time for an estimate. We can provide estimates based on different retirement scenarios to help you make your decision.

Annual Statement

Every year in June, you receive an Annual Statement showing the pension you earned in the Plan up to the end of the previous year.

Your Annual Statement also shows the earliest date you can retire with a reduced pension, and the earliest date you will achieve an unreduced pension milestone. These dates are projected based on your past service experience and give you an idea of possible early retirement dates.

Your pensionable service is important

The amount of pensionable service you have in the Plan is a key variable in your pension calculation: the more pensionable service you have, the larger your pension will be.

Pensionable service is also a vital component in determining your eligibility for an unreduced early pension.

Unreduced pension milestones

Your early retirement pension from the CAAT Plan will be unreduced if you meet certain age and pensionable service criteria. You qualify for an unreduced pension if:

- Your age + pensionable service = 85 (the 85 Factor)
- You are age 60 or over with 20 or more years of pensionable service (the 60/20 Rule)

So even if you haven't reached the normal retirement age of 65, your pensionable service – the years you've been a member of the Plan – could help you retire early with no reduction to your pension benefit.

A reduced pension

If you do not qualify for an unreduced pension, you can still choose to retire early with a reduced pension.

The reduction factor is 3% per year (0.25% per month) for each year and month you are away from the earliest date you are eligible for an unreduced pension: that is, the date you turn 65, or you qualify under either the 60/20 Rule or the 85 Factor, whichever comes first.

The reduction, which is permanent, reflects the fact that you will be receiving your pension for a longer period of time and that you contributed for a shorter period of time than if you had retired at age 65, your normal retirement date.

The early reduced retirement provisions of the Plan ensure that the lowest possible reduction is applied to your pension. This makes an early reduced pension a valuable option.

Example: Dan's early retirement calculation
Dan is thinking about retiring at the end of the school year. At age 56,with 22 years of pensionable service, Dan knows that his pension will be reduced – he has not qualified for the 85 Factor, and he is not yet age 60 even though he has more than 20 years of pensionable service. He is keen to start retirement, and accepts a modest early retirement reduction in order to collect his pension right away.

Dan's pension will be reduced by 3% times the number of years and part years he is away from his earliest unreduced date.

Age 65

Dan is 9 years from turning 65. ***Reduction:*** *9 x 3% = 27%.*

60/20 Rule

Dan has 20 years of pensionable service, but is 4 years from age 60. ***Reduction:*** *4 x 3% = 12%*

85 Factor

Dan's age + pensionable service = 78. He is 7 points from the 85 Factor. (Because he is a full time member, he earns 2 points per year towards the 85 Factor -1 for age, 1 for service).

85 – 78 = 7 / 2 = 3.5 ***Reduction:*** *3.5 x 3% = 10.5%*

Dan's early retirement pension will be reduced by 10.5%, which is the lowest reduction possible. This reduction is permanent and will also apply to his bridge benefit.

Dan knows he can retire early without worrying about market volatility or investment performance. He can enjoy his retirement, confident that he'll have a secure pension paid for life.

What if Dan wants an unreduced pension?

Dan can keep working; not only will his pension grow the more pensionable service he earns, but his reduction will decrease as he approaches his early unreduced retirement milestones.

Additional benefits

Your early retirement pension is paid for the rest of your life, and has valuable additional benefits:

Survivor benefits

When you die, your eligible spouse receives a lifetime survivor pension equal to 60% of the pension you were receiving at the time of your death. If you are married when you retire, you can choose to take a slightly lower lifetime pension so that your spouse can get a 75% survivor benefit.

For more information on survivor benefits, please refer to our Survivor benefits pamphlet *Protecting your loved ones.*

Inflation protection

Your pension will increase each year that inflation protection is granted. Inflation protection helps offset the rising cost of living by providing an increase to pensions, based on the change in the Consumer Price Index. The years you earned your service in the Plan are a factor in determining inflation protection increases.

For more information on inflation protection, refer to our inflation protection pamphlet *Enhancing an already valuable benefit.*

Bridging the gap

When you retire early, you receive an additional payment called a ‘bridge’ benefit. The bridge benefit is paid every month from your early retirement until you turn 65. It receives the same inflation protection increases as your lifetime pension, and if your lifetime pension is reduced, your bridge benefit is reduced by the same factor.

Note that your bridge benefit stops when you turn 65 while your lifetime pension will be paid to you for the rest of your life.

Collecting the bridge benefit with CPP

The bridge benefit was originally designed to ‘bridge’ the income of members who retired early when Canada Pension Plan benefits didn’t start until age 65. Under current CPP rules, you can start collecting your CPP pension as early as age 60 on a reduced basis.

Whether or not you start your CPP pension early, you will continue to receive the CAAT Plan bridge benefit until age 65.

Before you retire

While you are thinking about retiring, be sure to investigate whether or not there are any gaps in your pensionable service that you can purchase. A purchase of service will increase your benefit and could mean the difference between a reduced and an unreduced pension.

Read our pamphlet *Getting more out of your pension: Purchasing service* to see if you have any qualifying service to purchase. As a general rule, the cost of a service purchase increases the older you are.

Retire with confidence

Once you have selected your retirement date, contact your employer's Human Resources department to help you get the process started.

No matter when you decide is the right time to retire, the CAAT Plan's early retirement provisions give you flexible retirement options that fit your future.

For more information, contact us.

CAAT PENSION PLAN

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