

Pension FAQ



Revised November 2012

General Info

For detailed information about the plan and its benefits, go to the [Teachers' Pension Plan](#) website. The *Personalized Pension Estimator*, and the *Purchase of Service Estimator* are both available when you log on and/or register at "My Account". Your annual *Members Benefit Statement* from the Teachers' Pension Plan provides you with your personal pension info that will be necessary for you to set up your account on their site. The Teachers' Pension Plan web page provides contacts for pension inquiries. The BCPVPA does not have your personal pension information but can assist with general questions. In the event of any variation between the information in these FAQs and the provisions of the statutes, regulations and plan rules which govern any benefits available under the TPP, the latter will prevail.

Frequently Asked Questions.....

- **As an active plan member, why do I need to know about retirement benefits?**
 - Knowing what retirement benefits are available, and understanding that some of these benefits are *NOT* guaranteed and may change in the future, will help you prepare for retirement.
- **Is there anything I need to do about my pension as I work?**
 - It is to your advantage to understand the pension plan, and to be aware of any changes in the plan, so that you can make informed decisions. Time spent accessing the information and resources available via the TPP website will be a beneficial component of your overall financial planning. The ability to recognize and conceptualize your pension contributions, *NOT* as 'costs' but, as deferred benefits or deferred compensation will quickly help substantiate the need to spend some time to facilitate understanding your pension early in your career.
- **What kind of pension plan do I belong too?**
 - The Teachers' Pension Plan is a **defined benefit** pension plan. This means the amount of a member's basic pension payment is calculated using a formula based on the member's highest 5 average annual salaries, years of service and age at retirement. Pension payments do not depend on how much a member contributes to the plan or on the performance of investment markets while the member is working or after the member retires.

Frequently Asked Questions.....

- **I'm paying into the Canada Pension Plan (CPP), why do I need another pension plan?**
 - *The CPP pays a small pension (up to 25% of the average wage of payroll employees in Canada) after you retire. However, your teachers' pension can pay up to 70% of your total employment income, depending on your years of service and your age upon retirement.*
- **What are my contributions to the Teachers' Pension Plan (TPP)?**
 - *As of July 1, 2013, 12.5% of your salary up to and including the year's maximum pensionable earnings (YMPE - rate annually set by the government). 14.0% of your salary above the YMPE*
 - *Your employer, on your behalf, provides 14.63% of your salary up to and including the YMPE and 16.13% of your salary above the YMPE*
- **What does it mean for a benefit to be guaranteed or not guaranteed?**
 - *"Guaranteed" means the plan can promise it will continue to provide the benefit in the future. The basic pension payment is guaranteed to be paid for your lifetime and may continue to be paid to your spouse or dependent after your death. Health benefits coverage and the cost-of-living adjustment are examples of benefits that are not guaranteed. Factors such as plan demographics, volatile investment returns and inadequate funding of the Inflation Adjustment Account (IAA) may require the pension board to change coverage as a strategy to avoid unfunded liabilities in these areas. Pension adjustment for inflation is therefore not "guaranteed".*
- **What is being referenced when people talk about "pension options"?**
 - *Important decisions do need to be made prior to retirement on how you would like your pension paid. The plan offers a wide range of payment options that must be a component of your retirement planning. While you receive your pension until you die, the payment option you choose will make a difference in the amount paid to you each month, and an amount that could be paid to your spouse, beneficiary or estate after your death. The booklet: "Choosing Your Best Pension Option", provides an excellent overview of the considerations that will require reflection and is available as a download from the TPP website.*
- **So when can I retire?**
 - *The earliest retirement in the Teachers' Pension Plan is at age 55.*
- **When should I apply to retire?**
 - *When you have decided to retire, you should contact the Teachers' Pension Plan. They will send you a Retirement Application Package, which contains everything you need to apply for your pension. This should be done at least 6 months prior to retirement. Within a year of your anticipated retirement, you should contact TPP and request a formal pension estimate.*
- **What is the 'bridge benefit'?**
 - *The bridge benefit is a temporary payment to age 65 or your death, whichever comes first, at which time it stops. You are eligible for the bridge benefit if you are under age 65 when you retire, and there are no choices to be made as it is an automatic benefit.*

More Frequently Asked Questions....

- **What are the basic terms & rules associated with accessing a pension?**
 - **Maximum** pension benefit requires you to have **35** years of pensionable service.
 - **Reduced** pension, if you apply for a pension before age 60 but you do NOT meet the “rule of 90” (age + contributory service = 90), your pension will be reduced in most cases by three per cent for each year that you are under the rule of 90 or age 60.
 - **Unreduced** pension, if you meet the rule of 90 and are under 60 years of age, are between the ages of 60 and 64 with at least two years of contributory service or, are age 65 or over with any amount of contributory service.
 - **Reduction Factor** if you decide to retire before 60 and you do not have enough contributory years to combine with your age to reach 90, then the reduction factor is used to calculate the reduced pension.
 - If you work until at least age 55, with 10 or more years of pensionable service (and you have 20 or more months of contributory service or 10 or more months of pensionable service in the 24 months immediately before your termination date), your pension will be reduced by the lesser of two calculations: (max reduction = 15%)
 - 3% per year for every year under age 60, or
 - 3% per year for every year your age plus contributory service is less than 90
 - If you do not meet the above criteria, your pension will be reduced by the lesser of two calculations: (max reduction = 25%)
 - 5% per year for every year under age 60, or
 - 5% per year for every year your age plus contributory service is less than 90
 - **Pensionable Service** is the actual time worked and for which pension contributions have been made. Pensionable service is measured in portions of a month or full-time equivalents. Pensionable service is used to determine the amount of a pension
 - **Contributory Service** reflects the number of months that you and your employer have made contributions to the plan. You earn one month of contributory service for each month in which you and/or your employer have made contributions. If you retire early, contributory service is used to determine whether your pension will be reduced, and by how much.
 - **Basic Pension Formula**

2% x HAS x Pensionable Service - Bridge Benefit = Lifetime Pension

Whereby 2% is the benefit you receive for each year of pensionable service to age 65 and, HAS is your 5 years of “highest average salary.”

More Frequently Asked Questions....

- **How do I go about activating my own account for the TPP?**
 - *You will need the username and password that is shown on your annual Member Benefit Statement. Then access the www.tpp.pensionsbc.ca web site, click on "My Account" and follow the step-by-step instructions. You can also call toll-free for assistance to: 1-800-665-6770.*



- **Can you provide the name of a 'good' financial planner that will help with my overall financial situation and give good advice?**
 - *The BCPVPA will not recommend a particular financial planner or investment council. We do encourage members to be very diligent around the process they use to select a competent financial planner and to be very wary of anyone who advocates for removing monies from your pension plan. There are some very good sites that provide excellent direction when it comes to selecting a financial planner. One such site can be found at: www.fpssc.ca/node/311 where they take you through ten questions that you should be prepared to ask any potential financial planner.*

Notes:

