

How your basic pension is calculated and how various factors affect the payment you receive

This fact sheet explains how we calculate your basic pension, and how various factors affect the monthly pension payment you receive.

How is an unreduced basic pension benefit calculated?

An unreduced basic pension benefit is based on your highest five salary years* and is calculated as follows:

Prior to age 65

$2\% \times \text{Five-year Highest Average Salary (HAS)} \times \text{Total Pensionable Service.**}$

At and after age 65

$2\% \times \text{HAS} \times \text{Total Pensionable Service}$

minus the Bridge Benefit, which is calculated at:

$0.70\% \times (\text{lesser of previous year's YMPE or HAS})$

$\times \text{Pensionable Service after January 1, 1966.}$

The basic pension formula is based on the single life pension, with no guarantee period.

What are reduced and unreduced pensions?

The formula provides your unreduced basic pension benefit, but depending on your age and service at retirement, your pension may be reduced. For example, under the Teachers' Pension Plan, you may apply for a pension as early as age 55. However, if you retire before age 60 and you do not meet minimum age plus contributory service requirements, your pension will be reduced.

- You will receive an **unreduced** pension if, at the date of your retirement, you are:
 - age 55 to 59 plus 11 months, and your age plus years of contributory service totals 90 (known as the 90 factor) or more
 - age 60 or older, with two or more years of contributory service
 - age 65 or older, with less than two years of contributory service, providing you are a contributor until age 65 or older.
- You will receive a **reduced** pension if, at the date of your retirement, you are:
 - age 55 to 59 plus 11 months, with two or more years of contributory service, but your age plus years of contributory service totals less than 90
 - age 60 to 64 plus 11 months, with less than two years of contributory service, providing you work and contribute to the plan until at least age 60.

* A **year** is counted as either 10 months or 12 months, depending on whether you are a 10-month or a 12-month employee.

** **Pensionable service** is your actual working time—how many years you spend working and contributing as a member of the Teachers' Pension Plan. It is used to calculate exactly how much your annual pension payments will be. The maximum number of years of pensionable service used in the pension benefit calculation is 35 years.

You earn one month of pensionable service when you are present and working full time every school day during that month. If you work half of the month, you will receive half a month of pensionable service.

What is the reduction?

If you decide to retire before age 60, and you do not have enough years of contributory service to reach the 90 factor, we use a “reduction factor” to calculate your reduced pension benefit.

- If you work until at least age 55, and then you retire at age 55 to 59 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:
 - 3% per year for every year under age 60, or
 - 3% per year for every year your age plus contributory service is less than 90both to a maximum reduction of 15%.
- Or if you do not meet the above criteria, your pension will be reduced by the lesser of two calculations:
 - 5% per year for every year under age 60, or
 - 5% per year for every year your age plus contributory service is less than 90both to a maximum reduction of 25%.
- And if you terminate employment after age 60 and before age 65, with less than two years of contributory service, your pension will be reduced 5% per year for every year under age 65, to a maximum reduction of 25%.

The basic pension formula gives me an annual pension amount. What about my monthly pension payments? How will you calculate them?

The basic pension formula is really only the beginning. Several other factors also have to be taken into account in calculating your monthly pension payment, including:

1. Which pension plan option you choose

The Teachers’ Pension Plan offers a number of different pension plan options, all of which provide you with a series of equal amounts over a specific period. Most include a provision that allows you to have your monthly pension payments continue to your spouse after your death or for a set period from your date of retirement.

If you have a spouse, you are required to select a pension plan option that ensures a minimum of 60% of your monthly pension will go to your spouse on your death unless your spouse gives up that right by signing a *Spousal Waiver*. For more information, please see the *Pensionfacts, Pension Options Available to Retiring Members*.

2. The bridge benefit, if you are under 65 when you retire

The Teachers’ Pension Plan is integrated with the Canada Pension Plan. This means that while you are teaching, you are making contributions to both the Teachers’ Pension Plan and the Canada Pension Plan.

Your teachers’ pension before age 65

If you retire before age 65, your pension from the Teachers’ Pension Plan will include a temporary monthly payment, the bridge benefit. The bridge benefit is designed to “bridge” the gap between your early retirement income and your income after age 65. This bridge

benefit is included in the basic 2% pension formula and is calculated this way:

$$0.7\% \times (\text{lesser of previous year's YMPE or HAS}) \times \text{Pensionable Service after January 1, 1966.}$$

This is the amount that is taken off the basic pension at the earlier of death or age 65. This amount will be reduced if your basic pension is reduced, using the same reduction factor. Your beneficiary will not receive the bridge benefit after your death.

Canada Pension Plan pension at age 60

You may apply for a reduced Canada Pension Plan (CPP) benefit as early as age 60 if you are not employed.

If you receive a reduced CPP benefit, this will not affect your teachers’ pension. You will continue to receive your teachers’ pension (with the bridge benefit) at the same time as you receive your reduced CPP benefit. The bridge benefit will continue until the earlier of age 65 or death.

Your retirement income at age 65

Once you turn 65, if you have been receiving a reduced CPP benefit, that reduced pension will continue to be paid exactly as it has been.

You will no longer receive the bridge benefit from the Teachers’ Pension Plan. As a result, your teachers’ pension will drop by the amount of the bridge benefit.

If you have not been receiving a reduced CPP benefit, you may now apply to receive an unreduced CPP benefit in addition to your teachers’ pension. Your teachers’ pension will be paid with no bridge benefit.

Also, at age 65 you may apply to receive the Old Age Security (OAS) benefit payments.

The lifetime pension you chose at retirement plus the bridge benefit are indexed annually up to the cost of living provided there are sufficient funds in the Inflation Adjustment Account of the pension fund.

3. Whether you are required to pay all or part of your health care coverage

When you retire, your current employer health care plan may no longer cover you or your spouse and dependent children.

As a retired member of the Teachers' Pension Plan, you may apply for continued health care coverage under the Extended Health Care Plan and/or the Dental Plan.***

You will need to pay your full Medical Services Plan (MSP) premium as the plan does not subsidize MSP premiums.

You should check the cancellation date of your coverage to avoid any lapse in coverage between your retirement date and the effective date of coverage under the pension plan.

All health and dental benefits are dependent on there being sufficient funds to meet the costs. As a result, the subsidy rates and group benefits currently available to retired members are not guaranteed features of the Teachers' Pension Plan.

Extended health care and dental benefits are now available to retired plan members living outside of BC but within Canada.

For more information see the *Pensionfacts, Health Benefits for Retired Members*. Also, see our website at pensionsbc.ca.

4. If you are required by a separation agreement or court order to divide your pension with a former spouse

Upon receipt of the necessary documents the Teachers' Pension Plan will divide your pension based on your separation agreement or divorce order, and pay your spouse's portion directly to her or him, with income tax deducted. For more information, see *Dividing the Pension when a spousal relationship ends*, on our website at pensionsbc.ca.

5. If you are eligible to transfer service from another plan

Please see the *Pensionfacts, Transferring Service*, or see our website at pensionsbc.ca, for a description of your options.

The Teachers' Pension Plan has transfer agreements with a number of other pension plans both in BC and elsewhere across the country, including the federal public service pension plan. There are no transfer agreements with plans outside Canada.

To find out if you are able to carry pension rights from another plan, please write to the Teachers' Pension Plan. The plan will advise you if you are entitled to those rights.

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*** Note: Health benefit coverage is a contingent benefit; that is, the benefits are not guaranteed. Coverage may be changed at any time by the pension board, including, but not necessarily limited to, increasing, decreasing or eliminating:

- a) coverage for people and benefits, or
- b) amounts for premiums and deductibles.

This publication provides general information about the pension plan and is based on the relevant plan documents (statutes, regulations and rules). If there is a discrepancy between this publication and the plan documents, the plan documents will apply.

Pensionfacts is published for the Teachers' Pension Plan by the Pension Corporation to provide pension information to a variety of audiences. If you wish to receive *Pensionfacts* or have comments, please contact us:

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