



Retirement Seminar – March 14, 2018 For Members of C.U.P.E. 59, 47 & 859

Employee Benefits:
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Overview

- Retirement Process
- Government Sponsored Benefit Plans
- Employer Sponsored Benefit Plans
 - City of Saskatoon General Superannuation Plan
 - Health and Dental Plans
 - Group Life Insurance Plan
- Severance - CUPE 59 & CUPE 859
- Pension Income Splitting
- Questions

Retirement Process

Plan Member

- Request an estimate from our office based on a specific retirement date
 - E-mail, mail or pick-up
 - One-on-one meeting
- Submit letter of resignation to department
- Schedule an appointment with a Benefits Consultant to complete retirement papers

Benefits Office

- Calculate benefits and prepare all relevant forms
- All requests are confidential
- Complete the initial set-up of the monthly pension payment on the City's payroll system
 - Pension payable at the end of each month for your lifetime



Retirement Process Plan Member

1. Request a pension estimate

- Contact Employee Benefits by phone or email
- Will require a specific retirement date i.e. first of the month next following your last day of employment or vacation
- Estimates take approximately 4 to 6 business days to complete
- Estimates can be forwarded to you through:
 - Your personal or City email account; or
 - The City's internal mail; or
 - Mailed to your home address; or
 - You can pick it up
- Once you review the estimate you may, if you wish, contact Employee Benefits to arrange a one-on-one meeting
- All requests are confidential



Retirement Process Plan Member

2. Provide your department with a letter of resignation

- Letter of resignation should specify:
 - The fact that you are leaving and the date when your resignation is effective
 - How you would like to receive your unused vacation balance:
 - Taken as time off (pensionable); or
 - Lump sum refund (not pensionable)
- Retirement date versus last day of employment:
 - Retirement date is the first day of the month next following your last day of employment or vacation
 - Last day of employment is the last day you are physically at work or your last vacation day



Retirement Process Plan Member

3. Schedule a one-on-one meeting with a Benefits Consultant

- If married or common-law you will need to bring:
 - Spouse's birth certificate, driver's license or any legal document with date of birth
 - Spouse's Social Insurance Number
 - If legally married, copy of marriage certificate
 - If common-law, two pieces of supporting documentation that you and your spouse are jointly responsible for each other's welfare and share financial obligations
- Void cheque or banking information
- Contingent beneficiary information including names and birthdates (if under age 18)
- Your spouse or a family member – if you wish



Retirement Process Benefits Office

1. Calculate benefits and prepare all relevant forms

- Review your retirement options and ensure all the paperwork is completed and signed
- Discuss the conversion options available for the health, dental and group life insurance plans
- Provide you with a copy of everything that you have signed

2. Maintain the City's pension payroll system

- Complete the initial set-up of the monthly pension payment
 - To be deposited directly into your bank account on the last banking day of each month
- Address changes, increase or decrease income tax or change in direct deposit information

Retirement Process Benefits Office

- **Employee Benefits Supervisor:**
Richard Heusdens (306) 975-2865
- **Benefit Consultants:**
Wenona Kook (306) 975-3285 – General & Seasonal Plans
Trina Hordal (306) 975-3146 – Police and Firefighters' Plans



Sources of Retirement Income

The three pillars of retirement income in Canada:

- **Government Sponsored Benefit Plans**
 - Canada Pension Plan
 - Old Age Security
 - Guaranteed Income Supplement
- **Employer Sponsored Benefit Plan**
 - City of Saskatoon General Superannuation Plan
- **Personal Savings**
 - RRSPs, Tax Free Savings Account, Other Savings
 - Other investments (principal residence)
 - Part-time employment



Government Sponsored Benefit Plans

www.canada.ca



My Service Canada Account (MSCA)

- Provides a convenient and secure access to view and update your Employment Insurance (EI), Canada Pension Plan (CPP) and Old Age Security (OAS) information online
- In order to create an MSCA you will need:
 - your social insurance number (SIN);
 - your date of birth; and
 - your Personal Access Code (PAC) – may take up to 10 business days to receive your PAC once the online request form has been submitted

Government Sponsored Benefit Plans

www.canada.ca



Canada Pension Plan (CPP)

- Designed to replace approximately 25% of pre-retirement earnings up to the average Canadian wage
- Benefit is based on how much and for how long you have contributed
- You should apply for your benefit at least 6 months ahead of time
- Normal qualification age for CPP is age 65 (unreduced benefit)
- Earliest qualification age for CPP is age 60 (reduced benefit)
- Maximum benefit (at age 65) for 2018 is \$1,134.17/month or \$13,610/annum
- Average benefit (at age 65) as of October 2017 is \$642/month or \$7,704/annum

Government Sponsored Benefit Plans

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Canada Pension Plan (CPP)

- CPP benefits are indexed annually for changes in the average industrial wage
- If you receive a CPP retirement pension and work, you may be eligible for the Post-Retirement Benefit
- General drop out provision
- Child-rearing provision
- Service Canada will provide you with an estimate of your CPP benefit if you are between age 60 and 65 – toll free number is **1-800-277-9914**

Government Sponsored Benefit Plans

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You may begin receiving your CPP benefit before age 65 without any work interruption

- You can take your CPP benefit as early as age 60 without having to stop working or reduce your earnings

If you are under age 65 and work while receiving your CPP benefit

- CPP contributions are mandatory for anyone working under age 65
- Contributions go towards Post-Retirement Benefit

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If your CPP benefit is taken before age 65

- The percentage change in your CPP benefit is 0.6% for each month before age 65 (7.2% per year)
 - CPP at age 60: \$642 (0.6% x 60 months)
 - = \$231.12; \$642 - \$231.12
 - = \$410.88 per month

If your CPP benefit is taken after age 65

- The percentage change in your CPP benefit is 0.7% per month (8.4% per year)
 - CPP at age 70: \$642 (0.7% x 60 months)
 - = \$269.64 + \$642
 - = \$911.64 per month

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If you are age 65 to 70 and you work while receiving your CPP benefit

- CPP contributions are optional for anyone working between age 65 and 70
- Contributions go towards Post-Retirement Benefit

If you are over age 70 and you work while receiving your CPP benefit

- CPP contributions are not allowed for anyone after age 70 even if they are working

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The calculation of your CPP benefit automatically drops a number of years of low or zero earnings

- General drop-out provision
 - 17% of your contributory period, allowing up to 8 years of your lowest earnings to be dropped

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You may apply to have the calculation of your CPP benefit drop a number of years of low or zero earnings

- Child rearing provision
 - If deemed eligible, the child-rearing period will be excluded from the contributory period. This provision may apply to you if:
 - You have children born after December 31, 1958
 - Your earnings were lower because you either stopped working, worked fewer hours or took a lesser paying job to be the primary caregiver of a dependent child under the age of seven; and
 - You or your spouse or common-law partner received Family Allowance payments or were eligible for the Canada Child Tax Benefit (even if you did not receive the benefit)
 - Either spouse or common-law partner can request the child-rearing provision, but cannot be used by both parents for the same period of child-rearing

Government Sponsored Benefit Plans

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Old Age Security (OAS)

- Designed to replace approximately 15% of pre-retirement earnings up to the average Canadian wage
- Flat benefit with eligibility and benefit amount subject to a residency test
- Qualification age for OAS is age 65 (there is no early qualification age)
- Maximum benefit at January 1, 2018 is \$586.66/month
- Clawback for pensioners with net income in excess of \$75,910 (100% claw back if your income exceeds \$122,843)
- OAS benefits are indexed four times a year for cost-of-living

Government Sponsored Benefit Plans

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Old Age Security (OAS)

- Eligibility

- Automatic Enrolment

- Voluntary Deferral of the OAS pension

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OAS Eligibility

If you are living in Canada, you must:

- be 65 years old or older;
- be a Canadian citizen or a legal resident at the time your OAS pension application is approved; and
- have resided in Canada for at least 10 years since the age of 18

If you are living outside Canada, you must:

- be 65 years old or older;
- have been a Canadian citizen or a legal resident of Canada on the day before you left Canada; and
- have resided in Canada for at least 20 years since the age of 18



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Automatic Enrolment

- Seniors do not need to apply for OAS pension or the Guaranteed Income Supplement (GIS)

- Individuals will be notified by mail if they meet the criteria for automatic enrolment (if no letter is received, senior will need to apply)

Government Sponsored Benefit Plans

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Voluntary Deferral of OAS pension

- Individuals have the option to defer their OAS pension by up to five years past the age of eligibility
- OAS pension will be increased by 0.6% per month; 7.2% for each year to a maximum of 36% for a 5 year deferral
 - OAS at age 70: $\$586.66 (0.6\% \times 60 \text{ months}) = \$211.20 + \$586.66$
 $= \$797.86$ per month
- Once the receipt of the OAS pension begins, the percentage increase will be applied to the pension permanently
- Will be a benefit if you continue to work past age 65 and/or if you are subject to OAS claw back i.e. delay receipt until you are at a lower income

Government Sponsored Benefit Plans

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Guaranteed Income Supplement (GIS)

- Top-up to OAS for low-income seniors
- Eligibility is means tested based on the income of you and your spouse

Employer Sponsored Benefit Plans

City of Saskatoon General Superannuation Plan

How the plan works:

- Contributory Defined Benefit Plan: the pension benefit you receive at retirement is defined by a formula based on contributory service and average earnings
- Income replacement objective at early retirement is approximately 70% of pre-retirement income based on 35 years of service as a plan member
- Both members and the City make contributions to the plan
- Contributions are invested and held in trust for the benefit of all plan members and their beneficiaries
- Plan amended in 2014 to change the methodology for calculating benefits accrued after December 31, 2014

Employer Sponsored Benefit Plans

City of Saskatoon General Superannuation Plan

Average Earnings (AE):

Pre-2015	Post-2014
Highest average 48 consecutive months' earnings (combined base and overtime)	Highest average 60 consecutive months' base earnings PLUS highest average 84 consecutive months' overtime earnings (starting in 2015)
Earnings for part-time members are converted to full time equivalent	Earnings for part-time members are converted to full time equivalent
Note: Post-2014 AE cannot be greater than pre-2015 AE	



Employer Sponsored Benefit Plans

City of Saskatoon General Superannuation Plan

How this works – Example:

Year	Base Earnings	Overtime Earnings	Total Earnings
2015	\$57,352	\$5,000	\$62,352
2016	\$58,785	\$5,000	\$63,785
2017	\$60,255	\$5,000	\$65,255
2018	\$61,761	\$20,000	\$81,761
2019	\$63,305	\$20,000	\$83,305
2020	\$64,888	\$20,000	\$84,888
2021	\$66,510	\$20,000	\$86,510
	AE (base earnings) for post-2014 service (60 month average) = \$63,344	AE (overtime earnings) for post-2014 service (84 month average) = \$13,571	AE (base and overtime earnings) for pre-2015 service (48 month average) = \$84,116
	Post-2014 AE = \$76,915		Pre-2015 AE = \$84,116

Employer Sponsored Benefit Plans

City of Saskatoon General Superannuation Plan

Early Retirement Provisions:

Pre-2015	Post-2014
The date that you are first eligible to retire is the earlier of:	
<ul style="list-style-type: none"> Age 55 The date your age plus your years of contributory service equals at least 80 (rule of 80), or The date you have accrued 35 years of contributory service 	<ul style="list-style-type: none"> Age 55 The date your age plus your years of contributory service equals at least 80 (rule of 80), or The date you have accrued 35 years of contributory service
No Difference	

Employer Sponsored Benefit Plans

City of Saskatoon General Superannuation Plan

Early Retirement Provisions:

Pre-2015	Post-2014
The date that you are first eligible to retire with an unreduced pension is the earlier of:	
<ul style="list-style-type: none"> Age 60 The date your age plus your years of contributory service equals at least 80 (rule of 80), or The date you have accrued 35 years of contributory service 	<ul style="list-style-type: none"> Age 62 The date your age plus years of contributory service equals at least 85 (rule of 85), or The date you have accrued 35 years of contributory service

Employer Sponsored Benefit Plans

City of Saskatoon General Superannuation Plan

How this works – Example:

David has decided to retire on January 1, 2018. At that time he will be:

- Single
- 55 years old
- 28 years of contributory service (25 years pre-2015, 3 year post-2014)
- Age plus contributory service is 83 years (55 + 28)
- Accrued monthly pension \$3,000 (\$2,679 pre-2015, \$321 post-2014)

Condition	Number of Months from Satisfying Condition	Early Retirement Reduction (0.3% per month)
Age 62	$84 = (62 - 55) \times 12$	N/A
Rule of 85	$24 = (85 - 83) \times 12$	7.2%* (0.3% x 24)
35 years of contributory service	$84 = (35 - 28) \times 12$	N/A

This person's total monthly pension, payable on the normal form, commencing January 1, 2018, will be reduced by \$23.11 ($\$321 \times 7.2\%$), therefore, pension is \$2,976.89 ($\$3,000 - \23.11)

Employer Sponsored Benefit Plans

City of Saskatoon General Superannuation Plan

Normal Form of Pension Payment:

Pre-2015	Post-2014
Single members: A lifetime pension guaranteed for 10 years	Single members: No change – a lifetime pension guaranteed for 10 years
Married members: A joint & survivor pension, reducing to 60% on the member's death, guaranteed for 5 years	Married members: A joint & survivor pension, reducing to 60% on the member's death, guaranteed for 5 years.
	The pension for a married member will be actuarially adjusted in value to equal the normal form of pension for a single member

Employer Sponsored Benefit Plans

City of Saskatoon General Superannuation Plan

How this works – Example:

Pre-2015 Service (years)	Post-2014 Service (years)	Estimated Reduction in Monthly Pension
27	1	\$2
23	5	\$12
18	10	\$25
13	15	\$38
8	20	\$51
3	25	\$63
0	28	\$70

Employer Sponsored Benefit Plans

City of Saskatoon General Superannuation Plan

Optional Forms of Pension

- Increase guarantee period from 5 years to 10 or 15 years
- 60% surviving spouse benefit
- 75% surviving spouse benefit
- 100% surviving spouse benefit



Employer Sponsored Benefit Plans

City of Saskatoon General Superannuation Plan

Forms of Pension – Which one should I choose?



- The actual amount of the pension benefit
- Your overall financial position and your spouse's retirement income
- The need to provide for dependents in case of death of you and your spouse
- Your own state of health as well as your spouse's
- Your spouse's age at retirement – how long until your spouse will become eligible for CPP and/or OAS
- Potential life expectancy of you and your spouse (consider family history)

Employer Sponsored Benefit Plans

City of Saskatoon General Superannuation Plan

Service Accrual:

- All service during which a member contributes to the plan
- For full-time, service is credited in completed months (i.e. 1 year = 12 months)
- Part-time service is credited in actual time worked in the month (i.e. 1 year = 6 months based on a 0.50 FTE assignment)



Employer Sponsored Benefit Plans

City of Saskatoon General Superannuation Plan

Pension Benefit Formula

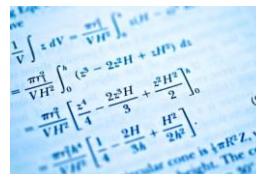
Service Period:

Before Age 65

- 2.0% of final average earnings per year of service

After Age 65

- **Jan 1, 1966 to Dec 31, 1989**
- 2.0% of final average earnings per year of service
- **Jan 1, 1990 to Dec 31, 1993**
- 1.4% of final average earnings up to the final YMPE plus 2.0% of final average earnings in excess of the final YMPE per year of service
- **Jan 1, 1994 to Dec 31, 2013**
- 2.0% of final average earnings per year of service
- **Jan 1, 2014 and FORWARD**
- 1.4% of final average earnings up to the final YMPE plus 2.0% of final average earnings in excess of the final YMPE per year of service



Employer Sponsored Benefit Plans

City of Saskatoon General Superannuation Plan

Sample Calculation: Date as of Jan 1/2018

Final Average Earnings:	\$5,000 monthly
Final YMPE:	\$4,614 monthly
Contributory Service:	300 months (25 years)
CPP Benefit (average at age 65):	\$642 monthly
OAS Benefit (at age 65):	\$587 monthly



Employer Sponsored Benefit Plans

City of Saskatoon General Superannuation Plan

Sample Calculation @ Age 60 – Before Taxes

<u>Pre-2015</u>	<u>Post-2014</u>
Total Monthly City Pension	Total Monthly City Pension
\$5,000 x .02 x 22 years	\$5,000 x .02 x 3 years
= \$2,200	= \$300

Total Pension: \$2,200 + \$300 = \$2,500

Replacement ratio: \$2,500 / \$5,000 = 50%

Employer Sponsored Benefit Plans

City of Saskatoon General Superannuation Plan

Sample Calculation @ Age 60 – After Taxes

Total Monthly Income:	\$5,000
Less Income Tax:	(820)
CPP:	(230)
EI:	(80)
Union Dues:	(75)
Benefits:	(110)
Pension:	<u>(425)</u>
Net Monthly Income:	\$3,260

Employer Sponsored Benefit Plans

City of Saskatoon General Superannuation Plan

Sample Calculation @ Age 60 – After Taxes

Total Monthly City Pension:	\$2,500
Less Income Tax:	<u>(326)</u>
Net Monthly City Pension:	\$2,174

Replacement ratio: \$2,174 / 3,260 = 67%

Employer Sponsored Benefit Plans

City of Saskatoon General Superannuation Plan

Sample Calculation @ Age 60 Including CPP (Reduced) – Before Taxes

Total Monthly City Pension:	\$2,500
Plus CPP (average reduced 36%):	<u>411</u>
Total Monthly Pension (All Sources):	\$2,911

Replacement ratio: \$2,911 / \$5,000 = 58%

Employer Sponsored Benefit Plans

City of Saskatoon General Superannuation Plan

Sample Calculation @ Age 60 Including CPP (Reduced) – After Taxes

Total Monthly Pension (All Sources):	\$2,911
Less Income Tax:	(430)
Net Monthly Pension (All Sources):	\$2,481

Replacement ratio: \$2,481 / \$3,260 = 76%

Employer Sponsored Benefit Plans

City of Saskatoon General Superannuation Plan

How does this income change at age 65?

- Your monthly pension from the plan will reduce at age 65 by the amount of the bridge benefit;
- Your monthly CPP benefit will not change which means that if you applied for CPP at age 60 and are receiving the reduced benefit, the benefit remains reduced for your lifetime; and
- OAS payments may begin.



Employer Sponsored Benefit Plans

City of Saskatoon General Superannuation Plan

Sample Calculation @ Age 65 Including CPP (Reduced) & OAS – Before Taxes

Total Monthly City Pension:	\$2,500
Less Temporary Bridge	
(\$4,614 x .006 x 5)	(138)
Plus CPP (average reduced 36%):	411
Plus OAS:	<u>587</u>
Total Monthly Pension (All Sources):	\$3,360

Replacement ratio: \$3,360 / \$5,000 = 67%

Employer Sponsored Benefit Plans

City of Saskatoon General Superannuation Plan

Sample Calculation @ Age 65 Including CPP (Reduced) & OAS – After Taxes

Total Monthly Pension (All Sources):	\$3,360
Less Income Tax:	<u>(545)</u>
Net Monthly Pension (All Sources):	\$2,815

Replacement ratio: \$2,815 / \$3,260 = 86%

Employer Sponsored Benefit Plans

City of Saskatoon General Superannuation Plan

Post-Retirement Indexing Credits

- Credit is designed to help a retired member's pension keep pace with inflation
- Available for employees who joined the Plan prior to January 1, 2001
- 7.2% worth of post-retirement indexing credits for Contributory Service up to December 31, 2000
- Initial increase is on the first day of January following 12 continuous months of retirement e.g. based on a retirement date of July 1, 2018, post-retirement indexing credit will commence on January 1, 2020



Employer Sponsored Benefit Plans

City of Saskatoon General Superannuation Plan

Post-Retirement Indexing Credits

- Annual increases based on the prior year's rate of inflation e.g. if the annual rate of inflation in a given year is 2.0%, monthly pension will be increased by 2.0% on January 1 of the following year.
- If a member had 34 years of service with 17 years prior to January 1, 2001 their total indexing credit would be 3.6% ($17/34 \times 7.2\%$). The 2.0% increase is deducted from the 3.6% credit, leaving 1.6%.
- The remaining 1.6% is adjusted for interest based on the Plan's long-term expected rate of return and added to the post-indexing credit for the next year.
- The procedure is repeated each year until the post-retirement indexing credit is reduced to zero.

Employer Sponsored Benefit Plans

City of Saskatoon General Superannuation Plan

Buy Back of Eligible Past Service


- **First Year Buy Back (Pre-1988 Service):** One year waiting period from date first hired as a permanent employee
- **Buy Back of Approved Leaves of Absence:** Available for maternity and other approved leaves
- **Cost:** Cost is based upon the actuarial reserve needed to fund the increased pension resulting from the added service credit. Approximate cost is 15% - 20% of current salary
- **Factors to Consider:** Will the purchase move up your eligibility date for retirement? How much will the purchase increase your pension benefit? Can you earn a better rate of return by investing the money instead?

Employer Sponsored Benefit Plans

Health, Dental and Group Life Insurance

- **Blue Cross Conversion Plan - Health and Dental**
 - Must apply and purchase coverage within 60 days of retirement
 - No medical required
 - Premiums paid in full by you
 - www.sk.bluecross.ca or (306) 244-1192 for more information
- **Saskatchewan Municipal Retiree Association – Health and Dental**
 - Must apply and purchase coverage within 60 days of retirement
 - No medical required
 - Premiums paid in full by you
 - Only for retirees from a municipality
 - www.smra.info or (306) 682-1615 for more information
- **Great-West Life - \$50,000 Group Term Life Insurance**
 - No medical required
 - Premiums paid in full by you
 - Term of the insurance is from your retirement date to age 65





Severance – CUPE 59

- 2% per year for permanent full-time service of accumulated sick leave credit at the date of retirement (to a maximum of 60% of such credit); must have at least 10 years of permanent full-time service
- Payment based on the average rate of pay during the last 10 years of permanent full-time service
- Payment may be directly transferred into an RRSP based on the amount eligible for roll-over for a retiring allowance in accordance with Canada Revenue Agency rules **OR** payment is made by cheque (less applicable withholding tax)



Severance – CUPE 859

- 2% per year for civic service of accumulated sick leave credit at the date of retirement (to a maximum of 60% of such credit); must have at least 10 years of service
- Payment based on the average rate of pay during the best 10 consecutive years of service
- Payment may be directly transferred into an RRSP based on the amount eligible for roll-over for a retiring allowance in accordance with Canada Revenue Agency rules **OR** payment is made by cheque (less applicable withholding tax)

Pension Income Splitting

www.cra-arc.gc.ca



- Allows you and your spouse to split pension income for the calendar year (up to 50%)
- Advantage of lowering your income and tax rate for the year
- Depending on your net income, could help to avoid a partial, or full claw back of OAS
- Your full City pension will continue to be paid to you and you only (income splitting is the responsibility of CRA and is done when you file your tax return)

Questions?

