



The Government of Canada Pension Centre

# Plan Member Education Session

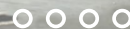
APEX

Version November 1, 2024



Public Services and Procurement Canada

Services publics et Approvisionnement Canada



## Today's Topics

- Public Service Pension Plan
- Benefit calculation & options
- Deductions
- Indexing
- Survivor Benefits
- Group insurance benefits
- Leave without pay
- Service buyback
- Retirement process
- Resources



# The Public Service Pension Plan

- The public service pension plan is a “defined benefit” plan which provides a predictable, steady stream of **retirement income for your lifetime.**
- The defined benefit formula uses your highest average salary & pensionable service.

Other benefits include:

- **Survivor benefits:** provides an income for eligible spouse and children in the event of member’s death.
- **Disability benefits:** immediate unreduced monthly pension regardless of age when approved for a permanent disability.
- **Annual indexing:** provides protection from inflation.
- **Portability:** possible eligibility to transfer pension credits when joining or leaving the public service.

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# Benefit Calculation

- **2% per year** to a maximum of 35 years (lifetime pension and bridge benefit)
- Average of 5 highest consecutive years of pensionable salary - includes performance pay
- **Early retirement - 5% reduction** for every year prior to eligibility of an unreduced pension

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## Immediate Annuity (Unreduced Pension)

- **GR 1** (plan member before January 1, 2013):
  - 55 or older + 30 or more yrs of service, or
  - 60 or older + 2 or more yrs of service
- **GR 2** (plan member on or after January 1, 2013):
  - 60 or older + 30 or more yrs of service, or
  - 65 or older + 2 or more yrs of service)
- **Medical retirement:** Any age with 2 or more years of pensionable service and permanently disabled as certified by Health Canada

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## Calculation Unreduced Pension

2% (Lifetime + Bridge)	X	Pensionable service (Years and days)	X	Highest average salary * (5 best consecutive years)	÷ 12	=	Monthly Pension
Gr 1 - 2%	X	35 yrs service/age 55	X	\$150,131	÷ 12	=	\$8,757
Gr 2 - 2%	X	30 yrs service/age 60	X	\$150,131	÷ 12	=	\$7,506

\*Highest Average Salary **includes** performance pay.

NOTE: *Periods of part-time employment will affect the calculation.*

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# Calculation Unreduced Pension - Gr 1

1.375%	X	Years of pensionable service	X	Average salary up to the AMPE*	÷	12	=	Monthly Pension
1.375%	X	35	X	\$64,060	÷	12	=	\$2,569

**Plus**

2%	X	Years of pensionable service	X	Average salary in excess of the AMPE*	÷	12	=	Monthly Pension
2%	X	35	X	\$86 071	÷	12	=	\$5,021

Lifetime Pension (pension after 65) **\$7,590**

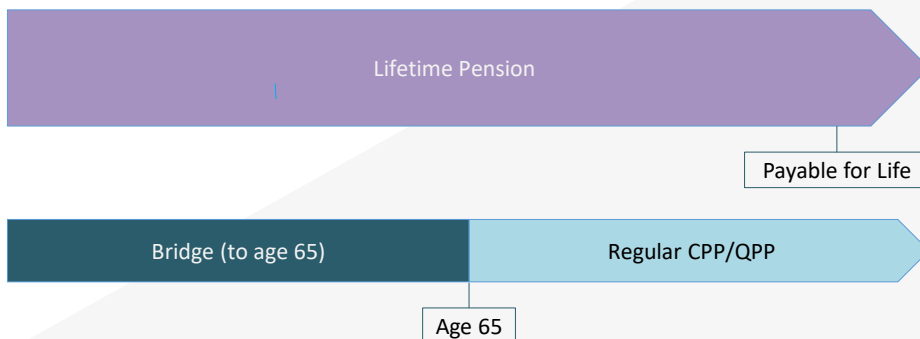
0.625%	X	Years of pensionable service	X	Average salary up to the AMPE*	÷	12	=	Monthly Pension
0.625%	X	35	X	\$64,060	÷	12	=	\$1,167

\*AMPE → Average Maximum Pensionable Earnings

Bridge Benefit **\$1,167**  
 Lifetime + Bridge (pension before 65) **\$8,757**

# Bridge Benefit & Regular CPP/QPP

This benefit “Bridges” your pension until you reach age 65 or CPP/QPP Disability



# Pension Benefit Adjustments

- Processed as a result of a pay rate change  
*ex.: an EX who retires will have their pension amount revised once new rates of pay are approved (includes any retroactive performance pay)*
- Adjustments are retroactive to the date of pension eligibility

Pension prior to adjustment:

Best 5-year average \$150,131

$2\% \times 30 \times \$150,131 / 12 = \$7,506$

Pension after adjustment:

Best 5-year average \$158,000

$2\% \times 30 \times \$158,000 / 12 = \$7,900$

Gross increase of \$394 a month

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# Early Retirement Options

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# Lump Sum Options

Age	Pensionable service	Lump sum payment
Any	Less than 2 years	Return of contributions
Younger than 50 (55 Gr 2)	2 or more years	Transfer value

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## Transfer Value

### Terminates Prior to Age 50 (55 Gr 2)

- The TRANSFER VALUE (TV) represents the projected amount you would need to invest today to provide a future benefit similar to the public service pension you earned.
- The assumption rates used are based on short & long-term bond yields; not on consumer interest rates (i.e., bank lending rates)
- When overall rates increase, the TV decreases. You need a smaller up-front investment to generate your projected pension amount.
- Similarly, when rates decrease, the TV increases. You need more up-front to generate the same return over time.
- After a TV is paid, all investment risk is your own and you will no longer be entitled to a future monthly pension, survivor benefits, health, dental, regular supplementary death benefit and Post Retirement Life Insurance.
- Your option is irrevocable!

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## Transfer Value: Payment Options

Amount within tax limit	Amount in excess of tax limit
<p>Transferred to:</p> <p>Locked-in RRSP or Registered Pension Plan and/or Purchase of a life annuity</p>	<p>Paid to:</p> <p>You in cash (and taxed at source) or Your RRSP (if available room) or Combination of both</p> <p>The Retirement Compensation Arrangement portion of the transfer value <b>must</b> be paid directly to you and taxed at source.</p>

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## Annual Allowance (Reduced Pension)

This option is for plan members with **at least 2 years of pensionable service**, who want to receive a **monthly pension**

Retirement Age	Pension payable as of:
Younger than 50 (55 Gr 2)	<p>Later of:</p> <p>50 (55 Gr 2) or date of option</p>
50 (55 Gr 2) or older	<p>Later of:</p> <p>date of termination or date of option</p>

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## Reduction – Gr 1

Pensionable Service	Age	Reduction
Less than 25 yrs or Under age 50	50-59	5% x (60 - age)
25 or more yrs	50-54	Greater of: 5% x (55 - age), <u>or</u> 5% x (30 - service)
	55-59	Lesser of: 5% x (60 - age), <u>or</u> 5% x (30 - service)

NOTE: *age & pensionable service* are rounded to the nearest one tenth of a year

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## Reduced Pension Calculation - Gr 1

Scenario	2% (lifetime + bridge)	X	Pensionable Service (yrs and days)	X	Highest Average Salary	-	Reduction	÷	12	=	Monthly Pension
Retiring at 50 with 20 yrs service	2%	X	20	X	\$150,131	-	5% x (60-50) = 50%	÷	12	=	\$2,502
Retiring at 54 with 25 yrs service	2%	X	25	X	\$150,131	-	Greater of: 5% x (55-54) 5% x (30-25) = 25%	÷	12	=	\$4,691
Retiring at 59 with 25 yrs service	2%	X	25	X	\$150,131	-	Lesser of: 5% x (60-59) 5% x (30-25) = 5%	÷	12	=	\$5,942

NOTE: *Periods of part-time employment will affect the calculation.*

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## Reduction - Gr 2

Pensionable Service	Age	Reduction
Less than 25 yrs or Under age 55	55-64	5% x (65 - age)
25 or more yrs	55-59	Greater of: 5% x (60 - age), <u>or</u> 5% x (30 - service)
	60-64	Lesser of: 5% x (65 - age), <u>or</u> 5% x (30 - service)

NOTE: Age & pensionable service are rounded to the nearest one tenth of a year

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## Reduced Pension Calculation - Gr 2

Scenario	2% (lifetime + bridge)	X	Pensionable Service (yrs and days)	X	Highest Average Salary	-	Reduction	÷	12	=	Monthly Pension
Retiring at 55 with 20 yrs service	2%	X	20	X	\$150,131	-	5% x (65-55) = 50%	÷	12	=	\$2,502
Retiring at 59 with 25 yrs service	2%	X	25	X	\$150,131	-	Greater of: 5% x (60-59) 5% x (30-25) = 25%	÷	12	=	\$4,691
Retiring at 64 with 25 yrs of service	2%	X	25	X	\$150,131	-	Lesser of: 5% x (65-64) 5% x (30-25) = 5%	÷	12	=	\$5,942

NOTE: Periods of part-time employment will affect the calculation.

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## Deferred Annuity (Unreduced Pension)

This option allows you to **defer your monthly pension** payments until eligible to an unreduced pension at 60 (65 Gr 2)

Ex. Retiring at 52 with 28 yrs of service but choose a Deferred Annuity:

- Monthly Pension calculated as follows:  
2% x 28 yrs x 5 Year Highest Average Salary = Annual Pension/12
- Unreduced pension payable when you turn 60 (65 Gr 2)

Public Service Health Care Plan (min. 6 years pensionable service) and the Pensioner's Dental Care Plan are available when your pension becomes payable.

## Options Summary

Age	Pensionable service	Reason
Any	Less than 2 yrs	<u>Return of Contributions</u>
Less than 50 GR 1 Less than 55 GR 2	2 or more yrs	<u>Transfer value</u> <u>Annual allowance</u> <u>Deferred annuity</u>
50-59 GR 1 55-64 GR 2	2-29 yrs	<u>Annual allowance</u> <u>Deferred annuity</u>
50-54 GR 1 55-59 GR 2	30 or more yrs	<u>Annual allowance</u> <u>Deferred annuity</u>
55 or older GR 1 60 or older GR 2	30 or more yrs	<u>Immediate annuity</u>
60 or older GR 1 65 or older GR 2	2 or more yrs	

## Deductions

Continue	Optional	Ceases
<ul style="list-style-type: none"> <li>Income tax</li> <li>Buyback installments</li> <li>Leave without pay deficiencies</li> <li>Debt due to the Crown</li> </ul>	<ul style="list-style-type: none"> <li>Supplementary Death Benefit*</li> <li>Post-Retirement Life Insurance Plan</li> <li>Public Service Health Care Plan*</li> <li>Pensioners' Dental Services Plan*</li> <li>Extra income tax at source</li> </ul>	<ul style="list-style-type: none"> <li>Pension contributions</li> <li>Disability insurance</li> <li>Employment Insurance and CPP/QPP</li> <li>Public Service Management Insurance Plan</li> </ul>

\*Sales tax applies for residents of ON and QC

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## Indexing

- Annual cost-of-living increase
  - 2024 = 4.8%
- Applicable January 1<sup>st</sup> of each year
- Accumulated from the first full month following the termination date.
  - Ex.: If you retire in May 2023, indexing accumulates from June to December 2023 . The prorated percentage (7/12 x 4.8%) would be applied to your pension in January 2024.*
  - Ex.: If you retire in December 2023, your indexing accumulates from January to December 2024 and full indexing would apply January 2025.*
- Each year thereafter, the full percentage increase will be added to your monthly pension.

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# Indexing

Full Indexing January 1, 2024 = 4.8%

First year

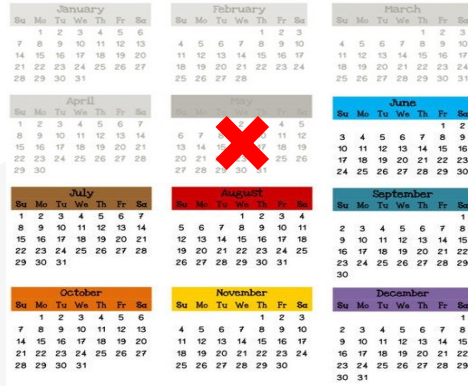
- Last day of employment May 14, 2024
- Termination date May 15, 2024

Pro-rated at 7/12 x 4.8%

**First increase January 2024 = 2.8%**

*Your monthly pension of \$7,506 would increase by **\$210.17** for a total of \$7,716.17*

## 2023



# Survivor Benefits



# Survivor Benefits: Legal Spouse or Common-Law Partner

✓ Legally married **before** you left the public service = eligible

Common-law = eligible if:

- your cohabitation in a conjugal\* relationship started before you left the public service, and
- you lived together for at least one year before your death, and
- you lived together without interruption until your death.

*\*A conjugal relationship is one where individuals are financially, socially, emotionally interdependent— where residence, family and related responsibilities are shared, where there is public representation of a committed relationship, etc.*

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## Documentation for Survivors

Keep your personal information updated with the Pension Centre.

### Information we need:

1. Proof of marital status (i.e., marriage or divorce certificates)
2. Survivor's contact information
3. Copies of birth certificates for your survivor and proof of FT studies for children age 18 - 25

### Recommendation (common-law relationship):

Set aside records regularly for your partner to demonstrate that your relationship met the established criteria.

Examples:

- Mortgage or rental statements, banking, insurance, real estate, or rental records
- medical, prescriptions, or hospital records
- bills, receipts, or contracts
- records such as driver's license, tax, electoral or census records,
- dated letters that were addressed to either or both of you at a common address
- envelopes from cards that were mailed to you, with a visible post-mark
- may complete and send in a *Statutory Declaration* form (PWGSC 2016), which can help document your relationship's start date.

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## Documentation for Survivors

Monthly amount, payable for the life of the survivor

50% of the unreduced pension benefit you would have received before age 65

Relationship existed **prior** to termination

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## Survivor Benefits: Separation or Divorce

- ✓ As long as you remain **legally married**, that spouse continues to be eligible for a survivor pension even if you are separated.
- × If **divorced**, the ex-spouse is **not** eligible.
- × A common-law relationship must be continuous from prior to your retirement until your death. If the relationship is/was broken, the common-law spouse is **not** eligible.
- ✓ If you have both a legal spouse and an eligible common-law spouse at time of death, the survivor benefit will be apportioned between them accordingly to the length of their respective relationship with you.

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## Optional Survivor Benefit

If you marry after retirement, you may elect to provide your spouse with a benefit by taking a reduction in your own pension.

- The reduction would be a fixed percentage of your basic monthly pension including any amount being paid out of the Retirement Compensation Arrangement.
- This option must be made within one year of marriage or one year from the commencement of your pension, whichever is later.
- Different levels of survivor coverage are available (30%, 40% or 50%).
- Your original pension will be re-instated on a go-forward basis, if you divorce or your survivor dies before you.

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## Survivor Benefits: Children

In the event of death, children under age 25 may be eligible for a monthly benefit payment. To qualify for a benefit:

- child must be under age 18, or
- full-time student aged 18 to 25

The allowance per child is 10% of the unreduced pension, to a shared maximum of 40%.

If you have more than 4 children, the maximum allowance is shared equally between them.

If there is no surviving spouse, the child allowance is 20% of your pension per child, up to an 80% maximum.

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# Survivor Benefits: Minimum Benefits

- Lump sum payment when **no eligible survivors**
- Paid to the named beneficiaries or estate
- Taxable as income

The greater of:  
Return of contributions plus interest  
or  
Five years of unreduced pension

Less  
Any pension amounts already paid



# Group Insurance Benefits

There is more to your pension than just a monthly payment!





# Supplementary Death Benefit (SDB)

(Similar to a term life insurance)

Annual pensionable salary x 2 (rounded up)	e.g. Salary = \$155,103	SDB = \$311,000
15¢/month per \$1,000		
\$10,000 free at 65		
Reduces by 10% per year starting at 66		
Up to paid up amount		
Age	Coverage	Monthly premiums
Under 65	\$311,000	\$46.65
65	\$311,000	\$45.15
66	\$279,900	\$40.19
67	\$248,800	\$35.82
74	\$31,100	\$3.17
75 and up	\$10,000	\$0.00

Continues if eligible to a pension within 30 days of termination

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## SDB - Naming a Beneficiary

- Not taxable as income
- To name or change your beneficiaries: online My GC Pension or form [PWGSC 2196E](#)
- Not affected by change due to marital status, will, or court document

Name up to 5 beneficiaries:	If none...
Estate	Estate
A person (Includes Minors)	
A registered charity	

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# Public Service Management Insurance Plan

- ✓ Basic Life Insurance
- ✓ Supplementary Life Insurance
- ✓ Accidental Death & Dismemberment Insurance
- ✓ Dependents' Insurance and AD & D Insurance

Contact PSMIP at 1-819-420-6229

Conversion privilege

- Must be done within 31 days of termination of employment

Contact Industrial Alliance at 1-800-977-2117

# Post-Retirement Life Insurance Plan

(Members of the executive group who retire with an immediate continuing pension)

Annual pensionable salary  
(adjusted to final salary at retirement)

Reduces by 25% after year 1

e.g. Salary = \$155,103		PRLIP = \$156,000
Year	Coverage	Monthly premiums
1	\$156,000	free
2	\$117,000	free
3	\$78,000	free
4	\$39,000	free
↓ ↓ ↓		
Payable to your designated beneficiary(ies)		
for life	\$39,000	free

Premiums paid by former employer and will be considered a taxable benefit

## Public Service Health Care Plan

- ✓ Eligible: **Six or more** years of pensionable service
- ✓ Family: Spouse/common-law and children up to 21 (25 if full-time student)

Monthly Premiums Effective July 1, 2023	Level 1	Level 2	Level 3
Individual	\$64.44	\$72.84	\$87.66
Family	\$134.72	\$146.86	\$164.09
Provides Daily Hospital Coverage	\$90.00	\$170.00	\$250.00

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## Pensioners' Dental Services Plan

- ✓ Family coverage – spouse/common-law and children up to 21 (25 if full-time student)
- ✓ Minimum of three full calendar years
- ✓ Once cancelled, cannot reapply
- ✓ Not eligible for the Canadian Dental Care Plan

Coverage	Monthly Premiums Effective Oct. 1 <sup>st</sup> , 2017
Pensioner only	\$17.46
Pensioner and one family member	\$36.85
Pensioner and more than one family member	\$44.38

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# Leave Without Pay



## Periods of Leave Without Pay

Authorized pensionable leave

Repayment Options (lump sum or payments over 2x the period of leave)

First 3 months is pensionable

Option not to count periods of leave greater than 3 months

Income Tax Act Limits: 5 years plus 3 years



# Service Buyback



## Service Buyback

Cost is based on type of service and timing

Increases pensionable service used to calculate your pension

Repayment can continue into retirement

Buyback: Public Service, RCMP, Canadian Forces and outside service

Medical Exam may be required



# Retirement Process



## When You Are Ready, or Begin Contemplating Retirement

1. About **3 – 6 months before** your planned retirement date, call the Pension Centre.
2. A Pension Client Experience Advisor sends you a package outlining your options.
3. Send proof of your resignation approval to the Pension Centre.
4. Complete and return required forms before retirement so we can issue your first pension payment within 45 days.
5. Enjoy retirement!



# Resources



## Resources

[Pension and benefits website](#)

[Video series - You and your pension plan](#)

[Information packages & kits](#)

[Public service pension plan forms](#)



# Pension Portal via Compensation Web Application (CWA) Need new photo??

- Access your pension plan information, pension benefits calculator, and tools to estimate service buyback and survivor benefits

### Your Public Service Pension Plan

Access to pension tools, calculators, Pension benefit statement and Pension plan information

**Pension Tools**  
Pension planning and decision making tools, calculate pension benefits and estimate service buybacks

**Contact the Pension Centre**  
Contact information and securely send questions to pension experts at the Pension centre

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**Pension and Insurance Benefits Statement**  
View your online pension benefits and insurance statement and your beneficiary, survivor, health and dental benefits

**Library of Information**  
Access related and additional information about your pension plan

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## Contact Information

Contact	Phone number and website
Service Canada (CPP/OAS)	1-800-277-9914 <a href="http://www.servicecanada.gc.ca">www.servicecanada.gc.ca</a>
Québec Pension Plan (QPP)	1-800-463-5185 <a href="http://www.rrq.gouv.qc.ca">www.rrq.gouv.qc.ca</a>
Public Service Health Care Plan (for employees and pensioners)	1-855-415-4414 <a href="#">Access your account (Canada Life)</a>
Public Service Dental Care Plan (for employees)	1-855-415-4414 <a href="#">Access your account (Canada Life)</a>
Pensioners' Dental Services Plan	1-855-415-4414 <a href="#">Access your account (Canada Life)</a>
Canadian Dental Care Plan	1-833-537-4342 <a href="http://CanadianDentalCarePlan-Canada.ca">Canadian Dental Care Plan - Canada.ca</a>

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## NAFR

- The National Association of Federal Retirees has advocated to protect the hard-earned pensions and benefits of retired members of the federal public service, Canadian Armed Forces, RCMP and retired federally appointed judges as well as their partners and survivors since 1963.
- We were instrumental in obtaining pension indexation and advocated for the creation of the Pensioners Dental Services Plan (PDSP).
- We represent members, and all federal retirees, on the PSHCP Partners Committee at Treasury Board.
- Federal Retirees is a not-for-profit membership-based organization incorporated under the Canada Not for Profit Corporations Act.
- Join our 170,000 members in 78 branches from coast to coast to coast. You don't need to be retired to join.
- Call 1-855-304-4700 (toll-free) or visit [www.federalretirees.ca](http://www.federalretirees.ca) to become a member.



National Association  
of Federal Retirees

Association nationale  
des retraités fédéraux

[www.federalretirees.ca](http://www.federalretirees.ca)



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# Government of Canada Pension Centre

*We're here to help!*



(Dedicated line for Executives)  
1-888-742-1300



[www.canada.ca/pension-benefits](http://www.canada.ca/pension-benefits)



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