

Retirement Scenarios with Service in the New Plan

In the spring of 2017, we are expecting the Teachers' Pension Plan website to have an updated online estimator that incorporates the New Plan changes for service that starts January 1, 2018. If retiring in 2017, the current online estimator in the "My Account" link will be the best estimate of the pension <https://www.pensionsbc.ca/portal/page/portal/Login/LOGON>. If retiring in 2018, this estimator will be only slightly different from the actual pension.

We have prepared a few scenarios to show how a member considering retirement near 2018, may be affected by plan changes. These scenarios are meant to be illustrative and should not be used for retirement planning. We recommend you seek professional advice from an independent certified financial planner to examine your entire personal financial situation before making any decisions.

Meet Audrey

- Audrey was born on June 29, 1959, and is 56-years-old.
- As of June 30, 2017, Audrey will have worked for 32 years: 26 years as a full-time teacher and four years as a half-time teacher, as well as two years off for maternity leaves (for which she received Contributory Service). Although Audrey will have 32 years of Contributory Service, she only has 28 years of Pensionable Service.
- She currently works full-time.
- Audrey had originally planned to retire when she turned 60 and had 30 years of Pensionable Service on June 30, 2019. However, she also knows that if she retires on her 58th birthday at the end of the 2016–17 school year, her pension will not be reduced. Therefore, Audrey is now thinking of retiring earlier because she is afraid her pension will be reduced if she works the extra two years in the New Plan.
- Audrey's highest average salary will be about \$70,000 at June 30, 2017.

The following table shows Audrey's pension at 2 retirement dates:

	Retire on June 30, 2017	Retire on June 30, 2019
Age at retirement	58	60
Lifetime pension ¹	\$28,440	\$30,825
Bridge benefit ²	\$10,760	\$10,914

¹ The lifetime pension amount is paid to you starting at retirement and continues until you die. Some or all of it may continue to your beneficiary, depending on the option that you choose at retirement. It does not include the Bridge benefit.

² If you retire before age 65, your pension from the Teachers' Pension Plan will include an additional temporary monthly payment called the Bridge benefit. This was designed in 1966 as a 'mini-pension' that you paid for to bridge the gap between retirement and collecting the CPP. The Bridge benefit stops at age 65 or the death of the plan member, whichever comes first. Members with any service in the Old Plan will have earned some Bridge benefit that will be paid to the member upon retirement.

Meet Bayan

- Bayan was born on December 31, 1961, and is 54-years-old.
- As of December 31, 2017, Bayan will have worked full-time for 32 years.
- Bayan always expected to benefit from Factor 90 and is considering retiring before the change to the plan happens on January 1, 2018.
- Bayan's highest average salary will be about \$80,000 at December 31, 2017.

- Bayan could retire on December 31, 2017, and would not need to worry about the impact of the New Plan rules; or
- Bayan could retire six months later at the end of June 2018.

The following table shows Bayan’s pension at 2 retirement dates:

	Retire on December 31, 2017	Retire on June 30, 2018
Age at retirement	56	56.5
Lifetime pension ¹	\$36,568	\$38,560
Bridge benefit ²	\$11,560	\$11,966

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Meet Chris

- Chris was born on January 31, 1958, and is 58-years-old.
- Chris started teaching at age 22, but left for a while before returning to teaching. Chris always worked full-time and on December 31, 2017, will have accrued 23.5 years of Pensionable Service.
- Chris now works as a department head and on December 31, 2017, will have a highest average salary of about \$85,000.
- Chris wants to work until the end of the school year after turning 62, but has heard bad things about what will happen to the pension if she retires after December 31, 2017.
- Chris’ options are to stick with the original idea to retire on June 30, 2020, or to retire on December 31, 2017.

The following table shows Chris’ pension at two retirement dates:

	Retire on December 31, 2017	Retire on June 30, 2020
Age at retirement	almost 60	62.5
Lifetime pension ¹	\$30,851	\$34,850
Bridge benefit ²	\$9,009	\$9,031

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Meet Daiyu

- Daiyu was born on September 30, 1958, and is 57-years-old.
- Since beginning to work, Daiyu has continuously worked full-time and will have 33 years of Pensionable Service on December 31, 2017.
- Daiyu now works in a senior administrative position and will have a highest average salary of \$160,000 on December 31, 2017.
- Daiyu always intended to accrue 35 years of Pensionable Service (the Old Plan's maximum) and would like to work two more years to achieve this goal. However, Daiyu is worried about the changes to the pension plan and is thinking of retiring on December 31, 2017, just to be safe.
- Daiyu's options are to work the extra two years and retire on December 31, 2019, after accruing the 35 years of Pensionable Service or retire on December 31, 2017.

The following table shows Daiyu's pension at two retirement dates:

	Retire on December 31, 2017	Retire on December 31, 2019
Age at retirement	59 and 3 months	61 and 3 months
Lifetime pension ¹	\$92,918	\$98,838
Bridge benefit ²	\$12,682	\$12,682

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- However, Daiyu's spousal separation resulted in a significant loss. Fifty percent of Daiyu's pension credits were given to Daiyu's ex-spouse in the divorce that happened in 2012. Therefore, Daiyu will actually have a much smaller pension. The good news is that under the New Plan rules it is possible to accrue more than 35 years of service that will lead to a larger pension for Daiyu.

Meet Eduardo

- Eduardo was born on January 30, 1963, and is 52-years-old.
- Eduardo worked full-time as a teacher for 20 years and then became a senior administrator. As of December 31, 2017, Eduardo will have worked full-time in this new role for six and a half years.
- Eduardo heard that the New Plan rules will hurt the pension and is thinking of terminating employment on December 31, 2017, so that only the Old Plan rules apply. Eduardo is thinking of collecting the pension as soon as possible after turning 55 so that he can start drawing his pension in February 2018.
- Eduardo's highest average salary will be about \$120,000 on December 31, 2017.
- Eduardo could quit on December 31, 2017, which means not having to worry about the impact of the New Plan rules, and then wait one month to reach age 55, in February 2018, at which time he would be eligible to collect his pension. Alternatively, Eduardo could keep working and then retire on January 31, 2018, and escape any additional reductions for stopping employment, and contributions to the plan, before age 55. He is also curious about working until 60.

The following table shows Eduardo’s pension at three retirement dates:

	Quits on December 31, 2017, waits to begin pension February 1, 2018	Retire on January 31, 2018	Retire on January 31, 2023
Age at retirement	just before 55	55	60
Lifetime pension ¹	\$40,062	\$45,539	\$64,193
Bridge benefit ²	\$7,638	\$8,656	\$10,184

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Meet Farrah

- Farrah was born in December 1974 and is 41-years-old.
- Farrah started teaching in January 1999, but has always worked 80% and plans to keep it that way until retirement. As of December 31, 2017, Farrah will have 18 years of Contributory Service, but only 14.4 years of Pensionable Service.
- Farrah’s highest average salary (always calculated on a full-time basis) will be about \$75,000 at December 31, 2017.
- Farrah is thinking of retiring at 57.5 because of eligibility for an unreduced pension, but is also considering retiring at 59 or 61.

The following table shows Farrah’s pension at three retirement dates:

	Retire on June 30, 2032	Retire on December 31, 2033	Retire on December 31, 2035
Age at retirement	57.5	59	61
Lifetime pension ¹	\$29,626	\$32,228	\$36,046
Bridge benefit ²	\$5,534	\$5,534	\$5,534

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