Retirement Scenarios

We have prepared a few member scenarios to show how the Executive Committee recommendation for pension plan design change affects lifetime pension, early-retirement reduction and bridge benefit calculations. 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

Are you thinking you need to retire before the new rules come into effect? Maybe your circumstances are more like Audrey's:

- 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. 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.
- Audrey's highest average salary will be about $70,000 at June 30, 2017.

Let's consider Audrey's options. She could retire as originally planned or she could retire a couple of years earlier to avoid having any of her pension reduced. So, what do the numbers tell us about what she should do? The following table shows Audrey's pension under the two options:

	Retire on June 30, 2017	Retire on June 30, 2019*
Age at retirement	58	60
Lifetime pension	$28,440	$30,825
Bridge benefit	$10,760	$10,914
Lifetime pension under old rules	$28,440	$30,471
Bridge benefit under old rules	$10,760	$11,529
Break-even age		69

* The Year's Maximum Pensionable Earnings (YMPE) will likely change every year in January to some value that is not yet known while the person's highest average salary (HAS) will also increase. As such, in these scenarios, it is assumed that both the HAS and YMPE remain the same. The values of the HAS and YMPE are important in these calculations so these scenarios should only be used for information purposes and not retirement planning.

If Audrey retires before the plan rules change, her lifetime pension will be almost $200 per month smaller than if she worked the two years that she originally planned to work. As a matter of fact, if Audrey worked the extra year and a half after the rules changed, after reaching 69, she would collect more money from her pension than if the plan rules never changed and she worked until she turned 60.

Meet Bayan
Are you thinking you need to retire before the new rules come into effect? Consider 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.
- He always expected to benefit from Factor 90 and is wondering if he should retire 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 rules. Alternatively, Bayan could retire six months later at the end of June 2018. What do the numbers tell us about what Bayan should do? The following table shows Bayan's pension under the two options:

	Retire on December 31, 2017	Retire on June 30, 2018*
Age at retirement	56	56.5
Lifetime pension	$36,568	$38,560
Bridge benefit	$11,560	$11,966
Lifetime pension under old rules	$36,568	$38,561
Bridge benefit under old rules	$11,560	$12,191
Break-even age		never

* The Year's Maximum Pensionable Earnings (YMPE) will likely change every year in January to some value that is not yet known while the person's highest average salary (HAS) will also increase. As such, in these scenarios, it is assumed that both the HAS and YMPE remain the same. The values of the HAS and YMPE are important in these calculations so these scenarios should only be used for information purposes and not retirement planning.

If Bayan retires before the plan rules change, then his lifetime pension will be almost $200 per month smaller than if he worked the first six months under the new rules. Coincidentally, the lifetime pension Bayan gets if he works the extra six months is almost exactly the same regardless of whether the old or new rules are applied. As a result, Bayan will never recover the roughly $1,900 he will lose as a result of having a smaller bridge benefit.

Meet Chris
I am a department head and I am worried about the impact of the new rules on my pension. Consider Chris' circumstances:

- Chris was born on January 31, 1958, and is 58-years-old.
- She started teaching at age 22, but left for a while before returning to teaching. Chris always worked full-time and as of 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.
- She wants to work until the end of the school year after turning 62, but has heard bad things about what will happen to her pension if she retires after December 31, 2017.

Chris' options are to stick with her current plan and retire on June 30, 2020, or to retire on December 31, 2017. The pension calculations for the two options produce the following results:

	Retire on December 31, 2017	Retire on June 30, 2020*
Age at retirement	almost 60	62.5
Lifetime pension	$30,851	$34,850
Bridge benefit	$9,009	$9,031
Lifetime pension under old rules	$30,851	$34,208
Bridge benefit under old rules	$9,009	$9,992
Break-even age		66

* The Year's Maximum Pensionable Earnings (YMPE) will likely change every year in January to some value that is not yet known while the person's highest average salary (HAS) will also increase. As such, in these scenarios, it is assumed that both the HAS and YMPE remain the same. The values of the HAS and YMPE are important in these calculations so these scenarios should only be used for information purposes and not retirement planning.

Chris will receive a significantly larger pension if she retires in 2020. Chris' pension will be more than $300 per month higher than it would be if she retired just before turning 60.

Meet Daiyu
I am an administrator with long service and I am worried about the impact of the new rules on my pension. Consider Daiyu's circumstances:

- Daiyu was born on September 30, 1958, and is 57-years-old.
- Since beginning to work, Daiyu has continuously worked full-time. She 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.
- She 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. Let's look at the difference:

	Retire on December 31, 2017	Retire on December 31, 2019*
Age at retirement	59 and 3 months	61 and 3 months
Lifetime pension	$92,918	$98,838
Bridge benefit	$12,682	$12,682
Lifetime pension under old rules	$92,918	$98,550
Bridge benefit under old rules	$12,682	$13,451
Break-even age		71

* The Year's Maximum Pensionable Earnings (YMPE) will likely change every year in January to some value that is not yet known while the person's highest average salary (HAS) will also increase. As such, in these scenarios, it is assumed that both the HAS and YMPE remain the same. The values of the HAS and YMPE are important in these calculations so these scenarios should only be used for information purposes and not retirement planning.

Daiyu's increase in pension for the extra two years of service is almost $500 per month.

Sadly, Daiyu's divorce 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 for Daiyu is that under the new rules it is possible to accrue more than 35 years of service. For each additional year of service accrued (assuming the YMPE and HAS remain constant), Daiyu will build an additional $2,960 in pension each year up to the year she turns 71.

Meet Eduardo
I always wanted to retire at 55, but I don't turn 55 until after the rules change. Am I going to be worse off because of the change? Consider 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 rules will hurt him and is thinking of leaving his job on December 31, 2017, so that only the old rules apply. Eduardo thinks he will retire as soon as possible after turning 55 so that he can start drawing his pension in February of 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 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. Let's compare what Eduardo's pension would be if he quit on December 31, 2017, if he worked one more month and then retired on January 31, 2018, or if he worked until he turned 60 and then retired. The following table shows Eduardo's pension under the three options:

	Quits on December 31, 2017, begins pension February 2018	Retire on January 31, 2018*	Retire on January 31, 2023*
Age at retirement	55	55	60
Lifetime pension	$40,062	$45,539	$64,193
Bridge benefit	$7,638	$8,656	$10,184
Lifetime pension under old rules	$40,062	$45,546	$63,662
Bridge benefit under old rules	$7,638	$8,684	$12,137
Break-even age	[redacted]	never	78

* The Year's Maximum Pensionable Earnings (YMPE) will likely change every year in January to some value that is not yet known while the person's highest average salary (HAS) will also increase. As such, in these scenarios, it is assumed that both the HAS and YMPE remain the same. The values of the HAS and YMPE are important in these calculations so these scenarios should only be used for information purposes and not retirement planning.

It would be a big mistake for Eduardo to quit a month early to avoid the new rules. Furthermore, if Eduardo retires at 60 (around the average age that people in the Teachers' Pension Plan retire), his lifetime pension will increase and be more than $1,600 per month higher than if he merely retired at 55. Although the bridge benefit paid to Eduardo between 60 and 65 is much larger if he works to 60, his lifetime pension under the old rules is over $500 smaller, so by the time Eduardo is 78, he will have collected more money under the new rules than under the old rules.

Meet Farrah
I am in my mid-forties and I started working at a pretty young age—young enough that I would benefit from the Factor 90. I am wondering what my pension will look like if I retire at 57, 59, or 61.
Let's look at Farrah's circumstances:

- 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 that is when she would have been eligible for an unreduced pension, but is also considering retiring at 59 or 61. What do those three options look like? The following table show's Farrah's pension under the three options:

	Retire on June 30, 2032*	Retire on December 31, 2033*	Retire on December 31, 2035*
Age at retirement	57.5	59	61
Lifetime pension	$29,626	$32,228	$36,046
Bridge benefit	$5,534	$5,534	$5,534
Lifetime pension under old rules	$29,008	$30,347	$32,132
Bridge benefit under old rules	$9,992	$10,453	$11,068
Break-even age	112	75	67

* The Year's Maximum Pensionable Earnings (YMPE) will likely change every year in January to some value that is not yet known while the person's highest average salary (HAS) will also increase. As such, in these scenarios, it is assumed that both the HAS and YMPE remain the same. The values of the HAS and YMPE are important in these calculations so these scenarios should only be used for information purposes and not retirement planning.

The three options show that the added benefit of working the additional part-time years makes a significant difference in Farrah's pension amount. Working the extra year and a half at 80% improves Farrah's pension by more than $200 per month. Moreover, if Farrah works just an extra three and a half years to 61, her pension will be more than $500 per month higher.

Again, notice the big difference in the bridge benefit, but if Farrah retires at 59, she will only have to collect her pension until 75 before she is be better off under the new rules. If Farrah retires at 61 and collects her pension until 67, she will have received more money from the new pension plan than she would have if her whole pension had been calculated under the old rules. If Farrah retires at 57.5, there is very little chance she will be better off under the new rules.

Glossary of pension terms

accrual rate (otherwise known as pension build up rate)	Pension build up rate used to calculate your pension. In the current plan, 1.3% for salary up to and including Year's Maximum Pensionable Earnings (YMPE) and 2.0% for portion of salary above YMPE. In the new plan, the accrual rate is 1.85% applied to all salary.
Break-even point	Age at which a person would have accrued a greater benefit in a new plan option than under the current plan.
bridge benefit	If you retire before age 65, your pension from the Teachers' Pension Plan will include a lifetime pension and a temporary monthly payment called the bridge benefit. The bridge benefit stops at age 65 or the death of the plan member, whichever comes first.
Contributory Service (CS)	In the current plan, for every month you make a contribution to the plan, you earn a month of Contributory Service. Contributory Service is used to determine if you are eligible for a pension and whether a pension will be reduced if you decide to retire before age 60. In the new plan, Contributory Service is also used to calculate an unreduced pension.
Early-retirement Reduction Factor (ERF)	Currently, if you retire before age 60 and you do not have enough years of Contributory Service to reach the 90 factor, a "reduction factor" is used to calculate your reduced pension benefit. 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 90. In the new plan, the reduction is 4.5% for every year you do not reach age 61 at retirement.
Highest Average Salary (HAS)	The salary used in the calculation of your pension benefit. It is the average of your highest five years of annual salaries.
lifetime pension	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.

Pensionable Service (PS)	Pensionable Service is the actual time worked while contributing to the plan. One full month of Pensionable Service is credited when a member works full-time for a month. If a member worked part-time (for example, 50 percent) half a month of Pensionable Service will be credited. Pensionable Service is used in the calculation of your pension amount.
Year's Maximum Pensionable Earnings (YMPE)	The maximum salary upon which Canada Pension Plan contributions are made. For 2016, the YMPE is $54,900.

For additional pension terms, please refer to the Teachers' Pension Plan glossary of pension terms at *https://www.bctf.ca/uploadedFiles/Public/SalaryBenefits/Pensions/GlossaryPensionTerms.pdf*.

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