

PENSION FACTS: Collecting Pension and Continuing to Work

The practice of teachers retiring in January and continuing to teach under temporary contracts until the end of June has become more common. Currently, the Alberta Teachers' Association has no policy regarding this issue although this may change if the practice grows.

The Association advises Locals NOT to give blanket approval to this practice or promote it in any way. Retiring in January and continuing to teach is an individual's decision based on circumstances such as finances, retirement plans, health and life expectancy. Locals cannot give "one-size fits all" advice on the appropriateness of this practice for individual teachers.

Individual teachers contemplating retiring and continuing to teach, should consider the following questions:

1. How will retiring in January rather than June affect pension income?

While index (age plus service equals 85) is necessary to attain an unreduced pension, the benefit formula used to calculate pension uses years of service. There is no cap on the number of years of service used to calculate pension so a teacher's number of years (or partial years) of service increases their yearly pension. Before considering retiring in January, a teacher should request at least two pension estimates from the Alberta Teachers' Retirement Fund (ATRF); one using a retirement date in January and one using a retirement date in June.

Average salary calculations are made using the highest 60 consecutive months of service (usually the last 60 months). Retiring in January means that half a year of service at 2019/20 salary rates is replaced with a much lower half year from 2014/15. This average salary is then multiplied by half a year less of service by retiring in January rather than June.

Average Salary Calculation—4-year maximum

Year	Salary	January 31	June 30
2014 – 2015	46,200	6 months	1 year
2015 – 2016	94,255	1 year	1 year
2016 – 2017	94,255	1 year	1 year
2017 – 2018	94,255	1 year	1 year
2018 – 2019	94,255	1 year	1 year
2019 – 2020	47,128	6 months	
5-year average		94,070	94,255

Taking into consideration both the reduction years of service and the average salary, the pension of a teacher who retires in January as opposed to June would be approximately \$750 less per year of retirement. The difference in monthly income grows over the life of the teacher because pension income is increased by a percentage of the Cost of Living each January. In return a teacher who retires January 31, will receive five additional pension payments. The value of the additional pension payments needs to be assessed in relation to the loss in lifetime pension.

2. How will collecting both pension and salary affect the amount of income tax paid?

Most likely neither ATRF nor the school board will deduct enough tax for the income the teacher will be receiving through the two sources. Making the proper arrangements (having more tax deducted or putting money away to pay taxes) will save the teacher from a nasty tax shock later.

3. How is my sick leave affected?

Retired teachers over the age of 65 are not eligible for extended disability benefits (EDB) coverage; therefore there is no income replacement for retired teachers who cannot work due to injury or illness. A retired teacher who is working would earn no teaching income after his/her paid sick leave expires and as stated in many agreements: **teachers on temporary contracts have only two paid sick days per month**, rather than 90. Therefore, if the teaching income is required to supplement pension income, a teacher may want to delay retirement until the pension is higher. A teacher who is injured or becomes ill early into a temporary contract would be left with no additional salary AND a lowered pension for the rest of his/her life.

4. How will collecting pension affect health care benefits?

Retired teachers are eligible to continue contributing to health plans—such as the Alberta School Employee Benefit Plan (ASEBP)—until age 65. The process takes time to complete, therefore, filing for retirement benefits should be started at least two months before the retirement date. The retired teacher is responsible for the entire cost of benefits. There are, however, some provisions in collective agreements for benefits for retired teachers should the teacher return to active service. One important item to keep in mind is that extended disability benefits are no longer available in retirement.

5. How will retiring affect contract status?

When a teacher retires from a school board, the teacher will be resigning from a continuing contract and replacing it with a new contract. Therefore, teachers should be signing a second continuing contract as this will ensure the same salary and benefits continue. **A temporary contract can be terminated by the employer with 30 days' notice.** While the risk of this occurring is low, teachers must be aware that if it happens, there is no legal recourse open to them. Please contact Member Services to discuss any contract questions or concerns.

Information is available on the Alberta Teachers Retirement Fund website (www.atrf.com) or by contacting Teacher Employment Services at tes@ata.ab.ca or 780-447-9400 (Edmonton and area) or 1-800-232-7208 (toll free).

2021 Tax Tables

Income	Federal Tax Payable
On the first \$49,020	15%
From \$49,021 to \$98,040	20.5%
From \$98,041 to \$151,978	26%
From \$151,979 to \$216,511	29%
Amounts over \$216,511	33%

Federal tax exemption is \$13,808

Alberta tax exemption is \$19,369

Alberta Tax Rate is 10% for income up to \$131,220 (Rates increase at different income levels)

For more information, go to Canada Revenue Agency website: www.cra-arc.gc.ca

Another option: visit the ATRF website at www.atrf.com. Locate the "Income Tax Calculator" on the left hand side of the screen and follow the link to calculate your tax payable.

IMPORTANT INFORMATION

Canada Pension Plan and Old Age Security

Retirement Pension, Disability Benefits, Death Benefit, Children's Benefits,
Survivor's Pension

www.servicecanada.gc.ca

Service Canada

Income Security Programs

Ottawa, Ontario K1A 0L1

Toll-Free: 1-800-277-9914

TTY: 1-800-255-4786

Callers outside Canada and the United States can call collect: 613-957-1954,
Monday to Friday from 8:30 am to 4:30 pm Eastern Time

Income Taxes

Canada Revenue Agency: www.cra-arc.gc.ca

Calculate your tax payable: www.atrf.com – locate the “Income Tax Calculator”
under Quick Links (left hand side of the screen) and follow the link.

OR go directly to Ernst and Young: www.ey.com/CA/en/services/tax/tax-calculators

If I die before I retire or quit teaching, what happens to my pension?

If a teacher dies while under contract, different rules apply if the teacher dies before or after he or she is entitled to a pension.

Teachers are eligible for pension (vested) when they have

- five years of pensionable service after August 31, 1992, or
- five years of pensionable service that includes a period of pensionable service in each of the 1991/92 and 1992/93 school years, or
- ten years of pensionable service.

Note that pension is not payable until age 55.

For teachers who are vested, the *Teachers' Pension Plan Act* sets out who receives the death benefit and the amount of the benefit. If the teacher dies while under contract and has a spouse/pension partner, that spouse/pension partner receives a pension for life from the month after the death of the teacher.

The pension is based on the years of service and average salary of the teacher at the time of death with no reduction for early retirement (it may be reduced if necessary to comply with tax rule maximums).

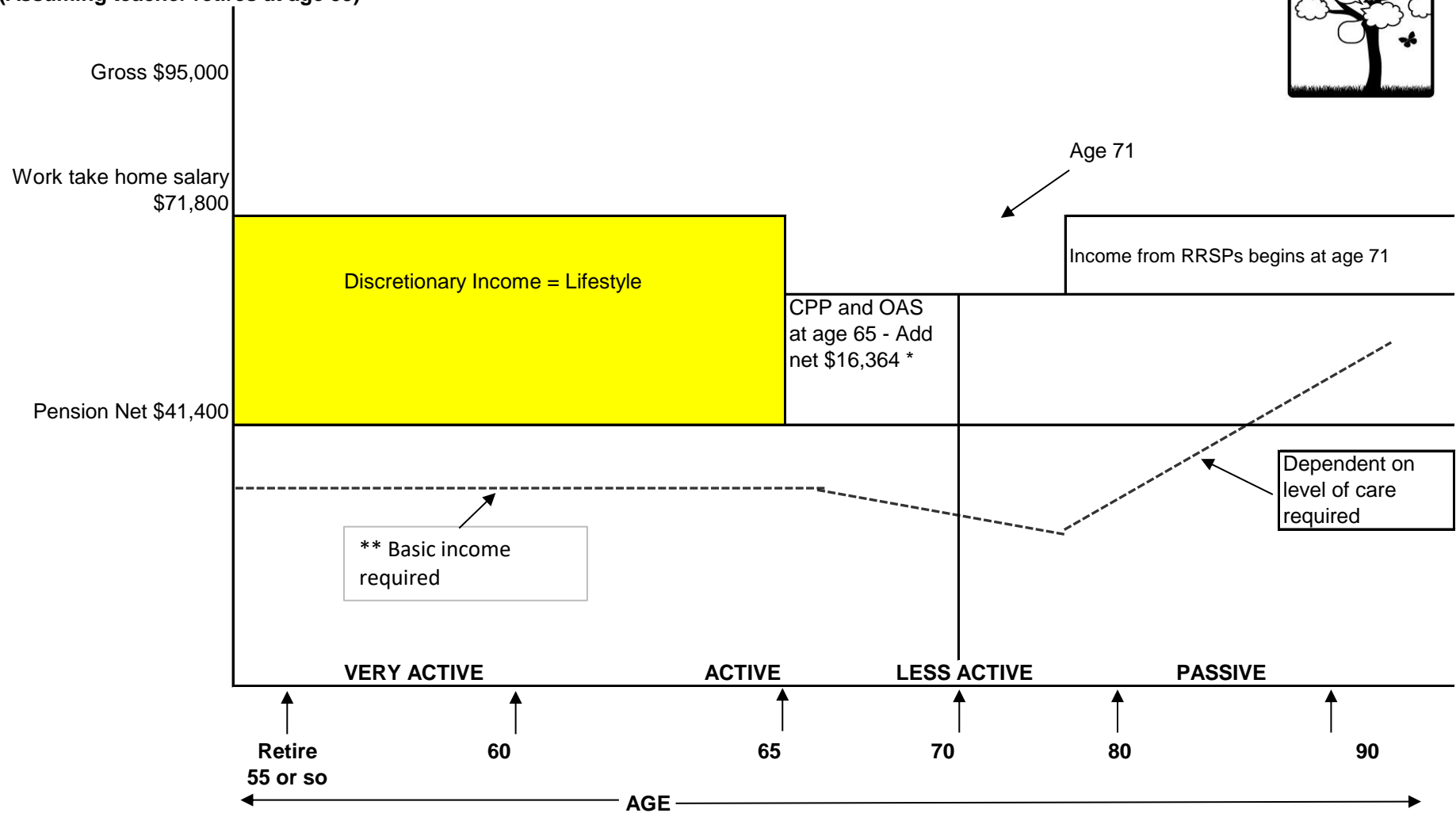
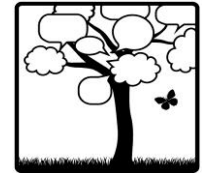
If the teacher does not have a spouse/pension partner but has dependent children under age 18, the children will receive two times the teacher's contributions plus interest.

If the teacher has no spouse/pension partner and no dependent children under age 18 at the time of death, the beneficiary(ies), as determined by the beneficiary form on file with the Alberta Teachers' Retirement Fund (ATRF), will receive the teacher's contributions with interest. If there is no spouse/pension partner, no dependent children under age 18 and no designated beneficiary, contributions plus interest will be paid to the teacher's estate and could be subject to fees or claims.

If a teacher dies prior to being eligible for a pension (not vested), the rules for who receives the benefit are the same, but the benefit amount is the teacher's contributions with interest.

Teachers, therefore, are encouraged to review, and update as necessary, their beneficiary information reported on their ATRF Plan Member Statement on a regular basis and update it with ATRF as necessary. Since spouses/pension partners are automatically entitled to the death benefit under the Teachers' Pension Plan Act, teachers should name someone else as beneficiary. That beneficiary only receives the death benefit if there is no surviving spouse/pension partner and no dependent children under age 18. Teachers can name more than one beneficiary and can name a charity as their beneficiary.

Income Required in Retirement (after tax dollars)
 (Assuming teacher retires at age 55)



* NOTE: maximum 2016 figures are used here. Individual circumstances will apply.

** Basic (required) income depends on the individual situation and may escalate in later years based on health and care required (ie, care home, etc.)

Cash Flow in Retirement

Prepared for: _____

Date: _____

Member	Age	First	After tax	After tax	After tax	After tax
		Possible Age	Retirement	60 - 64	65 +	After tax
	Pension					
	Employment					
	RSP					
	Savings					
	CPP					
	OAS					
	Other					
		0		0		0

Spouse	Age	First	After tax	After tax	After tax	After tax
		Possible Age	Retirement	60 - 64	65 +	After tax
	Pension					
	Employment					
	RSP					
	Savings					
	CPP					
	OAS					
	Other					
		0		0		0



Cash Flow in Retirement

Prepared for:

JOHN AND JANE DOE

Date: SEPTEMBER 20XX

* Does not include COLA

Member	Age	First Possible Age	After tax	Retirement	After tax	60 - 64	After tax	65 +	After tax
Pension		0		3900 *		3900 *		3900 *	
Employment		8125		400		150		0	
RSP		0		0		0		0	
Savings		0		50		50		50	
CPP		0		0		900		900	
OAS		0		0		0		500	
Other (Rental)		1000		1000		1000		1000	
		9125	6479	5350	4227	6000	4740	6350	5017

Spouse	Age	First Possible Age	After tax	Retirement	After tax	60 - 64	After tax	65 +	After tax
Pension		0		0					
Employment		1800		1800					
RSP		0		0					
Savings		0		0					
CPP		0		0					
OAS		0		0					
Other		0		0					
		1800	1530	1800	1530	0		0	



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Cash flow calculator

Accommodation Monthly rent/mortgage

Insurance

Taxes

Utilities

Heat

Water

Electricity

Maintenance

TV/Cable/Satellite

Telephone(s)

Transportation

Loan(s)

Fuel

Maintenance

Insurance

Personal

Entertainment

Vacations

Gifts

Family/Dependents

Clothing

Food

Loan payments

Life Insurance

Health Care

Charitable contributions

Credit Card Payments

Others

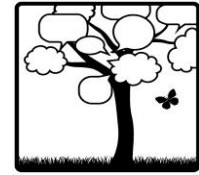
Now

In Retirement

1600	0
120	124
200	206
175	180
75	77
100	103
100	103
100	103
75	77
500	0
250	258
150	155
250	258
325	325
300	250
100	75
0	0
125	25
550	567
0	0
50	75
0	350
50	150
1000	500
200	200
6395	3995



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Major Purchases

Purchase	When?

Note: Family=\$300-\$400; Single=\$200-\$250

	55	60	65
Net monthly			
	4115	4238	4365

Sources of Income in Retirement (per family)



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	Age				Notes / Windfalls
	55 (or retirement date)	60	65	70 +	
Pension	M				
Canada Pension (CPP)		M			
Old Age Security (OAS)			M		
Savings	0%				
RRSPs	M				
Work	M				
Dividends	16% M				
Capital Gains	25%				
Total \$					

M = Marginal

Tax = Red

R = Rate

Pension Option Calculation Sheet

Directions

Enter the teacher's name - green box, spouse's name - yellow box

Fill in their pension data in the appropriate boxes

Name	Single 5	Joint Equal	100/60	Reduce 1/3
Teacher	6,145.00	5,536.00	5,765.00	5,903.00
Spouse	6,145.00	5,536.00	3,459.00	3,940.00

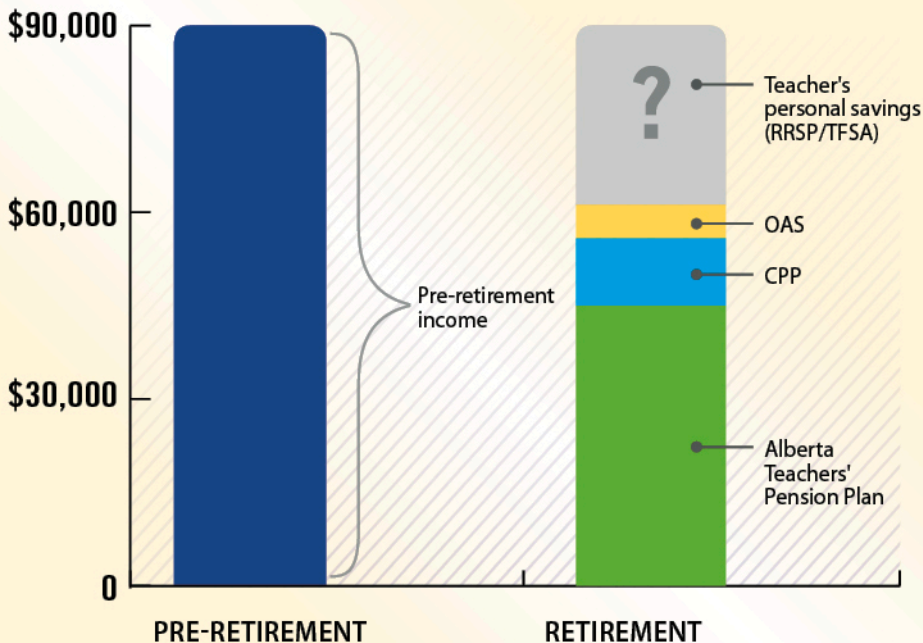
Scenario	Pension Option	Both receiving	Teacher alone	Spouse alone
One	Teacher Joint Equal	5,536.00	5,536.00	5,536.00
	Spouse Joint Equal	5,536.00	5,536.00	5,536.00
		11,072.00	11,072.00	11,072.00
Two	Teacher Joint Equal	5,536.00	5,536.00	5,536.00
	Spouse 100/60	3,459.00	2,075.40	3,459.00
		8,995.00	7,611.40	8,995.00
Three	Teacher Joint Equal	5,536.00	5,536.00	5,536.00
	Spouse Reduce 1/3	3,940.00	2,626.67	2,626.67
		9,476.00	8,162.67	8,162.67
Four	Teacher Joint Equal	5,536.00	5,536.00	5,536.00
	Spouse Single 5	6,145.00	-	6,145.00
		11,681.00	5,536.00	11,681.00

Five	Teacher 100/60	5,765.00	5,765.00	3,459.00
	Spouse Joint Equal	5,536.00	5,536.00	5,536.00
		11,301.00	11,301.00	8,995.00
Six	Teacher 100/60	5,765.00	5,765.00	3,459.00
	Spouse 100/60	3,459.00	2,075.40	3,459.00
		9,224.00	7,840.40	6,918.00
Seven	Teacher 100/60	5,765.00	5,765.00	3,459.00
	Spouse Reduce 1/3	3,940.00	2,626.67	2,626.67
		9,705.00	8,391.67	6,085.67
Eight	Teacher 100/60	5,765.00	5,765.00	3,459.00
	Spouse Single 5	6,145.00	-	6,145.00
		11,910.00	5,765.00	9,604.00

Scenario	Pension Option	Both receiving	Teacher alone	Spouse alone
Nine	Teacher Reduce 1/3	5,903.00	3,935.33	3,935.33
	Spouse Joint Equal	5,536.00	5,536.00	5,536.00
		11,439.00	9,471.33	9,471.33
Ten	Teacher Reduce 1/3	5,903.00	3,935.33	3,935.33
	Spouse 100/60	3,459.00	2,075.40	3,459.00
		9,362.00	6,010.73	7,394.33
Eleven	Teacher Reduce 1/3	5,903.00	3,935.33	3,935.33
	Spouse Reduce 1/3	3,940.00	2,626.67	2,626.67
		9,843.00	6,562.00	6,562.00
Twelve	Teacher Reduce 1/3	5,903.00	3,935.33	3,935.33
	Spouse Single 5	6,145.00	-	6,145.00
		12,048.00	3,935.33	10,080.33

Thirteen	Teacher Single 5	6,145.00	6,145.00	-
	Spouse Joint Equal	5,536.00	5,536.00	5,536.00
		11,681.00	11,681.00	5,536.00
Fourteen	Teacher Single 5	6,145.00	6,145.00	-
	Spouse 100/60	3,459.00	2,075.40	3,459.00
		9,604.00	8,220.40	3,459.00
Fifteen	Teacher Single 5	6,145.00	6,145.00	-
	Spouse Reduce 1/3	3,940.00	2,626.67	2,626.67
		10,085.00	8,771.67	2,626.67
Sixteen	Teacher Single 5	6,145.00	6,145.00	-
	Spouse Single 5	6,145.00	-	6,145.00
		12,290.00	6,145.00	6,145.00

PRE-RETIREMENT INCOME VS. RETIREMENT INCOME



[INSERT TEACHER'S ADDRESS HERE]

[DATE] – Note: must be at least 30 days notice during the school year

[SUPERINTENDENT]
[SCHOOL DISTRICT]
[ADDRESS]

Dear [INSERT]

Please be advised that I hereby resign my position as a teacher at [INSERT SCHOOL HERE] due to my retirement effective [INSERT DATE HERE].

Sincerely

[TEACHER'S NAME]

cc Principal