

RETIRING FROM THE PUBLIC SERVICE OF CANADA

Tips and information for PSAC members
Group 1

*This guide is for members hired before January 1, 2013 (Group 1).
There is a separate guide for members hired on or after that date (Group 2).*

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Alliance de la Fonction publique du Canada

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NOTE

Information in this publication is accurate as of January 1, 2019. Please refer to the PSAC national website at psacunion.ca for electronic versions of this document which would incorporate any subsequent changes or revisions.

INTRODUCTION

A significant number of members of the Public Service Alliance of Canada (PSAC) are approaching the age of retirement. As a result, it is not surprising that pensions and other post-retirement income and benefits are becoming of increased importance to the PSAC membership. The PSAC national office has received numerous requests for information to assist members in regard to important retirement decisions.

The majority of PSAC members are employed in the federal public service which, for the purposes of this guide, includes all federal departments and specified federal public sector agencies and organizations. As such, their pension benefit entitlements are governed by the *Public Service Superannuation Act (PSSA)*. Ministerial responsibility for the PSSA is vested with the President of the Treasury Board. As a federal statute, the PSSA is not subject to negotiations with federal public service unions, although the PSAC would welcome a change to the contrary.

The PSAC has two representatives on the Public Service Pension Advisory Committee, whose mandate is to review matters respecting the administration, design and funding of benefits provided under the PSSA. The Committee makes recommendations on those matters to the Treasury Board President.

The actual administrative oversight of the federal superannuation plan is managed by the Government of Canada Pension Centre operating under the auspices of Public Services and Procurement Canada.

In 2008, when the last edition of the guide was published, each department and agency had its own pay and benefits staff. Today, those functions are centralized at the **Government of Canada Pension Centre** in Shediac, New Brunswick, where members can direct their questions and concerns about all matters related to superannuation. See Section 5 for contact details.

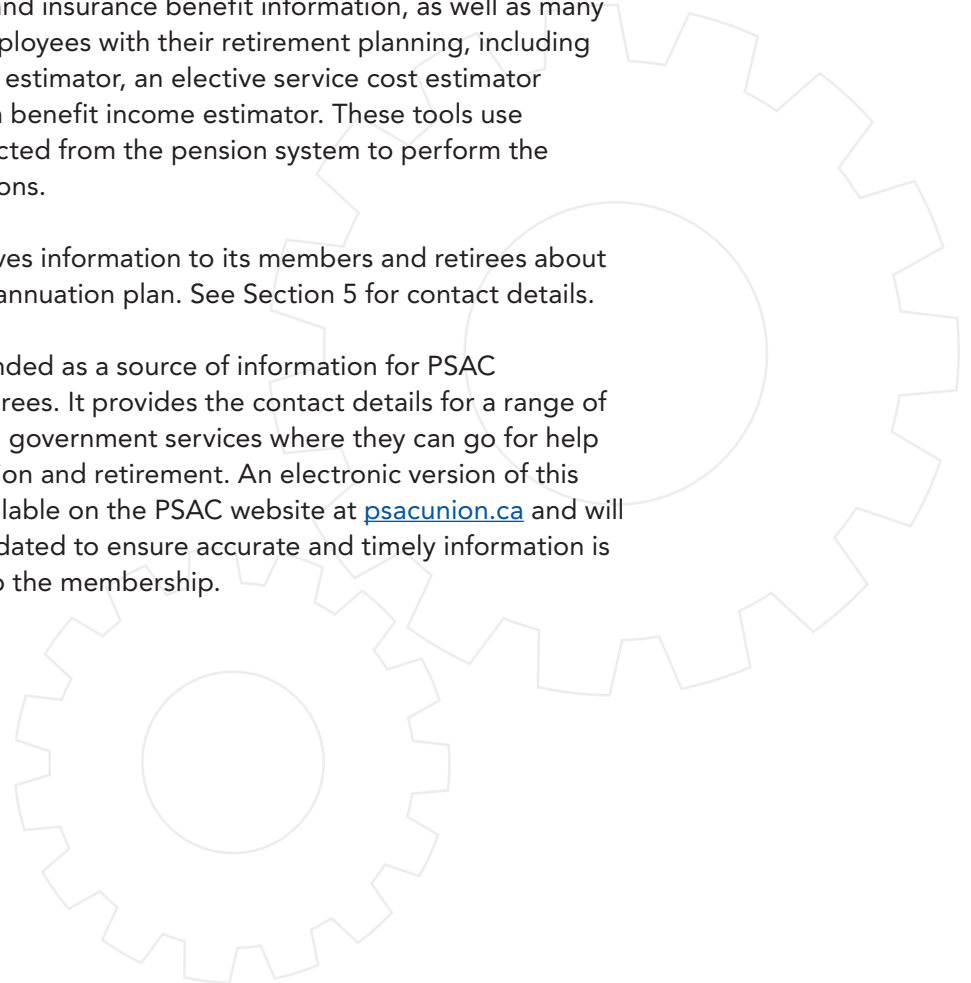
Public Services and Procurement Canada has also significantly upgraded the federal public service pension and benefits web portal at canada.ca/pension-benefits.

This website contains extensive information on all aspects of the federal public service Pension Plan, including important printable forms, information videos, information packages and hyperlinks to relevant legislation and regulations.

Furthermore, the Compensation Web Application is now available to employees of federal government departments and agencies. The application can only be accessed internally from a government workstation through a secure login process. It contains employee specific pension and insurance benefit information, as well as many tools to assist employees with their retirement planning, including a pension benefit estimator, an elective service cost estimator and a net pension benefit income estimator. These tools use information extracted from the pension system to perform the required calculations.

The PSAC also gives information to its members and retirees about the federal superannuation plan. See Section 5 for contact details.

This guide is intended as a source of information for PSAC members and retirees. It provides the contact details for a range of organizations and government services where they can go for help with superannuation and retirement. An electronic version of this publication is available on the PSAC website at psacunion.ca and will be continually updated to ensure accurate and timely information is being provided to the membership.



1. FEDERAL SUPERANNUATION IN A NUTSHELL

1.1 Benefit calculation

The retirement benefits payable to pensioners under the PSSA are designed to meet the needs of federal public service employees in various circumstances at retirement.

Four principal factors determine the amount payable:

- Years of pensionable service
- Age
- Average pensionable salary
- The reason for termination of employment (in certain cases)

Sample calculations

Age	Years of Service	Average Salary (5 best years)	Formula	Annual Total
55 or older	35	\$55,000	$2\% \times 35 \times 55,000$	\$38,500
55 or older	25 full time + 10 part time (20 h/37.5 h week)	\$55,000	$FT = 2\% \times 25 \times 55,000$ + $PT = 2\% \times 10 \times 55,000 \times 20/37.5$ =	\$27,500 + \$5,867 = \$33,366

NOTES

1. Pensionable service means the years (complete or partial) to the employee's credit at retirement. It includes any periods of elective service regardless of whether that service has been fully paid by the employee. For purposes of determining whether a service threshold has been met (e.g., 2 years or 30 years), a year of part-time service counts as one year of pensionable service.
2. Average salary is the salary during five consecutive years of highest paid pensionable service. It includes any salary earned after completing 35 years of service, if that salary is the highest. For periods of part-time pensionable service, the equivalent full-time salary rate is used but the pension benefit is adjusted to reflect the assigned hours of part-time work.

1.2 Retirement options

Table 1 summarizes the various retirement options available to Group 1 members upon termination of employment from the federal public service based on an employee's age, pensionable service and reason for termination. For part-time employees, please note that a year of part-time employment counts as one year of pensionable service for purposes of the retirement option threshold requirements.

NOTE

On January 1, 2013, new legislation came into effect, increasing normal retirement age from 60 to 65 years for new entrants to the public service. Employees who became contributors before that date are Group 1 contributors. Those who began employment after that date are Group 2 contributors. They should refer to the separate guide intended for them.

Return of contributions

Basically, the only superannuation entitlement available to an employee with less than two years of pensionable service is a **return of contributions plus interest**. Under this scenario, only the employee's share of contributions is refunded plus accrued interest based on the annual rate of return of the Public Service Pension Fund.

Immediate annuity

Employees retiring at age 60 or over with two or more years' pensionable service, or after having attained age 55 with a minimum of 30 years of pensionable service, are entitled to an **immediate annuity**.

An immediate annuity is an unreduced pension benefit payable immediately after retirement. The formula described in Section 1.1 is used to calculate the annual pension benefit entitlement.

Table 1

A	B	C	D
Reason for termination	Age	Pensionable Service	Entitlement/service options
Any reason	Any age	Less than 2 years	Return of contributions with interest
Retirement	60 or over	At least 2 years	Immediate annuity
Retirement	55 or over	At least 30 years	Immediate annuity
Retirement – disability	Under 60	At least 2 years	Immediate annuity
Retirement	50 to 59	At least 2 years	Options: -Deferred annuity payable at 60 -Annual allowance payable from the later of the date of option or the date of termination
Resignation	Under 50	At least 2 years	Options: -Deferred annuity payable at 60 -Annual allowance payable at any time from age 50 to 60 -Transfer value
Lay-off	Under 60	At least 2 years	Options: -Deferred annuity payable at 60 -Annual allowance (at any time between age 50 and 60) -Transfer value (if less than 50) Note: Treasury Board has the authority to waive the reduction in annual allowance if you are over 55 with at least 10 years of public service employment.

Deferred annuity and annual allowance

For employees with a minimum of two years' pensionable service retiring prior to age 60 and at or after age 50 (except in cases of age 55 with a minimum of 30 years of pensionable service), the following two options are available:

Deferred annuity: an unreduced pension benefit payable at the age of 60. The formula for this option is the same as the one for an immediate annuity. Once it becomes payable, the deferred annuity includes the accrued indexation adjustments discussed in Section 1.7.

Annual allowance: a pension benefit payable as early as age 50 and subject to a permanent reduction factor. There are two different formulas, depending on age and years of pensionable service.

Formula 1

The amount of the deferred annuity to which the terminating employee is eligible is reduced by 5% for every year prior to age 60, at the date of option for the annual allowance.

Sample reduction calculation

Age	Years of service	Formula
54	23	$60 - 54 = 6 \text{ years} \times 5\% = 30\%$

*In this instance, the annual allowance is equal to the deferred annuity that would have been payable at age 60, reduced by 30%. If the deferred annuity was \$38,500, the **annual allowance** would be \$26,950.*

Formula 2

If the employee is at least 50 and has 25 years or more of pensionable service at the date of termination, the annual allowance is calculated by determining the amount of the deferred annuity and applying a reduction factor that is the greater of:

- 5% for every year that the employee is younger than 55 at the date of termination or the date the retiree opts for the annual allowance, whichever is later;

or

- 5% for every year that the employee/retiree's pensionable service is less than 30 years.

Sample reduction calculation

Age	Years of service	Formula
54	27	$55 - 54 = 1 \text{ year} \times 5\% = 5\%$ or $30 - 27 = 3 \text{ years} \times 5\% = 15\%$

As 15% is the greater reduction, the annual allowance would be equal to the deferred annuity reduced by 15%. If the deferred annuity was \$38,500 per annum, the annual allowance would be \$32,725.

NOTE

In these examples, the year of service is calculated to the nearest one-tenth of a year.

In certain instances, even if the employee is 50 and has 25 years or more of pensionable service on termination, Formula 1 above may provide a greater benefit than Formula 2, and the **greater annual allowance** is paid to the retiree.

Employee/retiree aged 58 with 26 years of pensionable service: the **annual allowance** is equal to the deferred annuity reduced by:

$$60 - 58 = 2 \text{ years} \times 5\% = 10\%$$

Under Formula 2, the **deferred annuity** is reduced by the following amount:

$$55 - 58 = -3 \text{ (no age reduction)} \quad \text{or} \quad 30 - 26 = 4 \text{ years} \times 5\% = 20\%$$

As 20% is the greater reduction under Formula 2, this calculation results in a 20% reduction factor applied to the deferred annuity.

However, with this combination of age and pensionable service, the **annual allowance** is determined using the most beneficial formula. The employee/retiree would receive an **annual allowance** equal to the deferred annuity reduced by 10% as provided under Formula 1.

Apart from the deferred annuity and the annual allowance, employees who leave before age 50 with at least two years' pensionable service have a third choice: receiving immediately the **transfer value** of their pension benefits instead of future monthly payments.

Transfer value

The **transfer value** is the lump-sum amount of future pension benefits. The way it's calculated is prescribed by law. The money must be transferred to:

- another registered pension plan;
- a locked-in retirement account under the *Pension Benefits Standards Act*; or
- a financial institution to buy an annuity.

The *Income Tax Act* limits how much of the lump sum can be tax-deferred. The rest is paid directly to the departing employee and is subject to income tax unless a Tax Waiver Letter is obtained from the Canada Revenue Agency and, where applicable, Revenu Québec.

TIP

The calculation of the transfer value includes elective pensionable service paid by employee. Therefore, terminating employees should consider paying the balance owing on remaining elective service to increase the amount of the transfer value benefit.

Employees have one year after the date of termination to opt for a **transfer value** benefit. Caution should be exercised in contemplating the **transfer value** as such an option automatically precludes future participation in other available post-retirement benefit arrangements such as the Public Service Health Care Plan and Pensioners' Dental Services Plan. In addition, should a Group 1 employee opt for the **transfer value** and subsequently becomes re-employed in the federal public service as a PSSA contributor, the employee would be considered as a Group 2 participant.

1.3 Retirement due to disability

The PSSA includes a provision that contributors who retire due to disability prior to age 60 with at least two years of pensionable service will be entitled to an immediate annuity.

PSSA definition of *disability*

A physical or mental impairment that prevents the individual from engaging in any employment for which the individual is reasonably suited by virtue of education, training or experience and that can reasonably be expected to last for the rest of the individual's life.

Health Canada must certify that the applicant satisfies that definition to qualify for *medical* retirement. The contributor who obtains this approval is entitled to an **immediate annuity** based on the years of accrued pensionable service. A retiree entitled to a **deferred annuity** who subsequently becomes

disabled is also eligible to apply for an **immediate annuity** under the medical retirement provisions of the PSSA.

Should a recipient of an **immediate annuity** on medical grounds eventually regain their health and be able to return to work, payment of the **immediate annuity** is discontinued and converted to a deferred annuity payable at age 60 or, at the option of the individual, converted to an annual allowance after having reached the age of 50.

Leave without pay due to illness/injury

In accordance with the current Treasury Board Directive on Leave and Special Working Arrangements, management is required to *resolve* leave without pay due to illness/injury situations within two years of the commencement of leave. However, accommodation can be extended in cases with exceptional circumstances. Normally, at the 2-year juncture of leave without pay due to illness/injury the employee will receive notification from the employer that such leave is to be terminated by either:

- return to duty;
- resignation or retirement on medical grounds;
- termination for reasons other than breaches of discipline or misconduct, pursuant to Section 12(1)(e) of the *Financial Administration Act*.

It is the position of the PSAC that this practice is discriminatory and contrary to the employer's obligations under the collective agreement and the *Canadian Human Rights Act*. The PSAC proposes that in such situations leave without pay be extended for as long as is reasonably possible to preserve the long-term financial interests of the disabled employee.

The PSAC has produced a strategy paper to assist members in these predicaments and this document has been widely circulated amongst PSAC, locals, regional offices and Component Unions.

This information has also been posted on the PSAC Programs Section website and is entitled "Termination of Employment with Treasury Board Due to Disability".

TIP

PSAC members approached by the employer under these conditions are advised to obtain representation from a local PSAC officer.

Disability benefits

Employees in receipt of disability insurance benefits from Sun Life Financial or long-term disability benefits from Industrial Alliance under the Public Service Management Insurance Plan (PSMIP) are entitled to continue receiving such benefits subsequent to termination of employment for as long as they remain *totally disabled* as defined in the

relevant policy. Both the Sun Life disability insurance and the long-term disability policies include provisions which allow for *offsets* to be applied to disability benefits in cases where the claimants are entitled to an immediate annuity due to a medical retirement under the PSSA, as well as disability benefits payable under the Canada/Quebec Pension Plans.

TIP

It should be emphasized that to avoid overpayment situations, the PSSA requires the recipient of an immediate annuity or annual allowance to advise the Government of Canada Pension Centre upon becoming entitled to Canada/Quebec Pension Plan disability benefits.

1.4 Lay-off pursuant to work force adjustment programs

The PSSA also addresses involuntary termination pursuant to the work force adjustment appendices in the collective agreements signed with TB and major separate employers.

In the case of employees at least 55 years of age, who have been employed in the federal public service for a period or periods of at least 10 years, and who are not otherwise entitled to an immediate annuity, the PSSA vests TB with the authority to waive the reduction factor that applies to an annual allowance. This authority has been delegated to departmental deputy heads and other designated officers.

This provision also applies to non-TB surplus employees who are laid-off or resign because of an involuntary work force adjustment program.

NOTE

The Public Service Health Care Plan (PSHCP) and the Public Service Dental Care Plan (PSAC) provide for the continuation of coverage under certain circumstances. See sections 3.4 and 3.5, as well as canada.ca/en/treasury-board-secretariat/services/benefit-plans/life-events.html

1.5 Operational Service Employees of CSC

Since March 14, 1994, the PSSA provides **operational service employees** of Correctional Service Canada (CSC) with enhanced superannuation benefit entitlements tailored to their career patterns. Further regulatory amendments came into force on May 30, 2006 which improved the special retirement options available to these employees.

Definition of *actual operational service* (PSSA Regulations)

A service by a person employed by CSC, whose principal place of work is not:
a) the national headquarters or a regional headquarters of CSC; **b)** the offices of the Commissioner, CSC; or **c)** a regional Correctional Staff College or any other institution that provides similar training.

Special retirement options

Upon completion of 10 years of actual operational service, an employee who transfers to another non-operational position with CSC is entitled to accrue *deemed operational service* with an additional contribution of .62% of pensionable salary.

Option 1

Immediate annuity
(unreduced pension) after:

- A. 25 years of actual operational service, regardless of age; **or**
- B. Age 50 and 25 years of “actual and deemed operational service”

Option 2

Annual allowance
(immediate reduced pension):

- A. After 20 years of **actual** operational service, regardless of age, with a reduction of 5% a year that the employee’s actual operational service is less than 25 years; **or**
- B. Age 50 and 20 years of **actual and deemed operational service**, with a reduction of 5% a year that the employee’s actual operational service is less than 25 years; **or**

- C. Age 45 and 20 years of **actual and deemed** operational service of which a minimum 10 years is actual operational service, with the greater of the following reductions:

- i. 5% per year that the employee is younger than age 50 at retirement or opts for the benefit whichever is later; **or**
 - ii. 5% per year that the employee’s actual and deemed operations service is less than 25 years.

- D. Age 45 and 20 years of actual operational service in addition to some deemed operational service, with the greater of the following reductions:

- i. The sum of:
 - the amount of the annual allowance determined in accordance with Formula B above; **plus**
 - the amount of the deferred annuity benefit entitlement in respect of deemed operational service, with a reduction the greater of:
 - 5% a year that the employee is younger than age 50 when he/she retires or opts for his/her benefit whichever is later; **or**
 - 5% per year that the employee’s “deemed operational service” is less than 25 years. **or**

- ii. The amount of the annual allowance determined in accordance with formula C above;

- E. Age 45 and entitled to an immediate annuity after 25 years of actual operational service and has some deemed operational service with a reduction of 5% a year that the employee is younger than 50 when retiring or opting for the benefit applied to the deemed operational benefit.

NOTE

In these examples, the year of service is calculated to the nearest one-tenth of a year.

The indexation of the enhanced pension benefits provided to operational service employees of CSC, which is discussed in further detail in Section 1.7, commences only after the participant has attained a combination of age and pensionable service which totals 85. The indexation adjustments will not be applied prior age 55 or later than age 60.

PSAC is actively lobbying the government to include members of the Border Services (FB) bargaining unit as well as firefighters in this definition of operational service.

1.6

Limitations on accrual of pensionable service and participation in the PSSA

35 years pensionable service

The PSSA stipulates that a contributor cannot accumulate more than 35 years of pensionable service. The contribution rate for employees with more than 35 years of pensionable service declines to 1% of pensionable earnings. The salary earned by an employee after reaching the 35-year ceiling is included in the calculation of the five consecutive years of highest average earnings to determine the pension benefit entitlement.

Age 71

The PSSA also requires that participants who reach age 71 cease contributions and accumulation of pensionable service effective January 1 of the year following their 71st birthday.

The salary earned by employees who continue working beyond age 71 is not taken into consideration in calculating the five consecutive years of highest average earnings. Furthermore, these employees do not have access to their pension benefit until they actually terminate employment with the federal public service.

1.7 Indexation

Indexation is one of the most important and beneficial features of the federal superannuation plan. In accordance with provisions of the *Supplementary Retirement Benefits Act (SRBA)*, basic pension benefit entitlements are increased in January of each year to compensate for increases in the Consumer Price Index (CPI). As illustrated in Table 2, the indexation adjustments have served to protect the value of superannuation benefit payments against inflation.

As a rule, the indexation of pension benefits starts January 1st of the year following the year of termination of employment. The first indexation adjustment is pro-rated to reflect the number of full months remaining in the year of termination of employment to January 1st of the following year.

Administratively, the effective day upon which an employee is deemed to have ceased to be employed in the federal public service is the **day following** the last day for which the employee received or is deemed to have received remuneration in respect of employment in the federal public service.

The PSSA and the SRBA also stipulate that a participant is required to have at least one day of superannuation benefit entitlement in a given month in order to be considered *retired* in that month. As pension benefits are paid for 365 days a year, Saturdays, Sundays and holidays also count as the first day of a benefit entitlement.

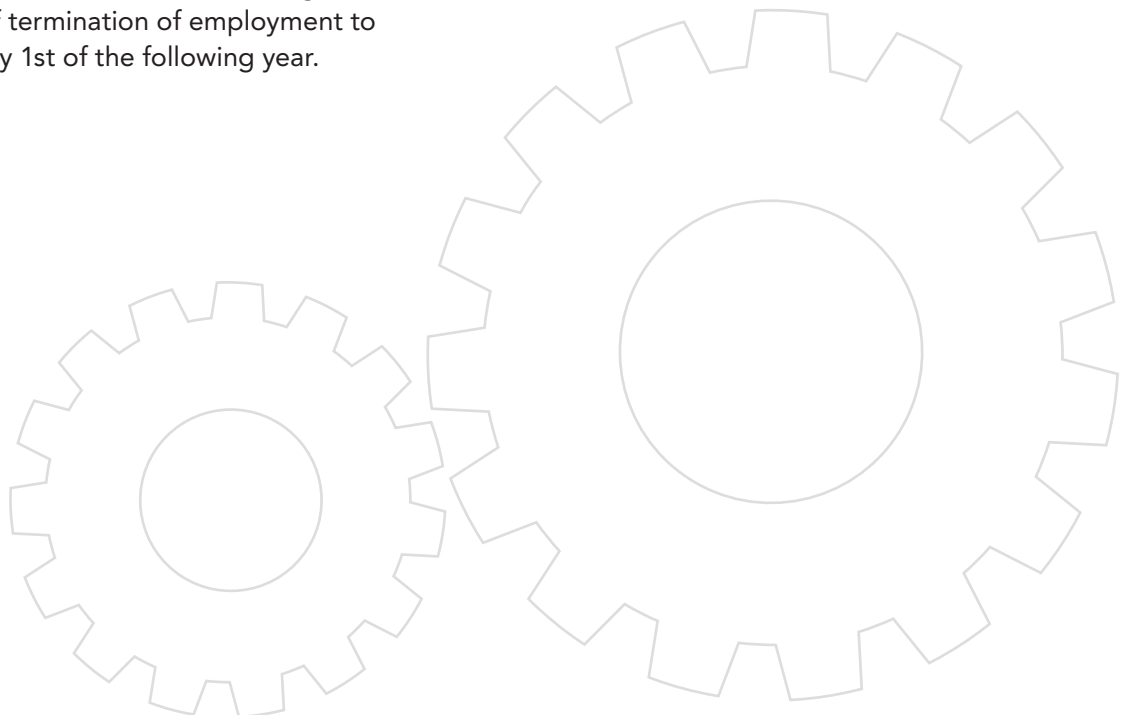


Table 2

**Indexation Increases
(Supplementary Retirement Benefits Act)**

Year of payment	Increase	Year of payment	Increase
1970	2.0%	1994	1.9%
1971	2.0%	1995	0.6%
1972	2.0%	1996	1.6%
1973	2.0%	1997	1.6%
1974	6.7%	1998	1.9%
1975	10.1%	1999	0.9%
1976	11.3%	2000	1.5%
1977	8.6%	2001	2.5%
1978	7.2%	2002	3.0%
1979	9.1%	2003	1.6%
1980	8.9%	2004	3.3%
1981	9.7%	2005	1.7%
1982	12.2%	2006	2.2%
1983	6.5%	2007	2.3%
1984	5.5%	2008	1.8%
1985	4.6%	2009	2.5%
1986	3.9%	2010	0.5%
1987	4.1%	2011	1.4%
1988	4.3%	2012	2.8%
1989	4.1%	2013	1.9%
1990	4.7%	2014	0.9%
1991	4.8%	2015	1.7%
1992	5.8%	2016	1.3%
1993	2.1%	2017	1.3%
		2018	1.6%
		2019	2.2%

Examples

Last day of remuneration: September 29

First day deemed not employed: September 30

Entitlement: 3 remaining months of that year (i.e. October, November, December).

Last day of remuneration: September 30

First day deemed not employed: October 1

Entitlement: reduces the number of complete months prior to the following January 1 from three to two.

Using a hypothetical example of a \$38,500 immediate annuity with a scheduled 2% annual indexation adjustment, the impact of this additional one day of employment could result in future superannuation benefit losses of \$64.17 per year (indexed).

PSAC members are advised to seriously consider this issue when determining their actual date of termination of employment.

This pro-rating provision only applies to the first indexation increase following termination of employment. In all subsequent years, the entire annual indexation adjustment applies to superannuation benefit entitlements. Table 3 provides the schedule of the pro-rated portion of the indexation adjustment by month of termination.

Table 3

Initial Indexation Increase

Month of termination	Pro-rated increase, following year
January	11/12
February	10/12
March	9/12
April	8/12
May	7/12
June	6/12
July	5/12
August	4/12
September	3/12
October	2/12
November	1/12
December	0/12

1.8

Integration with C/QPP (bridge benefit)

The employee contribution rates and benefit entitlements under the PSSA are integrated with the Canada/Quebec Pension Plans (C/QPP). This feature is one of the more controversial and misunderstood aspects of the PSSA. The PSAC is in constant receipt of concerns expressed by members and retirees regarding this issue.

The following is a detailed background and explanation on the C/QPP integration provisions of the PSSA for their information.

Background

On January 1, 1966, the federal government and the province of Quebec introduced the C/QPP. Their goal: provide virtually all working Canadians and their families with a degree of earnings-replacement protection in the event of the retirement, disability or death of the wage earner.

Initially, employees and employers were each required to contribute 1.8% of earnings up to a level reflective of average wages in Canada and benefits were designed to represent 25% of earnings up to this level.

As C/QPP participation was compulsory, the issue was whether or not the PSSA and other pension plans already in existence at the time would be amended to account for the new mandatory public pension scheme.

There were basically two choices available to private pension plans:

- ignore the introduction of the C/QPP and simply “stack” benefit and contributions rates on top of the C/QPP;

or

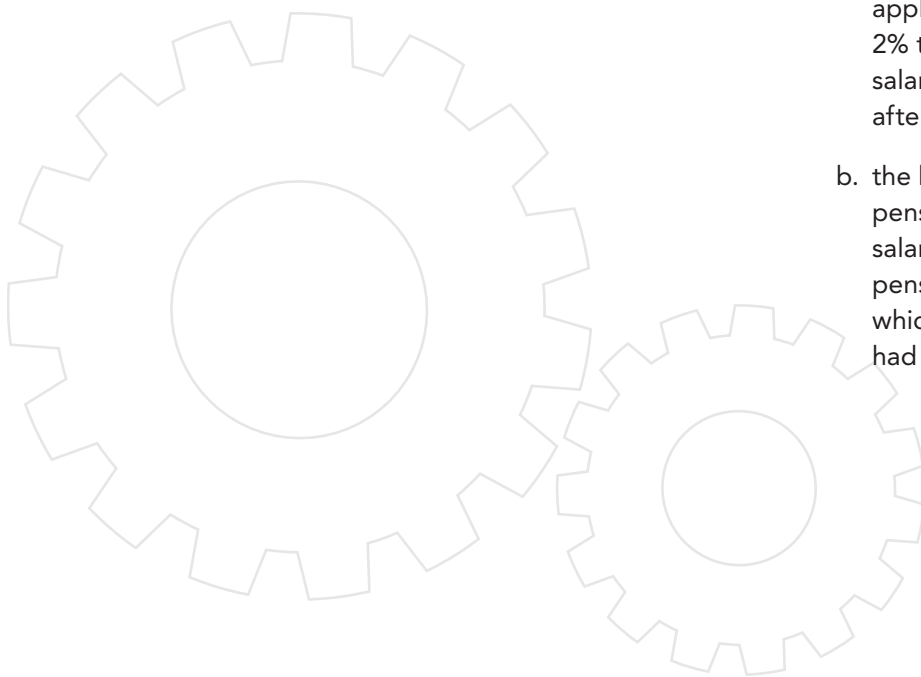
- coordinate the plan provisions to recognize the contributions required and coverage provided under the C/QPP.

For the most part, the choice depended on the level of protection afforded by the private plan. For example, plans that provided very basic benefits or were defined contribution (money purchase) plans were unlikely to be amended or coordinated with the C/QPP. On the other hand, more generous pension arrangements that already provided a significant level of replacement income were most likely to opt for integration with the C/QPP.

In 1966, the federal government decided that the terms of the PSSA would be integrated with the provisions of the C/QPP. This decision was based primarily on the fact that the PSSA was providing an appropriate level of retirement income for employees earning below the average industrial wage and these individuals were already diverting a significant portion of their income to retirement savings in the form of superannuation contributions. In other words, the retirement income system (OAS, C/QPP and employer-sponsored pensions) would replace approximately 85% of their pre-retirement income. To require such employees to provide themselves with an even higher replacement rate, by increasing contributions above what was already required under the PSSA, was considered to be too great a diversion of earnings from current consumption needs.

As a result, the Federal Government, in consultation with the Advisory Committee on the PSSA, adopted the following integration method:

1. The combined contributions under the superannuation plan and the C/QPP would equal the existing contribution rates under the PSSA.
2. The pension benefits earned before the inception of the C/QPP would remain the same. In other words, for years prior to 1966, there would be no integration in the benefit calculation. Furthermore, because of “full” C/QPP benefits not being payable prior to age 65, there would be no benefit reduction between ages 60 and 65.
3. At the time the C/QPP retirement benefit became payable:
 - a. the portion of the superannuation benefit based on the salaries on which “split” contributions applied would be reduced from 2% to effectively 1.3% of average salary for each year of service after C/QPP commenced;
 - b. the balance of the superannuation pension benefit based on the salaries above the yearly maximum pensionable earnings (YMPE) on which only the PSSA contributions had been paid would be 2%.



4. The reduction described in 3a) would be applied immediately in the case of a disability retirement, where the disabled employee was entitled to disability benefits both under C/QPP and the PSSA.
5. There would be no reduction in survivor and children's benefits under the PSSA, despite the provision of these benefits under C/QPP. This decision was based on two factors:
 - a. the recommendation of the Department of Insurance, which had advised against integration given the number of very small survivor and children benefits payable under the PSSA;
 - b. the administrative difficulties which would result because of the various criteria which had to be met to qualify for a survivor's benefit under the C/QPP and the varying formula that existed to determine the amount of the benefit that would be payable under that plan.

As a federal statute, the PSSA is not subject to negotiations with federal public service bargaining agents. Therefore, the input of the PSAC to the CPP/QPP integration discussions in 1965-66 was restricted to the limited legislated mandate provided to representatives on the Advisory Committee of the PSSA. The current C/QPP integration formula represents the extent of the protections the PSAC could attain in this forum to protect the interests of the membership and their families.

The entire issue of the coordination of the PSSA with the C/QPP is further complicated by the revisions introduced to the public pension system by the federal government in agreement with most provinces. Since 1987, the required contribution rates to the C/QPP have increased considerably. The resulting implications for the PSSA are illustrated in Table 4.

As of January 1, 2019, employee contribution rates to C/QPP have risen to 5.1%. As a result, had a decision been made in 1966 to "stack" the contribution rates and benefit formulae of the C/QPP and the PSSA, as of 2019, 16.88% of salary (below the YMPE) of federal public service employees would now be deducted for purposes of pension contributions (i.e. C/QPP plus PSSA).

Table 4

Year contribution formula	PSSA contribution below YMPE ¹	C/QPP contribution rate	PSSA contribution formula above YMPE
1966-1986	5.7% ²	1.8%	7.5%
1987	5.6%	1.9%	7.5%
1988	5.5%	2.0%	7.5%
1989	5.4%	2.1%	7.5%
1990	5.3%	2.2%	7.5%
1991	5.2%	2.3%	7.5%
1992	5.1%	2.4%	7.5%
1993	5.0%	2.5%	7.5%
1994	4.9%	2.6%	7.5%
1995	4.8%	2.7%	7.5%
1996	4.7%	2.8%	7.5%
1997	4.5%	3.0%	7.5%
1998	4.3%	3.2%	7.5%
1999	4.0%	3.5%	7.5%
2000 ³	4.0%	3.9%	7.5%
2001	4.0%	4.3%	7.5%
2002	4.0%	4.7%	7.5%
2003	4.0%	4.95%	7.5%
2004	4.0%	4.95%	7.5%
2005	4.0%	4.95%	7.5%
2006 ⁴	4.3%	4.95%	7.8%
2007	4.6%	4.95%	8.1%
2008	4.9%	4.95%	8.4%
2009	5.2%	4.95%	8.4%
2010	5.5%	4.95%	8.4%
2011	5.8%	4.95%	8.4%
2012	6.2%	4.95%	8.6%
2013 ⁵	6.85%	4.95%	9.2%
2014	7.50%	4.95%	9.8%
2015	8.15%	4.95%	10.4%
2016	9.05%	4.95%	11.04%
2017	9.47%	4.95%	11.68%
2018	9.83%	4.95%	12.13%
2019	9.56%	5.1%	11.78%

1. This column refers to contributions to the PSSA required on those earnings subject to the C/QPP. For example, in 2003, employees are only required to contribute to C/QPP on earnings between \$3,500 (year's basic exemption (YBE)) and \$39,900 (yearly maximum pensionable earnings [YMPE]). Prior to 2000, earnings below the YBE and above the YMPE were subject to a PSSA contribution rate of 7.5%.
2. Prior to the implementation of indexation in 1970 under the *Supplementary Retirement Benefits Act*, employee contribution rates were 6.5%. In addition, prior to February 1, 1976, women contributed 5% of pensionable earnings.
3. The passage of the *Public Sector Pension Investment Board Act* on September 14, 1999 resulted in a delinking of the employee contribution rates to the PSSA and the C/QPP. Between January 1, 2000 and December 31, 2003, the employee contribution rate to the PSSA for earnings below the YMPE will remain frozen at 4%. Effective January 1, 2004, the legislation allows for annual increases in the employee PSSA contribution rate of up to .4% for salary less than, equal to or more than the YMPE.
4. On July 7, 2005, the President of Treasury Board announces increases in employee contribution rates to the PSSA for the period 2006 to 2013.
5. On December 13, 2012, the government passed legislation which targeted a cost sharing ration for pension plan contributions of 50/50 between employees and the employer. Contributions have gradually increased to hit this target.

Recent changes to the C/QPP

Improvements to the CPP and the QPP passed into law in 2016. At the time of publication, it was uncertain whether the federal government would pass legislation to further integrate the expanded C/QPP or make no changes to the plan, which would effectively stack the new, additional portion of C/QPP. The guide will be updated once this direction is clear.

C/QPP reduction formula (bridge benefit)

Upon turning 65, retirees who receive a PSSA benefit or are entitled to C/QPP disability benefits will have their superannuation benefits reduced by the following pre-determined formula prescribed by law:

.00625 x number of years of contributory service x average maximum pensionable earnings (AMPE), or average salary, whichever is lower

This feature is often referred to as a *bridge benefit* in Treasury Board Secretariat and Pension Centre documentation. The amount of the PSSA benefit payable less the bridge benefit reduction is referred to as the *lifetime benefit*.

The AMPE refers to the average of the C/QPP earnings ceilings (YMPE) for the year of retirement (or for the year of entitlement to C/QPP, if this occurs before retirement) and the four preceding years. The C/QPP ceilings for 2015 through to 2019 are:

\$53,600, \$54,900, \$55,300, \$55,900 and \$57,400 respectively.

The AMPE for 2019, therefore, is \$54,420.

If an employee's average salary is lower than the AMPE, the actual average salary is used in the calculation.

Example:

An employee with 35 years of service and an average salary in excess of the AMPE who retires on December 30, 2019, would have his/her PSSA benefit reduced at age 65 (or upon receipt of C/QPP disability benefits) by \$12,123.13 per annum (.00625 x 35 x \$55,420) or \$1,010.26 per month. This amount could vary according to years of contributory service and/or average salary. Please note that in 2019, the maximum C/QPP retirement benefit payable from age 65 is \$1,154.58.

NOTE

The offset formula is slightly different for a new retiree who was born before 1947. In such cases, the 0.00625 reduction in the formula above is replaced according to the following schedule:

<u>Year of birth</u>	<u>Reduction factor</u>
Before 1943	.007
1943	.00685
1944	.00670
1945	.00655
1946	.00640
1947 or after	.00625

The Pension Centre provides terminating employees with a projected estimate of the C/QPP reduction which would apply at either age 65 or the commencement of receipt of C/QPP disability benefits.

**1.9
Survivor benefit
and child allowance**

If a PSSA contributor dies, the survivor and the children become entitled to an immediate allowance.

Survivor benefit

PSSA definition of survivor

- A. A person who is the lawful spouse of the contributor, providing the marriage occurred prior to retirement (i.e. ceasing to be employed in the public service). In cases where a relationship of a conjugal nature existed prior to the date of marriage, the President of the Treasury Board may direct that the marriage be deemed to have occurred at an earlier date.
- B. A person with whom the contributor was cohabiting in a relationship of a conjugal nature for at least one year prior to the death of the contributor. The relationship must have existed prior to the contributor's retirement.

The PSSA provides a survivor benefit equal to one-half the **basic accrued superannuation entitlement** of an employee who had at least two years of pensionable service. The survivor benefit is calculated without regard to C/QPP integration or any reduction which would apply to an annual allowance option.

Sample survivor benefit calculation

Age of deceased	Years of service	Highest average salary	Formula
45	25	\$55,000	$1\% \times 25 \times 55,000$ $= \$13,750$

In this instance, the employee had not satisfied the age or service requirements for an immediate annuity. However, neither the resulting reduction nor the C/QPP reduction factor were applied. The survivor can receive survivor benefits under C/QPP and will also receive the full survivor benefit in accordance with the above PSSA formula.

Death within one year of marriage

No survivor benefit is payable unless the President of the Treasury Board is provided with satisfactory proof that the contributor's health at the time of the marriage was such that he/she was expected to live for at least one year.

Cohabitation in a relationship of a conjugal nature

The survivor must submit to the Pension Centre proof of the existence of a relationship of a conjugal nature and documentary evidence that the relationship remained continuously in effect at least one year prior to and including the date of the contributor's death.

Such evidence normally takes the form of statutory declarations from disinterested persons who know the circumstances of the relationship, along with copies of bills, receipts, mortgage papers, leases, joint bank accounts, credit accounts and any other relevant documentation.

Legal spouse and eligible survivor

When the deceased employee leaves behind both a legal spouse and an eligible survivor (conjugal relationship), the survivor benefit is apportioned between the two claimants. Each one's share is based on the length of cohabitation with the employee.

Within three months from the date of notice of entitlement, the survivor has the option of waiving the survivor benefit if this results in the payment of a **minimum benefit** or a **double rate child's allowance**.

Surviving child allowance

PSSA definition of *child*

A natural child, stepchild or adopted child of a contributor who is

- a. less than 18 years of age; or
- b. over 18 but less than 25 years of age and in full-time attendance at a school or university, having been in such attendance substantially without interruption since reaching age 18 or since the contributor died, whichever is later.

If there is a survivor, each eligible surviving **child** is entitled to an allowance equal to one-tenth of the **basic accrued superannuation entitlement** of the deceased employee. If there is no survivor, each eligible surviving **child** is entitled to an allowance equal to one-fifth of the **basic accrued superannuation entitlement** of the deceased employee.

If there is a survivor, the maximum combined amount of **child** allowances payable with respect to one contributor is four fifths of the **survivor** benefit. If there is no survivor, the maximum combined amount payable is four fifths of the **basic accrued superannuation entitlement** of the deceased employee. If there are more than 4 surviving **children**, the maximum combined amount payable may be divided amongst them.

Payment of benefits

Benefits are payable to the **survivor** and **children** immediately and are normally paid directly to the **survivor**. If there are **children** not residing with the **survivor**, the **children's** allowances are paid to the person designated as responsible for their custody and control. Also, allowances are normally paid directly to **children** who are over the age of 18.

Minimum benefit (no survivor or children)

In the event of the death of an employee with a minimum of two years of pensionable service where there is **no eligible or no longer any eligible survivor or children**, the greater of the two following amounts is payable to the beneficiary named under the Supplementary Death Benefit (SDB) Plan:

- Return of contributions plus interest

or

- Five years of **basic accrued superannuation entitlement (i.e. immediate annuity)** payments

Any benefits already paid to a survivor or children (excluding indexing benefits) are subtracted from those amounts.

If the employee has not named a beneficiary, or the designated beneficiary has not survived the employee, or the employee has declined coverage under the SDB Plan, then the amount is payable to the estate of the deceased employee. If the amount is less than \$1,000, the President of the Treasury Board will designate the person or persons entitled to payment.

Concerns have been raised regarding the adequacy and fairness of the minimum benefit provisions of the PSSA, particularly by PSAC members who are single and without children. This issue is currently being pursued by the PSAC at the Public Service Pension Advisory Committee.

1.10

Benefits in the event of separation or divorce

In the event of a divorce/separation or a permanent conclusion to a relationship of a conjugal nature, the superannuation benefit entitlements accrued by an employee during the course of a marriage or period of cohabitation in a relationship of a conjugal nature may be divided in accordance with the provisions of the *Pension Benefits Division Act* (PBDA).

Division of benefits

Married persons who have separated or divorced, and persons who have lived in a relationship of conjugal nature for a minimum of one year and have separated are eligible to receive a division of accrued superannuation benefit entitlements. The PBDA requires a formal application for division from either party to the marriage or relationship of a conjugal nature and must be accompanied by a court order or separation agreement between the parties providing for the division of accrued superannuation benefit entitlements. In the event the application is based on a separation agreement, the couple must have been separated for a minimum of one year.

Should the application for division be approved, a lump sum representing the share of the accrued superannuation benefits subject to division will be transferred to either a registered savings vehicle designated by the receiving party or a life insurance company to purchase a life annuity. The lump sum amount can never exceed 50% of the value of accrued superannuation benefit entitlements subject to division. The superannuation benefits of the employee will be reduced to reflect the division.

Employees will receive notification of any application filed for division of their accrued pension benefits. An objection to the division may be filed within 90 days of the date the notice of application was sent and can only be based on the following grounds as specified under the PBSA:

- the court order or agreement between the parties has been changed or is no longer valid;
- the terms of the court order or agreement between the parties have been satisfied, or are being satisfied, by some other means;
- the court order has been appealed or the terms of the agreement between the parties are being challenged in court.

The PBSA also delegates discretion to the Minister of Public Services and Procurement Canada to refuse a division if he/she is satisfied that it would not be just to do so.

Due to the complexity of issues associated with the administration of superannuation benefits division under the PBDA, any PSAC member requiring information or assistance in this area is encouraged to contact directly PBDA Client Advisory Services at the Pension Centre. See Section 5 for contact details.

2. PLANNING FOR RETIREMENT

2.1 Verification of length of full/part-time pensionable service

The Government of Canada Pension Center provides employees with annual Pension and Benefit Information Statements (PBIS). In order to avoid any surprises or disappointments at the date of retirement, members should verify the length of full/part-time pensionable service well in advance of a pending retirement date.

Members are also encouraged to maintain their own employment records and documentation in the eventuality of a dispute or disagreement over superannuation benefit entitlements based on pensionable service.

2.2 Elective pensionable service and pension transfer agreements

The PSSA provides contributors with opportunities to increase pensionable service, which forms the basis for benefits, through elective service provisions and Pension Transfer Agreements.

Elective service

The types of elective service for which an employee could obtain credit include:

- Prior federal public service not included as pensionable service
- Service with the Canadian Forces
- Service with the Royal Canadian Mounted Police
- War service
- Civilian war service
- Service as a locally-engaged employee
- Service with an international organization
- Service as a member of Parliament
- Outside pensionable employment which is *immediately prior* to employment with the federal public service
- Previous periods of leave without pay not included as pensionable service

TIP

PSAC members are encouraged to check if any of the above conditions apply to them. A cost estimate can be obtained in advance to assist with assessing whether pursuing a past service election is a viable option.

The Treasury Board Secretariat website includes an elective service buyback estimator at:

tpsgc-pwgsc.gc.ca/remuneration-compensation/services-pension-services/pension/info/tirs-sbp-eng.html#a6

The **cost** of electing prior pensionable service is dependent on several factors, including:

- the type of elective service;
- the timing of the actual election; and
- the method of payment for the elective service.

In all cases involving a **late election** (i.e. more than one year after commencing contributions to the PSSA), the employee is also required to pass a medical examination administered by Health Canada to validate an election.

Pension transfer agreements

A pension transfer agreement (PTA) provides for portability of accrued pension benefits and service between the PSSA and other pension arrangements. Members are encouraged to contact the Pension Centre to see if there is an agreement between the employer that they are transferring from or to.

Members can consult the list of PTAs currently in force between the federal government and other employers at:

canada.ca/en/treasury-board-secretariat/services/pension-plan/plan-information/public-service-pensionable-service.html#toc3

Ordinarily, the option to transfer pensionable service for an existing PTA expires after one year of contributor status under the PSSA. However, members retaining pensionable service entitlements with another pension arrangement where no PTA currently exists are encouraged to continue to monitor the Treasury Board Secretariat listing in case things change. This would provide the opportunity to transfer the prior pensionable service to the PSSA in an administratively efficient and cost-effective manner.

2.3 Personal documentation

The *PSSA Regulations* identify the documents required to prove entitlement to various superannuation options and benefits.

Proof of age of contributor

- Accurate designation of beneficiary for supplementary death benefit
- (*Form PWGSC-TPSGC 2196 – “Naming or Substitution of Beneficiary”*)
- Names and detailed contact information of any survivors and children

Proof of age of any survivors and children

Documentation related to marital and family status:

- marriage certificate or evidentiary documentation to substantiate cohabitation in a relationship of a conjugal nature;
- divorce decree, separation papers or death certificate of survivor;
- where there was a previous marriage, the marriage certificate of that marriage and the death certificate or divorce decree in respect of the former survivor;
- where the contributor is living apart from his/her survivor, written record of contributor's view relating to the circumstances;
- relevant documentation relating to children (e.g. proof of age, adoption papers, evidence of guardianship, evidence of continuous attendance at qualified educational institution);
- declaration of evidence relating to a change of name (other than by marriage) or reconciling any difference between name on personal documents and name on the appointing certificate.

TIP

Missing or inaccurate documentation will result in errors and delays in the processing of superannuation benefit entitlements. To avoid unnecessary hardship and inconvenience, PSAC members are encouraged to ensure that their personnel file is up to date.

2.4 Pre-retirement Transition Leave Policy

As its title suggests, this Treasury Board policy offers the option of a gradual transition to retirement to interested employees who are within two years of eligibility for an immediate annuity. It allows those employees to reduce the length of their workweek up to 40% and maintain pension and benefit coverage (as well as required contributions/premiums) at pre-arrangement levels.

NOTE

Pre-retirement transition leave is subject to managerial approval and discretion, based on operational feasibility.

Additional information on the pre-retirement transition leave is available at:

tpsgc-pwgsc.gc.ca/remuneration-compensation/services-pay-pay-services/pay-information-pay/vie-life/vie-conge-life-leave/conge-preret-holiday-eng.html

3. IMPORTANT INFORMATION FOR IMPENDING RETIREMENT

3.1 Severance pay

When severance pay at retirement was deleted from our collective agreements, many members chose not to cash in their accrued severance to receive it upon separation.

For those members, it is important to note that collective agreements all specify that the calculation of severance pay is based on:

“... the weekly rate of pay to which he or she is entitled for the classification prescribed in his or her certificate of appointment on the date of his or her termination of employment.”

Therefore, PSAC members who want to maximize their severance pay should consider deferring their date of retirement until after a forthcoming scheduled salary adjustment or pay increment.

Transfer to an RRSP

The *Income Tax Act* (ITA) considers severance pay as a *retiring allowance* and, subject to limitations, transferable directly to a Registered Retirement Savings Plan (RRSP) without income tax held at source.

Any amount of severance pay in excess of ITA limitations is subject to income tax at source unless a Tax Waiver Letter is obtained from the Canada Revenue Agency and, where applicable, Revenu Québec. Further information on the treatment of severance pay (i.e. retiring allowance) under the provisions of the ITA can be obtained by contacting the Canada Revenue Agency. See Section 5 for contact details.

3.2 Annual and compensatory leave credits

Any of the above leave credits that have been earned but not used at termination of employment are paid in cash at the current rate of pay as at the last day of employment. These amounts are not eligible for transfer to an RRSP unless a Tax Waiver Letter can be obtained from the Canada Revenue Agency and, where applicable, from Revenu Québec.

TIP

Annual and compensatory leave are considered pensionable service under the PSSA. Consequently, using those accumulated leave credits, instead of cashing them in, increases pensionable service and improves future pension benefits. Members should carefully weigh the pros and cons of each option before setting a retirement date.

3.3

Sick leave credits

Earned but unused sick leave credits are not paid out in cash upon termination of employment.

3.4

Public Service Health Care Plan

For the guide's purposes, members who contribute to the Public Service Health Care Plan (PSHCP) can be divided into two broad categories.

At least six years of pensionable service

Members in this category may continue their coverage as pensioners. The applicable premiums are deducted from monthly pension payments. PSAC members not participating in the PSHCP as employees can elect to enroll as a pensioner and pay the appropriate premium.

Less than six but at least two years of pensionable service

Members under this category are also eligible to continue their coverage if they fall into any of the following categories:

- A person to whom a recognized, ongoing pension benefit under any Act listed in Schedule IV of the PSHCP is payable and who was the subject of a separation because of a workforce adjustment.
- Survivors or dependents of deceased employees with less than six years of service after April 1, 2015. These persons will continue to have access to the PSHCP as a pensioner if the employee dies with less than six years of service.
- A person who was participating in the Plan as a pensioner immediately before April 1, 2015.
- A person who was entitled to a deferred pension benefit under any act listed in Schedule IV of the PSHCP immediately before April 1, 2015.
- A person to whom an ongoing pension benefit under any act listed in Schedule IV of the PSHCP became payable before April 1, 2015, who had applied to join the PSHCP before that date.
- A person who is a member of the Veterans Affairs Canada (VAC) Client Group, referred to in item F of Schedule III of the Plan, or a survivor of such a member.
- A person to whom a recognized, ongoing pension benefit, a survivor's benefit, or a children's benefit is payable under the *Judges Act*.
- A person to whom a recognized, ongoing pension benefit or survivor's benefit is payable under the *Governor General's Act* or the *Lieutenant Governors Superannuation Act*.
- A person to whom a recognized, ongoing pension benefit under any Act listed in Schedule IV of the PSHCP is payable as a result of disability.

- Survivors or dependents of deceased pensioners who retired with more than six years of service after April 1, 2015, confirming that the six years of service is related to the deceased pensioner's service and not to be applied to their survivors and dependents.
- Survivors or dependents of a deceased pensioner who was a member of the PSHCP before April 1, 2015, meaning that the original exemption for the pensioner in the Plan before April 1, 2015, continues for their survivors and dependents.

Pensioners are required to pay premiums that represent 50% of the cost of the PSHCP. This amount is published by Treasury Board and updated annually each April 1.

TIP FOR QUEBEC MEMBERS

The employer's portion of PSHCP premiums is considered a taxable benefit and subject to Quebec income tax. Detailed information on current PSHCP premium rates and coverage for pensioners can be obtained from Sun Life Financial (see Section 5 for contact details) or at njc-cnm.gc.ca/directive/d9/v9/s87/en#s87-tc-tm_3

For PSAC members participating in the PSHCP as employees, the PSHCP identifier number will remain the same as a pensioner.

If a PSHCP participant dies, coverage can continue for the eligible spouse and dependents.

If upon the date of retirement, the PSAC member opts for a deferred annuity, eligibility for PSHCP coverage can be re-established within 60 days of the commencement of the annuity benefit. In those cases, members should submit their application for renewal of PSHCP coverage well in advance of the start of deferred annuity payments to avoid a possible late application which requires an initial three-month waiting period.

TIP

The PSAC always recommends verifying that the PSHCP premium deductions from monthly superannuation payments correspond to the appropriate level of coverage requested/required by the employee/pensioner.

3.5 Public Service Dental Care Plan (PSAC) and Pensioners' Dental Services Plan

Public Service Dental Care Plan (PSAC)

As a rule, coverage ceases upon termination of employment. However, in cases where certain types of dental treatment (e.g. root canal) began prior to the date of termination, coverage continues when treatment is within 31 calendar days of termination of employment.

Pensioners' Dental Services Plan (PDSP)

Eligibility

Retirees are eligible upon commencement of an annuity or annual allowance pursuant to the PSSA because of retirement from a federal department or specified federal agency/entity. Sun Life Financial publishes a list of agencies and entities. See Section 5 for contact details.

Enrollment

Eligible participants enroll in the PDSP by submitting the prescribed application form to Sun Life Financial. The insurer must receive the application within 60 days of the effective date of a superannuation entitlement. Late enrollment is not permitted under the terms of the plan.

However, application for enrollment can be deferred if the eligible party provides proof of coverage under another dental plan or has veterans' coverage. In those cases, the application must be received no later than 60 days following termination of coverage under the other dental plan or veterans' coverage.

The required PDSP employee premiums can be deducted directly from a participant's monthly superannuation benefit payment.

TIP FOR ONTARIO AND QUEBEC MEMBERS

PDSP premiums are subject to provincial sales tax in both provinces. In addition, for residents of Quebec, the portion of the PDSP premium paid by contributions from the federal government is a taxable benefit and is subject to Quebec income tax.

Details on the premium rates for various categories of coverage along with enrollment information and plan summary can be obtained by contacting Sun Life Financial. See Section 5 for contact details.

3.6 PSSA elective service payments

For retirees eligible for an **immediate annuity** or who opt for an **immediate annual allowance**, payments for the unpaid portion for any PSSA past service election continues to be deducted from monthly pension payments in the same manner as prior to retirement.

In the case of employees who opt for a **deferred annuity**, monthly payments for elective service may also be made by sending a cheque or money order payable to the "Receiver General for Canada" directly to the Government of Canada Pension Centre.

Elective service payments made on an installment basis are life-insured; therefore, if the employee dies, the elective service is considered to be paid in full, with no further payment obligations from the survivors or estate.

TIP

In view of the interest rates and insurance charges associated with installments, employees contemplating termination of employment may wish to consider payment of all or a portion of the outstanding amount of elective service cost using funds available from termination payments.

3.7 PSSA and SDB leave without pay arrears

Outstanding arrears for pensionable service and SDB coverage accrued during prior periods of leave without pay can be deducted from monthly superannuation benefits payments in the same manner as active PSSA participants. Recovery of the PSSA and SDB arrears is initiated upon commencement of receipt of an annuity or allowance pursuant to the PSSA. Terminating employees also have the option of paying all or a portion of the PSSA and SDB arrears in a lump sum payment with the funds available from termination payments.

Unlike past service election payments, there is no insurance arrangement for payment of PSSA and SDB leave without pay arrears on an installment basis. Recovery of any arrears unpaid at the time of an employee's death may be made from any allowance payable to a survivor and children by either lump-sum payment or installments, with 4% interest, for a term specified by the President of the Treasury Board.

3.8 Provincial health and other extended insurance plans

Basic health insurance coverage for public medical and hospital care varies according to province. The majority of provinces do not levy health premiums with the notable exception of British Columbia.

British Columbia Medical Services Plan

The required monthly premiums for the British Columbia Medical Services Plan can be deducted directly from the monthly superannuation benefit payments of B.C. residents. For more information, contact the Plan directly. See Section 5 for contact details.

NOTE

At the time of publication, the B.C. Government was in the process of tabling legislation which would eliminate Medical Services Plan premiums by January 1, 2020.

Blue Cross of Atlantic Canada/ Quebec Blue Cross

For those employees who subscribe to either Blue Cross of Atlantic Canada or Quebec Blue Cross, such coverage can continue into retirement and required premium rates deducted from the monthly superannuation benefit payment. The applicable pensioner premium rates will be included in the documentation provided by the Government of Canada Pension Centre for purposes of processing a retirement.

3.9 Supplementary Death Benefit Plan

The PSSA includes a supplementary death benefit (SDB) which provides decreasing term life insurance protection payable to a designated beneficiary. SDB coverage is applicable to most employees who participate in the PSSA and can continue into retirement.

Benefit

The SDB plan provides a benefit equal to twice an employee's annual salary. If this amount is not a multiple of \$1,000, the benefit coverage is adjusted to the next highest multiple of \$1,000. The amount of the SDB benefit and coverage adjusts automatically for increases in salary. The SDB benefit declines by 10% for each year beyond the age of 65.

Example: \$110,000 coverage at 65 (\$55,000 annual salary x 2) with no change in salary coverage would decline to \$99,000 at age 66, \$88,000 at 67, and so on. The yearly reduction will take effect on the first day of April or October, whichever date comes first after the employee's birthday.

With the reduction rate described above, benefits would ordinarily decline to zero as of age 75 except for the following two relevant provisions:

- Participants still employed, or those who cease to be employed and are entitled to an immediate annuity or an annual allowance payable within 30 days of termination, are entitled to a paid-up coverage of \$10,000 when they reach age 65. This means that the participant, whatever his or her actual coverage at 65, has \$10,000 of that coverage

without contribution. This paid-up benefit is retained for life at no cost.

- If a participant dies after reaching age 65 while still employed in the public service, the minimum coverage is the greater of \$10,000 or one third of the person's annual salary. If one third of the salary is not a multiple of \$1,000, it will be adjusted to the next highest multiple of \$1,000 to determine this benefit.

Contributions

Amount

The contributions required for SDB coverage are 15¢ per month for every \$1,000 of coverage. In other words, an employee earning \$55,000 per annum with \$110,000 of SDB coverage would be required to contribute \$16.50 per month or \$198.00 per year. After age 66, the contributions required decline in accordance with the automatic annual 10 % reduction in coverage.

Automatic coverage

An employee who retires with an entitlement to an immediate annuity, an immediate annual allowance payable within 30 days after termination or with a disability annuity at any age, is deemed to have elected to continue participation in the SDB Plan and the required SDB contributions will be deducted automatically from the monthly superannuation benefit payment.

In accordance with the foregoing retirement scenarios, there is no change to the required SDB contribution rate of 15¢/month per \$1,000 of coverage.

Cancellation or reduction of automatic coverage

Alternatively, a retiring employee can choose to cancel or reduce SDB coverage to \$10,000. The Pension Centre has the required forms. See Section 5 for contact details.

This option is irrevocable and there are no provisions in the PSSA to provide for reinstatement of coverage.

TIP

Participants eligible for \$10,000 paid up SDB coverage at age 65 should seriously consider reducing coverage to \$10,000 as an alternative to complete cancellation of coverage.

Elective coverage

Employees who terminate employment with a superannuation benefit other than an immediate annuity, an immediate annual allowance payable within 30 days after termination or a disability annuity are required to make a formal request to continue SDB coverage. The Pension Centre has the required forms. See Section 5 for contact details.

Contribution amount and payment of elective coverage

Terminating employees who request continued coverage must pay the full contribution for the first year of coverage. Payment can be made by cheque, money order or bank draft payable to the "Receiver General for Canada" and

must be received by the Government of Canada Pension Centre within 30 days of the date of termination.

Elective SDB participants will receive instructions on how and when to remit future required SDB contributions. Cancellation of their coverage can result if the Pension Centre is not in receipt of those contributions without 30 days of the PSSA deadline.

The contribution rate for elective coverage is higher than that of automatic coverage. The Pension Centre has information on the calculation of applicable SDB contributions. See Section 5 for contact details.

Example: An employee retiring at age 50 with SDB coverage of \$110,000 (final annual salary of \$55,000) would be required to pay \$1,326.05 per year to retain SDB coverage beyond termination.

Furthermore, no paid-up coverage is available in these circumstances. Consequently, SDB coverage ceases completely as of age 75.

Beneficiaries

Employees and retirees have the right to designate and substitute the beneficiary to whom the SDB will be payable.

TIP

It's important to inform the Pension Centre of the contact information of their designated beneficiary and of any subsequent changes.

3.10 PSMIP – Life insurance portion

Because of specific career patterns, many PSAC members are subject to the Public Service Management Insurance Plan (PSMIP), which provides basic, supplementary and dependent life insurance. Plan coverage ceases upon termination of employment.

However, a conversion privilege to an individual policy without evidence of insurability is available for a 31-day period following the date of termination. Terminating employees interested in this option must submit a written request to the insurer citing their individual agency number, the date of termination of employment and group policy number G68-1400. The employees are provided with their individual agency number by the departmental Pay and Benefits Specialist.

Further information on the conversion privilege can be obtained from Industrial Alliance and Financial Services Inc. See Section 5 for contact details.

3.11 PSAC enhanced coverage

Many PSAC members have enrolled for additional life insurance, and accidental death and dismemberment coverage for themselves, their spouses and dependents provided under the PSAC Enhanced Coverage program.

This coverage remains in effect until October 1 of the year following the year when the PSAC member reaches 66. During employment, the required premium payments are deducted from salary. In the event of retirement prior to age 66, coverage can continue provided arrangements are made to remit the premium payments directly to the plan administrator. Also, at age 66, the PSAC Enhanced Coverage can be converted to a personal life insurance policy without evidence of insurability.

Members enrolled in the PSAC Enhanced Coverage program are encouraged to get in touch with Coughlin and Associates Ltd., the plan administrator, for more information. See Section 5 for contact details.

3.12 Association of Public Service Alliance Retirees (APSAR)

Delegates to the PSAC National Convention of April, 1997 approved the establishment of the Association of Public Service Alliance Retirees (APSAR) for the purpose of protecting the interests of former PSAC members in retirement. APSAR also provides the opportunity for retiring PSAC members to remain aware and connected to the activities of the PSAC.

Eligibility

Membership in APSAR is open to any former PSAC member in receipt of a federal superannuation (or other pension) benefit or an associate member of the PSAC who has retired from the workplace

Membership benefits

APSAR members receive a periodic newsletter containing updated information on pension issues and developments. A comprehensive set of financial benefits including a reduced interest MasterCard, competitively priced home, auto and life insurance and car rental, hotel and moving discounts are also available to APSAR members.

Retiring PSAC members or associate members interested in membership in APSAR can obtain a copy of the application form from APSAR. See Section 5 for contact details.

Fee

The required individual membership fee for APSAR is a modest \$20 per year or \$30 per year with a spouse or partner.

3.13

Recovery of miscellaneous overpayments

Occasions may arise where confirmed overpayments for regular pay, bonuses or allowances are to be recovered from the first available funds (e.g. final salary, severance pay, cash payment of annual leave) that become due and payable upon termination of employment. These situations would include:

- Receipt of regular salary for a period extending beyond the date of retirement.
- Transition payment made to employees in conjunction with the implementation of payment in arrears on April 23, 2014.
- Receipt of bilingualism bonus during the last month of employment where the employee was not entitled to at least 10 days' pay.
- Receipt of terminable allowance during the last month of employment where the employee was not entitled to at least 10 days' pay.
- Use of annual or sick leave credits which had not been earned.
- Education, maternity and parental allowances as a result of not remaining in the service of the employer for the minimum period as specified in the relevant collective agreement.

However, as a last recourse, the Receiver-General of Canada possesses the authority to recover these amounts from superannuation benefits or any other money payable to the employee or to the estate.

TIP

PSAC members are advised to consider the foregoing possibilities and where possible, plan their retirement arrangements accordingly.

3.14 Garnishee summons and other debts owed to the Crown

Family support payments

In Canada, court-ordered maintenance or support payments to a spouse, former spouse, child or other dependent can be deducted from superannuation benefit entitlements, subject to specific limitations. If an application is received, the PSSA benefit recipient will be notified prior to the commencement of deductions.

Maintenance or support payments cannot be deducted from survivor pensions.

Other debts owed to the Crown

In addition to the salaries and related allowances discussed in Subsection 3.13, the Government of Canada also possesses the authority, as a last resort, to recover from future superannuation benefit entitlements other specified debts owed to the Crown including income tax arrears and any accountable advances.

Debts owed to other individuals or companies cannot be deducted from federal superannuation benefit entitlements.



4. POST-RETIREMENT CONSIDERATIONS

4.1 Processing of federal pension benefits

In most cases, the Government of Canada Pension Centre issues a first superannuation benefit payment within 45 calendar days of the date of retirement, provided that all necessary information and documentation is available. Retirees who have not received the first payment within this time limit should call the Pension Centre. See Section 5 for contact details.

Subsequent monthly pension payments are deposited directly into the retiree's designated bank account, as long as the Pension Centre has been given the banking details and a void cheque. The deposits are made on the third last banking day of each month.

TIP

When contacting the Pension Centre, retirees are encouraged to have their designated superannuation number available.

4.2 Impact of retroactive pay increases

In the event that salary increases are negotiated or implemented retroactively to a date preceding a PSSA participant's termination of employment, the Pay Centre is required to notify the Superannuation Directorate in order to recalculate the applicable pension benefit and SDB coverage.

PSAC members are encouraged to continue monitoring collective agreement negotiations in progress on the date of termination by accessing bargaining updates on the PSAC website at psacunion.ca.

As discussed in subsection 3.1, severance pay that wasn't liquidated is determined in accordance with the rate of salary in effect on the date of termination of employment and, therefore, is not impacted by retroactive salary increases.

4.3

Re-employment in the federal public service

Non-PSSA contributors

There is no change to an annual annuity/allowance of a former PSSA contributor is re-employed in the federal public service in a non-contributory position. For example, retirees in receipt of PSSA annuity can accept a term position of less than six months in the federal public service and continue receiving their pension benefits at the same time. The same would apply to pension benefit recipients who accept a federal public service position with an assigned work week of less than 12 hours.

NOTE

Retirees should carefully consider the ramifications of re-employment in the federal public service. For example, when a term position of less than six months is continued with no substantive break in service or when an assigned work week increases above 12 hours, the employee is required to contribute to the PSSA. Furthermore, entitlement to a PSSA annuity/allowance is suspended until subsequent termination of employment.

PSSA contributors

Before receipt of PSSA benefits

If former employees entitled to a deferred annuity, immediate annuity, or annual allowance are re-employed in the federal public service under the PSSA before the start of benefit payments, the entitlement is suspended during the re-employment. Once they cease employment, the benefit is recalculated to include the period of re-employment as pensionable service and a revision to highest average earnings.

In receipt of PSSA benefits

Recipients of an annuity or annual allowance who are re-employed in the federal public service under the PSSA are no longer entitled to the benefit until they terminate employment. The subsequent benefit entitlement will be recalculated upon termination of employment to include the period of re-employment as pensionable service and a revision to highest average earnings.

A reduction formula will also be applied to the new pension benefit in an effort to recover the entire amount of benefits paid before re-employment. However, under no circumstance will the new net annual/monthly payment be less than the previous one.

In these cases, retirees will continue to be part of Group 1 upon re-employment with the federal public service.

Waiver of reduction

As mentioned in subsection 1.4, employees may obtain a waiver of an annual allowance reduction as a consequence of being declared surplus to operational requirements in accordance with a workforce adjustment program. In the event of re-employment in the federal public service, this waiver is not reinstated when the individual subsequently terminates employment.

Re-employment of less than two years

In the case of employees who subsequently resign voluntarily before completing two years of pensionable service, the only benefit entitlement payable to the successor is a return of contributions. His/her previous benefit entitlement would be reinstated upon date of termination.

Indexation

In accordance with the provisions of the PSSA and the SRBA, when determining the indexation applicable to a contributor's annuity benefit, the most recent date on which the contributor ceased to be employed determines the year of retirement. Therefore, re-employment in the public service as a contributor does affect the indexing of a previous superannuation benefit entitlement.

This applies whether the period of re-employment is added to previous pensionable service and the annuity or annual allowance is recalculated or the contributor is only entitled to a return of contributions for the re-employed period. The previous annuity or annual allowance is reinstated and indexation is now based on the last year of retirement.

4.4 Marriage after retirement

As noted in Subsection 1.9, the PSSA specifies that in order to qualify as a "survivor" an individual must have been in a marriage, or cohabiting in a relationship of a conjugal nature, with an employee **prior to** retirement.

However, the PSSA allows retirees who marry **after** retirement to provide survivor benefits to their legal spouse. To do so, they must complete the necessary process by the later of: a) one year from the date of retirement; or b) one year from the date of marriage.

Retirees electing to provide survivor benefits under this provision of the PSSA will have their own superannuation benefit reduced to cover the cost of the additional liability of these benefits. There are three different levels of survivor benefits available and valued at approximately 30%, 40% or 50% of the benefit the retiree will be entitled to after the application of the marriage after retirement reduction.

NOTE

This option is only available to legally married spouses and excludes all other relationships. The PSAC has expressed concern regarding the potential discriminatory nature of these provisions of the PSSA and is pursuing this issue at the Public Service Pension Advisory Committee.

4.5 Canada/Quebec pension plans

C/QPP unreduced retirement benefits are available at age 65. Individuals between the ages of 60 and 65 are eligible for early (reduced) retirement benefits. Alternatively, the individual can defer receipt of C/QPP benefits to age 70 in return for enhanced benefit payments.

When to apply

Officials with Employment and Social Development Canada and the Régie des rentes du Québec suggest that required applications for C/QPP be submitted at least six months prior to the desired commencement date of benefit payment.

Members of the federal public service beyond age 65 can decide to collect C/QPP benefits with no consequences for their employment status or eventual PSSA benefit entitlements.

Federal public service employees/retirees who have a *severe and prolonged* disability can apply for C/QPP disability benefits at any age subject to specified minimal employment eligibility requirements.

Finally, as discussed extensively in Subsection 1.7, the PSSA contains provisions which apply a prescribed C/QPP reduction factor at age 65 or the date of entitlement to C/QPP disability benefits.

See Section 5 for CPP (Service Canada) and QPP contact details.

4.6 Old age security

Old Age Security (OAS) provides a universal flat rate monthly benefit to all Canadians who satisfy certain residency requirements. Eligibility for OAS commences at age 65 and Canadians are required to apply for this benefit. Alternatively, the individual can defer receipt of OAS benefits to age 70 in return for enhanced benefit payments.

Employment and Social Development Canada suggests that applications for OAS be submitted approximately 6 months prior to attaining the age of 65.

Pensioners at lower income levels may also qualify for the guaranteed income supplement (GIS) and their spouses or common-law partners, if between the ages of 60 and 65, may also be entitled to a spouse's allowance.

Information, documentation and assistance on the OAS, GIS and spousal allowance programs can be obtained from the nearest Service Canada office. See Section 5 for contact details.

5. WHERE TO GET HELP

Pre-retirement

Canada Revenue Agency

Phone: 1-800-959-8281

Web: canada.ca/en/revenue-agency/services/tax/individuals/topics/rrsps-related-plans/transferring/transferring-eligible-part-a-retiring-allowance.html

Public Service Alliance of Canada

Pensions and Disability Insurance Officer
PSAC Programs Section
Negotiations and Programs Branch

Mail:

Public Service Alliance of Canada
233 Gilmour Street, Suite 901
Ottawa, ON K2P 0P1

Phone: 613-560-4200

TDD: 613-594-9394

Fax: 613-236-9402

E-mail: infantj@psac-afpc.com

Web: psacunion.ca

Public Services and Procurement Canada Compensation Sector

Web: tpsgc-pwgsc.gc.ca/remuneration-compensation/services-pension-services/pension/index-eng.html

Sun Life Financial – Plan Administrator

Phone: 1-888-757-7427 (toll free)

613-247-5100 (National Capital Region)

Web: canada.ca/en/treasury-board-secretariat/topics/benefit-plans/plans/pensioner-dental-services-plan.html

Treasury Board Secretariat

Web: canada.ca/en/treasury-board-secretariat/topics/pension-plan.html

Post-retirement

Association of Public Service Alliance Retirees

Mail: APSAR National Office
1002 – 233 Gilmour Street
Ottawa, ON K2P 0P2

Phone: 613-560-4206

Fax: 613-567-0385

E-mail: apsar@psac-afpc.com

British Columbia Medical Services Plan

Mail: P.O. Box 9035, Stn. Prov Govt
Victoria, BC V8W 9E3

Phone: 604-683-7151 (Vancouver)

1-800-663-7100 (remainder of B.C.)

Web: gov.bc.ca/gov/content/health/health-drug-coverage/msp

Coughlin & Associates Ltd.

Mail: P.O. Box 3518, Station C
Ottawa, ON K1Y 4G1

Phone: 613-231-2266 (Ottawa-Gatineau)

1-888-613-1234 (rest of Canada)

Fax: 613-231-2345

Web: coughlin.ca

Government of Canada Pension Centre

Mail: Public Services and Procurement Canada
Government of Canada Pension Centre – Mail Facility
P.O. Box 8000
Matane QC G4W 4T6

Phone: 1-800-561-7930 (toll free Canada and Continental U.S.)

1-506-533-5800 (everywhere else; collect calls accepted)

TDD: 1-506-533-5990 (collect calls accepted)

Fax: 1-418-566-6298

Web: tpsgc-pwgsc.gc.ca/remuneration-compensation/services-pension-services/pension/index-eng.html

Industrial Alliance and Financial Services

Mail: Group Life and Disability Claims Department (PSMIP)
522 University Avenue
Toronto, ON M5G 1Y7

Phone: 1-877-422-6487

PBDA Client Advisory Services (Pension Centre)

Phone: 1-800-561-7930

TTD: 1-506-533-5990

Fax: 1-418-566-6298

E-mail: PWGSC.PensionCentre-Centredespensions.TPSGC@pwgsc-tpsgc.gc.ca

Web: tpsgc-pwgsc.gc.ca/remuneration-compensation/services-pension-services/pension/info/info-fra.html

Quebec Pension Plan

Phone: 1-800-463-5185

TTD: 1-800-603-3540

Web: rrq.gouv.qc.ca/en

Service Canada (CPP, Old Age Security)

Phone: 1-800-277-9914

TTD: 1-800-255-4786

Web: canada.ca/en/services/benefits/publicpensions/cpp.html

6. APSAR Membership Form

Members who wish to join APSAR can either fill in the form below or its electronic equivalent at psacunion.ca/membership-form-association-public-service-retirees



Association of Public Service Alliance Retirees
233 Gilmour Street, Ottawa ON K2P 0P2 613-560-4206

Membership Form

Name: _____

Partner/Spouse: _____

Address: _____

Tel.: _____

E-mail: _____

Date of birth (optional): _____

Signature: _____ Date: _____

Annual membership fee: \$20 per person or \$30 per couple

Cheque payable to: Association of Public Service Alliance Retirees **OR** APSAR

Number of years (you can pay for more than one year): _____

Return to: ARAFP, 233 GILMOUR STREET, OTTAWA ON K2P 0P1

Thank you for your support!

7. List of Abbreviations

AMPE	Average maximum pensionable earnings
APSAR	Association of Public Service Alliance Retirees
CPP	Canada Pension Plan
CSC	Correctional Service Canada
GIS	Guaranteed Income Supplement
ITA	<i>Income Tax Act</i>
OAS	Old Age Security
PBDA	<i>Pension Benefits Division Act</i>
PDSP	Pensioners' Dental Services Plan
PSHCP	Public Service Health Care Plan
PSMIP	Public Service Management Insurance Plan
PSSA	<i>Public Service Superannuation Act</i>
PTA	Pension transfer agreement
QPP	Quebec Pension Plan
RRSP	Registered Retirement Savings Plan
SDB	Supplementary Death Benefit Plan
SRBA	<i>Supplementary Retirement Benefits Act</i>
YMPE	Year's Maximum Pensionable Earnings



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