

HOW PENSION INTEGRATION WORKS AT AGE 65



At age 65 the teachers' pension (RREGOP/TPP) is integrated with the Quebec Pension Plan (QPP) pension. This is the law. Teachers in Quebec do not pay both the RREGOP/TPP and QPP contributions on any given dollar of income, therefore cannot benefit from both the RREGOP/TPP pension and the QPP pension at age 65.

HERE IS AN EXAMPLE TO ILLUSTRATE HOW THE PROCESS WORKS:

A teacher retires with 35 years of service at age 58 and receives a pension of \$50,000.

SCENARIO 1

1 The teacher waits until 65 to apply for the QPP pension. At 65, 100% of the QPP pension is granted which at today's rate is roughly \$12,000 per annum.

From age 58 until his/her 65th birthday the teacher will receive a pension of \$50,000.

At age 65 the QPP pension is FULLY integrated such that:

QPP will send cheques which equal \$12,000 per annum BUT the CARRA will reduce the teacher's TPP/RREGOP pension by the full \$12,000.

Age 58 to 65	\$50,000 from CARRA
Age 65+	\$38,000 from CARRA (TPP/RREGOP pension is reduced by the full amount of the QPP)
	\$12,000 from QPP
Pension income at 65 remains stable at \$50,000	

AGE	QPP@65		
	PENSION	QPP	TOTAL
58-60	\$50,000	0	\$50,000
60-65	\$50,000	0	\$50,000
*65+	\$38,000	\$12,000	\$50,000

*In both scenarios the Old Age Security (OAS) pension begins at age 65 (\$546 per month).

If you opt to collect the QPP at age sixty, you are, in effect borrowing \$8,400 per year from your QPP pension account in advance (total \$42,000). At 65 the full integration occurs and you begin to pay back the advanced QPP at a rate of \$3600 per year for the rest of your life.

FACTORS AFFECTING THE DECISION:

Longevity: On average females live to age 83. Males, on the other hand, on average live about 79 years. If you expect to live this long, considering your genetic makeup and your health, delaying collecting the QPP until 65 begins to make sense since you will have recouped the \$42,000 you forwent between ages 60 and 65.

SCENARIO 2

2 The teacher opts to collect his/her QPP pension beginning at age 60

Age 58 to 65	\$50,000 from CARRA
Age 60 to 65	\$50,000 from CARRA
	\$8,400 from QPP (QPP is reduced by 6% for each year prior to age 65 – 70% of \$12,000 = \$8,400)**
Total income \$88,400 \$	
Age 65+	\$38,000 from CARRA (TPP/RREGOP pension is reduced by the full amount of the QPP = \$12,000)
	\$8,400 from QPP
Total pension income at 65 \$46,400	

AGE	QPP@60		
	PENSION	QPP	TOTAL
58-60	\$50,000	0	\$50,000
60-65	\$50,000	\$8,400	\$58,400
*65+	\$38,000	\$8,400	\$46,400

Current financial status: Depending on your tax status and financial needs, it may make sense to collect the QPP as early as age 60.

** Beginning in 2014, the actuarial reduction progressively increases to 7.2% per year resulting in a 36% reduction if the QPP is taken at age 60. This change only affects individuals born in 1954 or later.

N.B. All amounts are rounded for purposes of illustration and will not reflect actual values.



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