

# Teachers' Superannuation Fund

## Pension Booklet



Prepared October 2005

*Disclaimer:*

*The information presented in this booklet has been summarized  
from the Teachers' Superannuation Act.  
The Teachers' Superannuation Act shall take precedence  
over anything present herein.*

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## Membership in the Teachers' Superannuation Fund

### General Criteria

- A teacher as designated under the *School Act* but does not include substitute teachers.

### Who Is Eligible?

- Public school teachers of the province.
- Teachers who supervise the teaching or other services in the Department of Education or regional school boards.
- Teachers employed in the Prince Edward Island Teachers' Federation who apply for permission to come under the *Teachers' Superannuation Act (TSA)* and who make contributions to the Teachers' Superannuation Fund (TSF) under this act.

## Eligibility for Pension

A member becomes entitled to receive a pension at retirement age when he or she is vested. A person becomes vested in the TSF after five years of service in the plan.

## Retirement

### Unreduced Retirement

A member who satisfies one of the following criteria is eligible for an unreduced pension:

- minimum age of 55 and 30 or more years of service,
- minimum age of 60 and five or more years of service,
- member who has 35 or more years of service,
- member who is deemed totally and permanently disabled and has five or more years of service.

### Retirement With Reduced Pension

A member who retires:

- for reasons other than disability,
  - between ages 55 and 60, and
  - who has less than 30 years of pensionable service,
- will have an early retirement reduction applied to his or her pension.

## Early Retirement Reduction

First, the unreduced pension that the member would be eligible to draw is calculated. This amount is then reduced by the lesser of:

- a) 3% for each year between the date of actual retirement and the date the person reaches the age of 60 years; or
- b) 3% for each year between the date of actual retirement and the date the person would reach 30 years of pensionable service.

*Note: The earliest that a member with less than 35 years of service may retire is age 55, therefore the maximum reduction is 15% (5 years x 3%).*

**Example:** A person retires at the age of 58 with 27 years of pensionable service. This example assumes the person's unreduced annual pension is \$30,000. This person would incur an early retirement reduction equal to the lesser of:

$$\text{a) } 2 \text{ years (60-58)} \times 3\% = 6\% \times \$30,000 = \$1,800$$

*or*

$$\text{b) } 3 \text{ years (30-27)} \times 3\% = 9\% \times \$30,000 = \$2,700$$

In this case, the annual pension until age 65 is \$28,200 (\$30,000 minus \$1,800).

It should be noted that the early retirement reduction is applied to both the temporary bridge benefit and the lifetime benefit.

## Pension Benefit Components

The total annual unreduced pension provided by the TSF for members is usually understood to be equal to:

$$\begin{array}{ccccc} 2\% & & \text{Average of best five} & & \text{Years of} \\ \text{Benefit rate} & \times & \text{years' salary} & \times & \text{pensionable} \\ & & & & \text{service} \end{array}$$

### Information on Benefit Rate

The 2% benefit rate shown above is comprised of:

Lifetime benefit	1.3%
Temporary bridge benefit	0.7%
	2.0%

For that portion of pensionable earnings in excess of the YMPE, the lifetime benefit is based on the full 2% benefit rate.

The TSF provides the temporary bridge benefit as shown above from the date of retirement until age 65, the date at which a person is eligible for an unreduced CPP pension.

### Information on Pensionable Service

Pensionable service is comprised of paid teaching days for which contributions have been paid, plus any other service that has been purchased prior to retirement.

### Non-Pensionable Service

- Unpaid board-approved leave which has not been purchased
- Service as a substitute or temporary teacher
- Any period for which contributions were not made

## Pension Calculation

### Unreduced Lifetime Pension: (payable for life to member)

$$1.3\% \times \text{Years of pensionable service} \times \text{Average of 5 highest years' salary: portion up to average YMPE}$$

plus

$$2.0\% \times \text{Years of pensionable service} \times \text{Average of 5 highest years' salary: portion over average YMPE}$$

### Unreduced Temporary Bridge Pension: (ceases at age 65)

$$0.7\% \times \text{Years of CPP service while a member of the TSF} \times \text{Average of CPP earnings for same 5 years as average salary}$$

#### For example:

**For an average salary of \$50,000, 28 years of service, average YMPE of \$41,100, no early retirement penalty.**

Lifetime pension (average salary up to YMPE)	1.3%	x	28 yrs	x	\$41,100	=	\$14,960
Lifetime pension (average salary over YMPE)	2.0%	x	28 yrs	x	\$8,900	=	\$4,984
Temporary bridge pension (ceases at age 65)	0.7%	x	28 yrs	x	\$41,100	=	\$8,056
Total pension to age 65							\$28,000
Total pension after age 65							\$19,944

## Mandatory Contributions

### Member Contributions:

- Contributions are compulsory and are based on a percentage of pensionable earnings.
- Contribution rates are integrated with the Canada Pension Plan (CPP) and are as follows:

Pensionable Earnings	TSF Deductions	CPP Deductions
\$0 to 3,500	9%	0
\$3,501 to 41,100 (2005 YMPE)	7.2%	4.95%
\$41,101 +	9%	0%

### Employer Contributions:

The employer pays into the fund an amount equal to that paid by the member.

## Voluntary Contributions

The following types of additional pensionable service may be purchased by a member:

1. A member is permitted to purchase unpaid or partial-pay board-approved leave at actuarial cost.
2. A member, who takes a refund of contributions and who is subsequently re-employed by a participating employer of the TSF, may re-establish the refunded service at actuarial cost.
3. The TSF allows for the purchase of approved maternity, parental or adoption leaves taken **while a member** of the TSF.
  - If an election to purchase such leave is made within 180 days of the date of return to work, the cost will be equivalent to the member contributions only, but based on the member's salary at the time of election.
  - If election to purchase such leave is made after the 180-day election window, or if the leave ended prior to July 1, 2000, then the entire actuarial cost must be borne by the member.
4. If a member has previous employment with another employer with whom the TSF has a pension-transfer agreement, he or she may be eligible to transfer his or her service and benefits to the TSF (see Reciprocal Transfers section on Page 11).

Please contact the Pensions and Benefits Office at 368-4004 for information about the above options.

## Refund of Member Contributions

A member who terminates employment and ceases contributing to the fund is, upon written application, entitled to a refund of all contributions made by him or her to the TSF as follows:

Years of Participation	
0 to 5 Years (not vested)	5+ Years (vested)
Optional	Optional within 180 days of termination

Every member who has more than five years of pensionable service and subsequently ceases employment may, within 180 days after leaving, elect to:

- a) receive a refund of his or her contributions to the fund; or
- b) allow his or her contributions to remain in the fund until eligible to receive a pension, and that election is final.

If the member does not give notice within 180 days after he or she has stopped teaching, then that member shall be deemed to have chosen to allow his or her contributions to remain in the fund until eligible to receive his or her pension benefits.

*Note: Simple interest at the rate of 4% annually is paid on refunded contributions (member's share only).*

## Deferred Pension

- When a vested member terminates from the TSF, he or she may opt to leave his or her contributions in the fund and may access his or her pension for retirement age (see Retirement section on Page 2). The pension may be subject to an early retirement reduction.
- The deferred pension is indexed annually.

## Indexation of Pension Benefit

Indexation is applied each July 1 at the rate of 60% of the increase in the Canada All-items Consumer Price Index (CPI) to a maximum of 4%.

The pension payment received during retirement and the value of a deferred pension benefit are both indexed under the TSF.

## Death Benefit Calculation

The manner in which the death benefit is paid depends on the member's family structure at the time of death and the member's status in the plan. The following chart applies to vested or retired members:

Member's Survivors	Benefit Entitlement	Frequency/ Duration
Spouse only	60% of member's pension entitlement	Monthly for spouse's life
Spouse and dependent children	60% of member's pension entitlement	Monthly for spouse's life
	10% of the member's pension (to a maximum of three dependents)	Monthly for dependents until they are deemed non-dependent
Dependent children only	60% of member's pension	Monthly, in equal shares to all dependents, until they are deemed non-dependent
Other dependent children over 25, parents or siblings	The Lieutenant Governor in Council may approve a pension benefit not to exceed 50% of member's pension	Monthly for life
No survivors	<ul style="list-style-type: none"> <li>• If active, refund of contributions plus interest (4%) to member's estate.</li> <li>• If retired, refund of contributions plus interest (4%) minus pension benefits received to member's estate.</li> </ul>	

### Notes:

- 1) If the plan member is not vested, then his or her contributions plus interest are refunded to the member's estate.
- 2) A dependent is defined as follows:
  - a) a child under the age of 16;
  - b) a child in full-time attendance at an educational institution, and under the age of 25; or
  - c) another dependent such as a child over the age of 25, parent, brother or sister who is dependent on the member for support at the time of the member's death.

## Reciprocal Transfers

A member, who has previous employment with a school board and with whom the TSF has a reciprocal transfer agreement, may be eligible to transfer his or her service and benefits to the TSF (and vice versa).

The TSF currently has reciprocal transfer agreements with the following pension plans:

- Civil Service Superannuation Fund
- Provincial teachers' pension plans for all provinces
- University of Prince Edward Island Pension Plan

## Investment Management

Both the member and employer contributions are invested in the Province of Prince Edward Island Master Trust. The Master Trust Investment Advisory Committee provides recommendations on investment fund asset mix and reviews performance standards of the investment fund for the Teachers Superannuation Commission. The investment income earned by these monies held with the PEI Master Trust are the largest contributor to the growth of the Teachers' Superannuation Fund.

## Definitions

<b>CPP</b>	Canada Pension Plan
<b>TSA</b>	<i>Teachers' Superannuation Act</i>
<b>TSF</b>	Teachers' Superannuation Fund
<b>Vested</b>	Vesting means the right of a plan member who terminates employment to receive a monthly pension benefit from the pension plan. A member in the TSF becomes vested after five years of continuous service in the plan.
<b>YMPE</b>	This is a CCP term which means Yearly Maximum Pensionable Earnings. The Canada Customs and Revenue Agency updates the YMPE annually.

**To obtain additional information regarding the Teachers' Superannuation Fund, please contact**

**Pensions and Benefits, PEI Public Service Commission**

**Tel: 368-4004**

**Fax: 368-6622**

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