Planning Retirement from the University of Guelph

A Checklist of Things to Consider from The Experience of UGRA Retirees

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Contents

Stay informed through the University of Guelph Retirees Association

One of the primary objectives of the UGRA is to keep retirees informed about pensions and benefits, and to alert members if there are any changes that may affect them. We also pass on advice to retirees that comes from CURAC and similar organisations that may be of interest/benefit to our members. Finally, we work with the University to enhance the privileges that you are entitled to as former employees.

So, let us keep in touch with you by signing the UGRA contact permission form provided to you during your final retirement meeting with HR or by contacting us directly through the UGRA web site, www.ugra.ca.

Please also consider becoming a regular contributing member of the UGRA when you retire. A contribution of only $25/year sustains the work of the UGRA Executive Committee. This includes an informative website, news and information by periodic emails, 2 annual educational Forums and other social programs.

1. Plan your retirement

Planning for retirement is an important process. There are lots of things to think about: When is the best time to go? Where will I live? Will I have enough money? What will I do? What would make my retirement more enjoyable? You can get advice from a number of sources for these questions, including your family and financial advisor. Our focus here is **not** on providing financial advice, but rather on providing you with some questions for consideration as you start thinking about, and planning for retirement.

The questions come out of the experience of present retirees in the months leading up to retirement as well as post retirement. A few reflect the experience of retirees who regretted that they had missed some opportunities that they might have taken if they had been provided with more information on the choices available to them. Many of these questions revolve around arrangements with the university that you may want to consider during the lead-up to retirement, and when you are retired. A number of the questions relate to financial matters and again the focus here is on issues that take into account your situation as a University of Guelph employee and retiree.

2. Plan your retirement date

Part of the planning process will be to decide when you want to retire. Human Resources has a web page that provides all the basic information you will need and this is probably the best place to start. www.uoguelph.ca/hr/staff-faculty/retirement-planning

There is also useful information on the page H.R. has for people who are already retired.
www.uoguelph.ca/hr/retirees

as well as in the Pension Plan booklet.
www.uoguelph.ca/hr/system/files/UofG_Booklet_Condensed_for_Interim_Purposes_11-27-14_0.pdf

If you have reached your maximum contributing years (35) then you can decide retirement based on other factors. You should be able to get all the details on your contributions to the University Pension Plans on line. If not, you should contact HR to get this information. If you are retiring early, i.e., before the Normal Retirement Date of the first of the month following your 65^{th} birthday, your pension will normally be reduced by 3% for every year that you fall short of this. However, you may qualify for an unreduced retirement date (the date when the sum of your age plus your years of pension credited service equals an amount that is set by your university contract). Note that, while there is no penalty for early retirement if you qualify for the unreduced retirement date, you only get credit for the number of years worked. You should also note that similar early retirement penalties apply to CPP.

If you started work later in life or took time off and will not have reached the maximum 35 years of contributions at age 65 you may want to consider working beyond 65 in order to increase your final pension (university and CPP). Again, there is information on this on the H.R. web page and this is where a financial advisor can help you work out the best strategy for determining the date you choose.

There may be some small advantage to considering a date midway through the year to take advantage of lower taxes once you start receiving a pension. You should also contact Human Resources early to determine what you will need to do to set up a retirement date and how much notice you need to give to ensure that there is no discontinuity between your last pay and your first pension payment. H.R. recommends that you allow 4-6 weeks from the date of your

Retirement Appointment for the pension arrangements to be made. Thus, you will need to contact them 2-3 months before your planned retirement date to set up the appointment.

Remember that your pension payment will not come from the University, but rather from the institution that handles all pension payments for the University Pension Plans (currently CIBC Mellon). Also note that your pension payments are issued monthly on the last business day of the month, not the bi-weekly payroll payments you have been used to. CPP and OAS payments come a few days earlier.

3. Decide between University of Guelph Pension and commuted value

While the majority of long-serving employees choose to take a pension, some opt for taking the commuted value and manage their own retirement finances. **The decision you make here is irreversible**. It is a decision, therefore, that should be made carefully and with a full understanding of the financial advantages and disadvantages of each route.

If you decide to take the commuted value route rather than a pension the University considers that you will have chosen to leave the university rather than to retire from it. You are therefore not considered to be a retiree and, importantly, you are not eligible to participate in the Health, Dental and Life Insurance options that are open to those who take a pension. You should note that the University subsidises the cost of the Health and Dental Plans and that you can retain the Family option. A survey carried out by CUSAC shows that our plans are among the top 2-3 for Colleges and Universities in the country. If you plan to do a lot of travel abroad in your retirement the medical insurance by itself is likely worth the cost.

At present taking the commuted value also likely impacts your ability to access many of the privileges that the university affords retirees.

4. Plan your retirement meeting with H.R.

If you have made the decision to take the university pension then, as noted earlier, you should contact H.R. 2-3 months before your anticipated retirement date. It is best to go into this meeting knowing exactly what decisions you will have to make and what papers you will sign. H.R. provides this information on their web pages titled *Thinking About Retirement* and *Retirement Checklist*. Two big financial decisions which you should have worked out ahead of time are:

1) Do I sign up for continuation of my (personal or family) Health and Dental Benefits; and
2) What special pension arrangements do I make?

Health and Dental benefits

As noted above, while some benefits such as LTD and Life Insurance are discontinued upon retirement, retirees are eligible to continue to participate in the Health and Dental Benefits Program, currently with SunLife. While you pay a bit more than as an employee there is a substantial contribution (non-taxable) from the University. Again, as noted above, this is a very good package and your spouse can also participate – shared benefits are maintained as long as your spouse is working and enrolled in another work plan, but full coverage can be obtained once your spouse retires.

If there is any chance that you may want to continue the coverage, sign up. You can always terminate if it does not suit – **but you cannot opt in after you have retired**.

Life Insurance

As described in HR's Thinking About Retirement, you also have the option upon retirement to convert your Basic Group Life insurance plan from a group to an individual policy, without having to provide medical evidence.

Pension options

As described in the Pension Booklet, your pension payment arrangements depend on whether you have a spouse or not. If you do not have a spouse then your pension is paid for your lifetime with a minimum pension payout of 5 years (in the event that you should die soon after retirement). All that is necessary here is to have a beneficiary for your pension in the event that you die before the guaranteed payment amount has been made. You do have the option of extending the minimum guaranteed payment period to 10 or 15 years (see below).

If you do have a spouse, you will need to determine whether to opt for the 'normal' pension payment or one of the optional payments. In the normal pension arrangement you receive your payment until your death and then your spouse receives 60% of your pension if they have not predeceased you. Under the optional arrangement you have the opportunity to increase the spousal survivor benefit to 75% or to 100% of your pension. In these cases your monthly pension payment is reduced so that the expected total payout remains the same actuarially. If you do not have a spouse or your spouse chooses to waive the survivor benefit you may choose a Life Guaranteed pension with minimum guaranteed payments of either 10 or 15 years. If your circumstance suggests that exploring one of these options may be of interest to you we suggest you get full details from H.R. and talk it thorough with your financial advisor.

[Interestingly, other Pension Plans allow for a lower survivor payment - 50% or even 40% - which increases the monthly pension you receive. If your spouse has a good pension plan and you both choose this option it can make a significant difference to your retirement income while you are both alive.]

5. Determine what 'universal' privileges you might like

The H.R. web page for retirees lists some of the privileges that retirees can make use of, including:

- Personal **Tuition Waiver**,
- **Scholarships** for spouse and dependants,
- reduced-rate **Athletic membership**,
- **Library services**, and
- reduced-rate **On-campus Parking** (semester and annual parking stickers only)

You may also choose to retain your

- **University I.D. Card** to make purchases on campus with the same payment arrangement you had as an employee.
- **UoG email account** (inform H.R. during your retirement meeting.). This also allows you to use the online Microsoft Office programs (Word, Excel, ...) and access large Cloud storage space for your personal documents.

If you think that you may make use of university facilities such as the library and athletic centre, we suggest you keep you ID card and your UoG email account. Experience suggests it is easier to do this than to try to get it all back once you are retired. If you are a faculty member who will be applying for Emeritus status you should make sure that you take this option.

6. Determine if there are other privileges/arrangements you want after retirement

While there are a number of privileges that are open to all retirees, there are others that may be negotiable depending on your university position and the unit that you were employed in. Full-time Faculty members in particular should think carefully about what arrangements, if any, they may want to make to continue research, graduate supervision and teaching following retirement. The formal arrangement for this is done through application to be a College Professor Emeritus. The process and requirements vary somewhat between Colleges and it is best to explore what these may be in good time with the Chair of your Department or School. If you are a member of Graduate Faculty this arrangement can continue if you are an Emeritus though there is a requirement for a Full-time member of the Graduate Faculty to be a co-supervisor. You are also able to apply for, and to maintain grants and contracts through the office of Research and for the funds to be administered through the university.

There is no requirement for the university to provide you with office space, access to technical support and other support that full-time faculty can expect (this is true for University Professor Emeritus as well). You should therefore negotiate this with the Department Chair before retirement and we strongly suggest that this be put in writing with a clear commitment by the department to the time period over which it is operational.

Members of all bargaining units may wish to explore possibilities for some form of post retirement position in their unit, or elsewhere in the University – this might be full-time for a short period or part-time. In some cases there may be restrictions on retired individuals doing this so it is best to explore it with your department/school/unit head and/or your bargaining unit.

7. Sign up for your OAS and CPP pensions

An important component of your total retirement income is the money from these two sources. Both of these are adjusted annually for inflation and are **fully indexed**. Since your university pension is only indexed at CPI – 2%, these two government programs provide you with some buffer against the loss in buying power of your university pension due to inflation. More information can be found at www.canada.ca/en/services/benefits/publicpensions.html

It may take several months for your payments to start after you have signed up so plan when you should do so early.

Old Age Security

You have to be 65 years old to receive this and all Canadian Citizens and Permanent residents are eligible. Note that you may not receive full retroactive payments if you apply when you are 66 or older.

If you were not born in Canada, or if you have spent substantial periods of time abroad, be prepared to document when you first came to the country and whether any periods abroad longer than 6 months should count towards your OAS payment. Sabbatical leaves outside the country do count towards your OAS, but you may be required to provide proof of continued employment during the period. This may take several months to resolve so it is best to submit your OAS application as early as possible (11 months before your 65th birthday).

If you are receiving some part-time income in addition to your university pension, you may want to consider delaying receipt of your OAS. The benefit is increased by 6% per year up to 30% if you delay payments until you are seventy. This is especially important if your total income is approaching the OAS “clawback” threshold.

The current maximum OAS payment is about $6,840. If your net income for the previous year exceeds the clawback threshold then your OAS payment is reduced by 15% of the amount by which your net income exceeds the threshold. In 2017 this threshold is about **$73,756** and the payment disappears completely if your income is above about $120,000. You may need to consider this impact if you and your spouse do income splitting (see 8 below).

Canada Pension Plan

You can take your CPP as early as age 60 and as late as at age 70. The rate is reduced by about 0.6% for each month that you take it early and it is increased by about 0.7% for each month that you delay taking it after you turn 65. Your university pension is **not affected** by the date that you start taking your CPP (this is different e.g., from the arrangements for members of the Teachers Pension Plan).

When considering your financial options in terms of your retirement date and also when to start your CPP you need to take this into consideration. In particular, because CPP is fully indexed there is the advantage of delaying the start of your CPP so that you increase the proportion of your income that is indexed.

The 'break-even' point for delaying receiving CPP from age 60 to 65 is approximately twelve years, and your financial advisor should be able to work through the details with you. A further consideration regarding the CPP is the ability to share evenly your CPP benefits with your spouse 'at source'. This may be useful if your spouse has no other pension or, does not receive CPP. Note that this is not the same as pension income splitting

8. Other financial considerations

A major consideration for couples with different levels of retirement income is income splitting. Your university pension and Registered Retirement Income Fund (RIFF) withdrawals are eligible for splitting. This is not done 'at source' but rather at the time you file your income tax. You should note that standard tax programs will calculate the most beneficial amount to transfer to the lower income spouse in terms of your combined tax payments but they may not account for the impact on the OAS clawback to one or both of you. This can be quite substantial.

If you retire with something close to a full pension it is worth reminding your financial advisor that your defined benefits pension is the equivalent of having a large sum of money invested in very low risk funds. As a result you may not need to be as conservative in your investments as you might want to be if all your retirement income came from your investments.

Because of your defined benefits pension, many Guelph retirees have very stable retirement incomes and their marginal tax rate is also stable from year to year. In this case there may not be any advantage in delaying conversion of your RRSP to a Riff and beginning the process of withdrawing money. In particular, if you have not maximised your TFSA it may be advantageous to transfer money from an RRSP or RIFF. Be cautious however regarding the possibility of triggering an Old Age Security "clawback" if your income exceeds the threshold. Your financial advisor should be able to help with this.