



# Preparing for Retirement

[pspp.ca](https://pspp.ca)



*The information in this booklet provides a summary of the terms of the Public Service Pension Plan (PSPP) text at the time of publication. From time to time, the PSPP Plan text may be amended by the PSPP Sponsor Board. If there is any discrepancy between the information in this booklet and the PSPP Plan text, the PSPP Plan text will govern.*

## Welcome to PSPP

We are thrilled to have you as a member and are committed to safeguarding your financial future.

Our pension Plan, which has been providing peace of mind since 1947, is designed to ensure that you have a secure and stable income throughout your retirement.

As a member of PSPP, you are enrolled in a “Defined Benefit” plan. This means that your pension is based on your years of service and salary, providing you with a reliable lifelong income.

Unlike other retirement plans, your defined benefit pension is not affected by market fluctuations or economic downturns. Additionally, you will receive annual cost of living increases to help protect you from inflationary pressures.



Rest assured that your pension is in capable hands. The Plan is professionally managed by experienced individuals who have been overseeing pensions for decades.

To further empower you, we offer a convenient online portal called “Your Pension Profile” (YPP).

Your PSPP Pension is an excellent way to save for your future. Once you retire, you can rely on regular monthly pension payments for the rest of your life.

**Now that's a future you can count on.**



Many Canadians now spend more time in retirement than they do in the workforce. Having a financial plan in place before retirement is key to ensuring you are prepared. It is important to take the time to learn about your pension and the significant role it can play in helping you build financial security.

## How Much Retirement Income Do I Need?

Your retirement goals and your spending habits will form the basis of how much income you'll need. Ask yourself some of these common retirement planning questions.

- ② Do I plan on staying in my home? Do I plan on moving to a different community?
- ② How is my health? How is my spouse or partner's health?
- ② Do I have aging parents or dependent children to consider?

You can help prepare for retirement by completing an Income Comparison worksheet (one example shown on the next page), comparing what you earn now to what you will earn in retirement. This planning method will show you what your retirement income may look like.

The information herein is for informational purposes to help you plan for your retirement and should not be interpreted as personal financial advice. It is recommended that you consult with a Certified or Qualified Associate Financial Planner to discuss your personal financial situation.



Fill in your current income and deductions on the left. Repeat the exercise on the right with your estimated income in retirement. Compare both results. This retirement income comparison will help you identify if you will have any gaps in your income.

### INCOME COMPARISON WORKSHEET

Before Retirement			After Retirement		
Employment Salary			PSPP Pension		
Less	CPP Contributions		Plus	CPP Pension	
	EI Contributions			OAS	
	PSPP Contributions			RRSP	
	Union Dues			TFSA	
Less	Personal Income Tax	-	Less	Personal Income Tax	-
Equals	Net Income	=	Equals	Net Income	=
Plus	Other Sources of Income	+	Plus	Other Sources of Income	+
Total Net Income			Total Net Retirement Income		

For an estimate of how much you are eligible to receive for Canada Pension Plan (CPP) and Old Age Security (OAS), please log into your My Service Canada Account at [canada.ca/myaccount](https://canada.ca/myaccount) or contact Service Canada.

Once you have calculated how much income you can expect in retirement, it's a good idea to make a budget to see if your expenses will be covered.

You should see some expenses drop off when you reach retirement such as your mortgage, other debts, commuting costs and work clothes.

However, depending on your retirement goals, some costs might increase such as travel or entertainment costs. Your health could also change, which may increase your costs for medications or care.

**The following pages are an example of a Retirement Expense Worksheet that allows you to weigh your current costs while you're working against your future costs in retirement.**

You can find a copy of this retirement expense worksheet on [pspp.ca](https://pspp.ca).

## RETIREMENT EXPENSE WORKSHEET

A. Housing	Monthly cost	Retirement cost
Mortgage/Rent		
Condominium Fees		
Electricity		
Heating		
Water		
Property taxes		
Home insurance		
Telephone		
Internet/Cable		
Maintenance/repairs		
Other		
Subtotal		

B. Transportation	Monthly cost	Retirement cost
Vehicle payments		
Insurance		
Fuel		
Parking		
Maintennce/repairs		
Public transportation		
Other		
Subtotal		

C. Food	Monthly cost	Retirement cost
Groceries		
Meals out		
Other		
Subtotal		

D. Personal	Monthly cost	Retirement cost
Wardrobe		
Dry cleaning		
Personal grooming		
Other		
Subtotal		

E. Childrens' expenses	Monthly cost	Retirement cost
Childcare/daycare		
Tuition		
Child support		
Lunches		
Extracurricular fees		
Allowance		
Gifts		
Subtotal		

<b>F. Pets</b>	<b>Monthly cost</b>	<b>Retirement cost</b>
Veterinary fees		
Shots		
Food		
Grooming		
Other		
Subtotal		

<b>G. Health care</b>	<b>Monthly cost</b>	<b>Retirement cost</b>
Medical		
Dental		
Insurance		
Gym/Health club		
Long term care facility		
Other		
Subtotal		

<b>H. Entertainment</b>	<b>Monthly cost</b>	<b>Retirement cost</b>
Outings		
Media		
Subscriptions		
Recreation		
Alcohol		
Tobacco		
Other		
Subtotal		

<b>I. Larger expenses</b>	<b>Monthly cost</b>	<b>Retirement cost</b>
Travel/vacation		
Alimony		
Charitable donations		
Major purchases		
Other		
Subtotal		

Grand Total		
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# What You Will Receive From PSPP?

Now that you have thought about your expenses and how much you will need in retirement, the next step is to get an idea of the pension you can expect from PSPP.

You can estimate what your pension will be well before you retire and plan your retirement with confidence.

One of the advantages of belonging to a defined benefit pension plan is that your pension benefit is based on a formula and is not subject to market fluctuations. You won't have to worry about making investment decisions. You can enjoy your retirement with the security of a lifetime pension from PSPP.

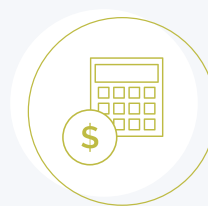
## Review Your Annual Statement

The Annual Statement that you receive from PSPP contains information about your pension. It summarizes how much pension you have earned in the Plan by the end of the previous year. You can use your statement to track the growth of your pension each year you are a member of the Plan.

### Reminder:

Your annual statement is available on Your Pension Profile (YPP), which you can access at [pspp.ca](https://pspp.ca)

## Getting a Pension Estimate



Login to YPP and use the Pension Projection Calculator to estimate your future PSPP pension. You can compare different dates to help you determine your pension commencement date.



## How PSPP Calculates Your Pension

Before you retire, you should already have a good sense of what your benefit will be and, once you retire, your monthly benefit will be paid to you for the rest of your life.

To calculate your monthly pension, we use:

- Your highest average annualized salary measured over your best five consecutive years
- The average of the Year's Maximum Pensionable Earnings (YMPE) during that time
- The number of years of pensionable service (up to a maximum of 35)

Here is the formula that PSPP uses to calculate your pension benefit.

$$\left[ \begin{array}{l} \text{Highest Average} \\ \text{earnings above} \\ \text{the YMPE} \end{array} \times 2\% + \begin{array}{l} \text{Highest Average} \\ \text{earnings up to} \\ \text{the YMPE} \end{array} \times 1.4\% \right] \times \begin{array}{l} \text{Years of} \\ \text{Pensionable} \\ \text{Service} \end{array} = \text{Annual PSPP pension}$$

\*YMPE = Year's Maximum Pensionable Earnings  
\*Highest average earnings = the average of the highest 5 consecutive years

To learn more, visit [pspp.ca/members/your-pension/how-is-your-pension-calculated/](https://pspp.ca/members/your-pension/how-is-your-pension-calculated/)



## Other Sources of Income

In addition to your PSPP pension, a part of your retirement income will come from government programs. You may be able to fill the gaps, if any, in your desired pension income with the benefits you will receive from other sources such as Canada Pension Plan (CPP) and Old Age Security (OAS). Take note of any other sources of income you can expect in retirement such as personal savings, the equity from your home, RRSPs and TFSAs, and include them in your retirement plan.

### CPP

CPP provides monthly payments to people who contributed to the plan during their working years.

The amount you'll get every month depends on how long you contributed to the plan and how much you contributed. It also depends on your age when you start receiving your CPP pension. Most Canadians do not qualify for the maximum CPP amount, typically receiving approximately 60% of the maximum. Your CPP payments will continue for the rest of your life and are considered taxable income. CPP also has other benefits, such as indexed inflation protection and survivor benefits.

If you take your CPP early, it can be permanently reduced by up to 36%. You can also choose to defer your CPP to the maximum age of 70. Delaying your CPP can increase it permanently by up to 42%.

### OAS

OAS pension is a monthly benefit for Canadians who are 65 or older. It is funded through federal income tax revenues. You can get OAS benefits even if you're still working or have never worked.

You don't need to contribute to the OAS pension in order to benefit from it. You can start to receive OAS at age 65 or choose to defer for up to 5 years. For every month you delay receiving your OAS pension, the higher the monthly payment will be.

The amount you will get from the OAS pension depends on how long you lived in Canada after the age of 18. You will be eligible for an OAS pension if you have lived in Canada for 10 years. You may receive the maximum amount if you lived in Canada for 40 years or more.

If your retirement income is greater than a certain threshold, you will have to repay part of or your entire OAS.

For an estimate of how much you are eligible to receive for CPP and OAS, please log into your My Service Canada Account at [canada.ca/myaccount](https://canada.ca/myaccount) or contact Service Canada.



## Taxes in Retirement

Your government benefits and your PSPP pension are taxable income. You may want to consider increasing the tax deducted from your pension payments. This adjustment can easily be made by sending a secure message through YPP.

## Choosing a Retirement Date

As a PSPP member, you have the flexibility to start receiving your lifetime pension as early as age 55 or as late as age 71, or anywhere in between. The decision is up to you.



## Knowing When To Retire

When choosing a retirement date, be sure to consider:

- ② Am I ready to retire?
- ② How long do I expect to live? What about my spouse or partner, if I have one?
- ② Do I have any plans in retirement?
- ② What is my desired retirement lifestyle?
- ② Do I plan on travelling more frequently?
- ② What are my spouse or partner's retirement plans?
- ② Do I want to work in retirement?

There may be other factors that influence when you are ready to retire. Be prepared to make this decision when the time is right.



# When you can retire

## Retire at Age 65

PSPP's "normal" retirement age is when you turn 65. At that time, you become eligible for an immediate unreduced pension, regardless of how long you have been contributing to the Plan. This does not mean you must retire at age 65.

## Keep Working After Age 65

You can continue working and contributing to the Plan past age 65 as long as you have not reached 35 years of pensionable service. By law, you must start receiving your pension by December 31 of the year you turn age 71. You will stop contributing and start collecting your pension even if you are still working.

## Retire Before Age 65

If you start your pension before age 65, you are retiring early. The earliest you can retire is age 55. When you retire early, your age and pensionable service can have an impact on your pension. That's why you should choose your retirement date carefully.

If you choose to retire before age 65 and you have not reached your 85 Factor, your monthly pension amount will be reduced. In general, the later you retire, or the more pensionable service you have, the larger your pension will be.

The 85 Factor is calculated by adding together your age and years of pensionable service at retirement. If the total equals at least 85, you are entitled to an unreduced PSPP pension as early as your 55th birthday.

See next page for more information.

Age at Retirement

+

Years of Service

=

85 Factor

## Early Retirement and Your 85 Factor

In an early retirement, a reduction only applies if you have not reached your 85 Factor.

The early retirement reduction amount is 3% per year multiplied by the lower of:

- The number of years it would take you to reach age 65, or
- The number of years until you reach the 85 Factor.

The maximum reduction that can be applied to your pension is 30%.

When we reduce a pension, the plan will consider whichever rule will benefit you more. This means if you meet your 85 Factor sooner than you will reach the age of 65, we will use that reduction. If you reach the age of 65 first before your 85 Factor, we will use that reduction instead.

The Early Retirement Table illustrates the reductions that apply. To use the table, find your desired retirement age and your completed years of pensionable service. The "percentage of pension payable" figure shows the percentage of pension you would receive after early retirement reductions are taken into account.

## Early Retirement Table

YEARS OF SERVICE	PERCENTAGE OF PENSION PAYABLE										
	Age 55	Age 56	Age 57	Age 58	Age 59	Age 60	Age 61	Age 62	Age 63	Age 64	Age 65
20 or less	70%	73%	76%	79%	82%	85%	88%	91%	94%	97%	100%
21	73%	76%	79%	82%	84%	88%	91%	94%	97%	100%	100%
22	76%	79%	82%	85%	88%	91%	94%	97%	100%	100%	100%
23	79%	82%	85%	88%	91%	94%	97%	100%	100%	100%	100%
24	82%	85%	88%	91%	94%	97%	100%	100%	100%	100%	100%
25	85%	88%	91%	94%	97%	100%	100%	100%	100%	100%	100%
26	88%	91%	94%	97%	100%	100%	100%	100%	100%	100%	100%
27	91%	94%	97%	100%	100%	100%	100%	100%	100%	100%	100%
28	94%	97%	100%	100%	100%	100%	100%	100%	100%	100%	100%
29	97%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
30+	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%



## How Can You Prepare for Retirement?

1.

### Income and Expenses

- Do income comparison for before and after retirement
- Fill out a retirement expense worksheet
- Get a pension estimate through YPP
- Check your annual statement
- Identify other sources of income and factor them in

2.

### Readiness to Retire

Ask yourself some important questions such as:

- Do I plan on staying in my home? Do I plan on moving to a different community?
- How is my health? How is my spouse or partner's health?
- Do I have aging parents or dependent children to consider?
- Am I ready to retire?
- How long do I expect to live? What about my spouse or partner, if I have one?
- Do I have any plans in retirement?
- What is my desired retirement lifestyle?
- Do I plan on travelling more frequently?
- What are my spouse or partner's retirement plans?
- Do I want to work in retirement?

3.

### Choose a Retirement Date

- Determine which date is best for you
- You can choose to retire on any day of the year

4.

### Review Retirement Planning Resources on [pspp.ca](https://pspp.ca)

- Register for Preparing for Retirement
- Watch the Pension Options video
- Register for Steps to Retirement
- Register for Life in Retirement

5.

### Visit [pspp.ca](https://pspp.ca)

- The PSPP website is an excellent source of information about your pension

You've estimated your pension, selected your retirement date, and you're ready to retire. What happens next? Find out more by reading our other retirement brochures.

Remember, preparing for your retirement is a marathon, not a sprint.





## pspp.ca

Visit [pspp.ca](https://pspp.ca) to learn more about your Plan and its features or to access YPP, your secure online site.

## Member webinars / videos

PSPP has regularly scheduled webinars to learn more about how your pension works. You can also access videos that you can watch at your leisure. Visit [pspp.ca](https://pspp.ca) for more information and to register.

## PSPP Talks

An electronic newsletter is emailed to members when there is important information about the plan to share. Be sure to register for YPP with a personal e-mail address to receive PSPP Talks!

## PRIVACY INFORMATION

### Your Information is Secure

Providing PSPP with your personal information is considered consent for its use and disclosure for the purpose set out in our Privacy Notice, as amended from time to time. You can find out more about our collection, use, disclosure and retention of personal information by reviewing our Privacy Notice at [pspp.ca](https://pspp.ca)



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