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## Introduction

The purpose of this handbook is to provide members who contribute to the RREGOP with a better understanding of their pension plan. It summarizes information that you should know about the RREGOP along with some general information about the various sources of retirement income.

Most of the information contained in this handbook is taken from the RREGOP's administrative handbook and information available on the CARRA web site.

Note, however, that this handbook is never a replacement for the provisions of the *Act respecting the Government and Public Employees Retirement Plan (RREGOP)* or your collective agreement.

This handbook only discusses general cases. For any additional information, please feel free to consult your local union.

## 1- What is the RREGOP?

The Government and Public Employees Retirement Plan (RREGOP, for its name in French) was created on July 1, 1973. The basic parameters of this plan were set through negotiations between the Common Front composed of the CSN, FTQ and CEQ and the Québec government in the first big round of public sector bargaining, 1971-1973.

It currently covers all full-time, part-time and casual unionizable employees in the public service, health care and social services, education and most public agencies and government corporations.<sup>1</sup>

Although it covers workers in the public sector, the RREGOP is a private supplemental pension plan, not a public pension plan like the Québec Pension Plan (QPP), for example. But the RREGOP is not covered by the *Supplemental Pension Plans Act*; instead, it is governed by specific legislation, the *Act Respecting the Government and Public Employees Retirement Plan* (R.S.Q., ch. R-10).

The Commission administrative des régimes de retraite et d'assurances (CARRA – pension and insurance plans administrative board) is responsible for administering the RREGOP. There is one person from the CSN appointed by the government on the board of directors of the CARRA and two on the RREGOP pension committee.

There are two main categories of pension plans in Québec: capital accumulation plans, better known as defined contributions plans, and defined benefits plans. In the first category, participants know the amount of their contributions in advance, but not the amount of the benefits they will receive once they retire. In the second, participants know in advance the amount of their benefits: often this is the number of years of contributory service multiplied by a certain percentage of earnings over their career, or for an average of their 3 or 5 best years. The necessary contributions are not set in advance, however, and may vary depending on the results of periodic actuarial valuations.

The RREGOP is a defined benefits plan, cost-shared with the employer. Since 1982, the cost of the plan is divided equally between participants and the government. Participants' contributions are placed in a specific fund managed in accordance with the investment policy decided by the RREGOP pension committee jointly with the Caisse de dépôt et placement du Québec.

The government is not legally obliged to pay its share of contributions into the pension fund. Instead, it enters an amount under liabilities (debt) in its financial statements corresponding to the value of the benefits promised and for which it is responsible. Note that since 1993, the government has partially capitalized the RREGOP through its Retirement Plans Sinking Fund (RPSF).

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<sup>1</sup> For more details, see Schedules I, II and III of the *Act respecting the Government and Public Employees Retirement Plan*.

## Main changes made to the RREGOP in the last round of bargaining

The maximum number of years of **contributory** service was increased from 35 to 38 years, with the change to be phased in gradually starting on January 1, 2011. A person who reaches 35 years of service for **eligibility** purposes can still retire, if she or he so wishes, without any actuarial reduction of benefits. Contributory years exceeding 35 are not integrated with the QPP pension. This can be advantageous because not only can benefits be as much as 76% of the average of the best five years of earnings, but as well any contributory years after 35 will always count for 2% of earnings, even after 65 years of age.

The RREGOP funding formula was amended to:

- ✓ stabilize contributions as much as possible;
- ✓ ensure a more transparent method of funding;
- ✓ ensure more inter-generational fairness;
- ✓ secure the benefits for which members are responsible.

We also introduced the possibility of improving the indexation of benefits for the years between July 1, 1982 and December 31, 1999 if and when there is a sufficient surplus in the pension fund.

For service earned after January 1, 2011, there is no longer any recognition at no cost of non-contributory service, except for parental leave. This refers to the bank of 90 days. Keep in mind that this bank was used to compensate for absences without pay like days on strike or short absences that could not be bought back under the buy-back rules in force before 2000. Since then it has been mandatory to contribute for short absences.

## 2- Do I have to contribute to the RREGOP?

Yes, from your date of hiring, with a few exceptions. Since July 1, 1973, all employees holding a regular position have been covered, and since January 1, 1987,<sup>2</sup> the same is true for all casual employees in the health and social services system who are on a recall list in accordance with the collective agreement or who have a position through such a list.

There is no enrolment form to be filled out. Employees are automatically enrolled by the employer by means of the latter's annual report to the CARRA. In this regard, check your membership status when you receive your annual statement of contributions.

You cannot contribute to the RREGOP if you are under 18 years of age, if on December 31 of a given year you had turned 69 during the year, if you have reached 38 years of credited service or if you are a contract employee, a resident physician or an intern. As well, retirees drawing benefits from any of the public-sector pension plans who return to work are excluded.<sup>3</sup>

The RREGOP is integrated with the Québec Pension Plan (QPP), which in our case means that contributions are calculated on just part of our earnings. Nevertheless, the pension is calculated on total earnings.

RREGOP contributions are calculated on pensionable earnings. For 2012, the contribution rate is 8.94%, applied to the portion of pensionable earnings that exceeds 33% of maximum pensionable earnings (MPE) as defined annually by the Québec Pension Board.<sup>4</sup> The MPE is currently set at \$50,100. In 2013, the contribution rate will be 9.18% and will apply to the portion of pensionable earnings that exceed 31% of the MPE.

In the last round of public-sector bargaining, agreement was reached on two points concerning the contribution rate. First, it was agreed that the portion of earnings exempted from contributions would be lowered from 35% to 25% of MPE. This will have the effect of lowering the general contribution rate, but on the other hand the contribution will be calculated on a larger portion of earnings. The effect sought was to restore the balance between employees whose income is higher than the MPE and those whose income is lower than the MPE as it was when the RREGOP was created, without making employees with the lowest incomes bear the burden of this change. We got the government to compensate the difference in cost for these employees (whose pensionable earnings are less than the MPE).

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<sup>2</sup> Since January 1, 1988 for casual employees in the education sector.

<sup>3</sup> There are other people who are not covered either. See Section 4 of the *Act respecting the Government and Public Employees Retirement Plan* for a complete list.

<sup>4</sup> You can find out what the MPE is for each year by visiting the QPP web site:

[http://www.rrq.gouv.qc.ca/en/retraite/rrq/regime\\_chiffres/Pages/regime\\_chiffres.aspx](http://www.rrq.gouv.qc.ca/en/retraite/rrq/regime_chiffres/Pages/regime_chiffres.aspx)

The other change affects the modulation of fluctuations in contribution rates stemming from actuarial valuations. An actuarial valuation of the RREGOP is done every three years. The last one was done on the basis of December 31, 2008 data, and the results led to an increase in the contribution rate required to meet the needs of the plan. This increase came into effect on January 1, 2011. We agreed to limit the increase in rates to 0.5% per year. The next actuarial valuation will be done using the December 31, 2011 data. The impact on contribution rates will not be known until 2013 and will not apply until January 1, 2014. Nevertheless, we have already agreed that for 2014 and subsequent years, the fluctuation in the contribution rate cannot be more than 1/3 of the difference per year between the contribution rate stemming from the valuation and the contribution rate in force before the new rate is applied.

For example, suppose that the next actuarial valuation determines that the contribution rate required should be 10.2%. The contribution rate on January 1, 2014 will be 9.52%.

$$10.2\% \text{ (rate required)} - 9.18\% \text{ (rate in force on December 31, 2013)} = 1.02\% \div 3 = 0.34\% \text{ per year.}$$

Consequently, the rate will go up to 9.86% in 2015 and 10.02% in 2016. For the purpose of this example, we have ignored the variation in the percentage of the MPE that is exempted.

### 3- What are pensionable earnings and how are they calculated?

Pensionable earnings are annual basic earnings or the rate set out in the pay scale in the collective agreement and paid to an employee during a calendar year. They also include any retroactive pay for the year concerned. Pensionable earnings are used to both calculate the amount of the pension and determine the amount of contributions.

Pensionable earnings<sup>5</sup> include:

- lump-sum payments made to compensate for a reduction in pay due to a demotion or reassignment, providing that they are paid to employees who are off the rate or off the scale to guarantee them a percentage increase in pay in accordance with the provisions of the collective agreement;
- additional remuneration paid to an employee belonging to the Ordre des infirmières et infirmiers du Québec who has already reached the maximum on the pay scale, following post-graduate training recognized under the collective agreement applicable to her or him;
- any additional remuneration paid to an employee whose job title requires a college studies diploma (DEC) and is classified in the technicians group (2000 code) in the document entitled “List of job titles, job descriptions and salary rates and scales in the health and social services network” who have reached the maximum on the pay scale, following post-graduate training required and recognized under the collective agreement.

*Unless the government includes them by regulation, allowance premiums, compensation and other additional remuneration are not included in pensionable earnings. For example, evening and night-shift premiums, inconvenience, critical care and team leader premiums are not included; nor is overtime pay.*

For persons benefiting from a form of leave under the collective agreement, pensionable earnings are the amount the person would have received if she or he were not on leave. For the pensionable earnings to be taken into account in such a case, of course, the person has to have benefited from a contribution waiver or have continued to contribute during the leave, or have bought back the leave.

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<sup>5</sup> For the full list of what pensionable earnings include, please see Sections 14 to 18.2 of the *Act respecting the Government and Public Employees Retirement Plan*, and Sections 8 to 8.5 of the *Regulation under the Act respecting the Government and Public Employees Retirement Plan* (c. R-10, r.2).

## Calculation of the applicable contribution

The contribution rate for 2012 is 8.94% of the portion of pay that exceeds 33% of maximum pensionable earnings (MPE). In 2012, the MPE is \$50,100.

So for the purpose of calculating contributions, the exemption is \$16,533 for the RREGOP.

The basic formula for calculating the contribution is:

$$(\text{Annual pensionable earnings} - \text{exemption under the plan}) \times \text{contribution rate}$$

The contribution for an employee earning \$40,000 annually will be \$2,097.95.

The calculation:  $(\$40,000 - \$16,533) \times 8.94\% = \$2,097.95$

### *Formula per pay period*

Normally, the contribution is deducted each pay period. The formula then applied is as follows (assuming 26 pay periods annually):

$$\$16,533 \div 26 \text{ pays per year} = \$635.88 \text{ exempted per pay period}$$

Going back to our example:  $\$40,000 \div 26 \text{ pays} = \$1,538.46$  \$ per pay period

The contribution deducted each pay period will be:  $(\$1,538.46 - \$635.88) \times 8.94\% = \$80.69$

For part-time, full-time or seasonal employees who have periods of leave without pay: the formula used to calculate the contribution to be deducted is based on the number of days or hours worked as a proportion of 260 working days a year.

### *Formula based on days worked*

(Earnings for the period – (exemption under the plan x number of contributory days ÷ working days in the year)) x contribution rate

The amount of the daily exemption is  $\$16,533 \div 260 \text{ days} = \$63.59$

Using the example of earnings of \$40,000 a year, daily earnings would be \$153.85:

$$\text{or } (\$40,000 \div 260) = \$153.85$$

So the daily contribution will be:  $(\$153.85 - \$63.59) \times 8.94\% = \$8.07$ .

### **Formula based on hours worked:**

(Earnings for the period – (exemption under the plan x number of contributory hours ÷ hours provided for the classification in the pay calendar) x contribution rate

If the basis of remuneration is 1,820 hours, i.e., 7 hours a day x 260 days

The amount of the hourly exemption is  $\$16,533 \div 1,820 \text{ hours} = \$9.08$

Again based on earnings of \$40,000 a year, the hourly earnings would be \$21.98, or:

$$(\$40,000 \div 1,820) = \$21.98$$

The hourly contribution will be  $(\$21.98 - \$9.08) \times 8.94\% = \$1.15$ .

### **Illustration of the calculation of the contribution, pensionable earnings and credited service for pension purposes**

#### **1<sup>st</sup> scenario**

Person working full-time in the same job for the entire calendar year (from January 1 to December 31)

In this case, the CARRA recognizes one year of credited service. One year of credited service corresponds to a basis of remuneration of 260 working days.<sup>6</sup>

Let's illustrate this using 3 job titles at the top of their respective salary scales for 2012.

Community organizer (35 hours/week) receives an hourly rate of \$37.49 from January 1, 2012 to April 1, 2012; from April 1 to December 31, 2012, this hourly rate goes up to \$37.87.<sup>7</sup>

His pensionable earnings for 2012 are:

$$(13 \text{ weeks} \times 35 \text{ hours} \times \$37.49) + (39 \text{ weeks} \times 35 \text{ hours} \times \$3.87) = \$68,750$$

His annual contribution is:

$$(\$68,750 - \$16,533) \times 8.94\% = \$4,668$$

Contributions technician (32.5 hours/week) receives an hourly rate of \$25.50 from January 1, 2012 to April 1, 2012; from April 1 to December 31, 2012, this hourly rate goes up to \$25.76.

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<sup>6</sup> In the case of teachers working for school boards, the basis for remuneration is 200 days.

<sup>7</sup> The various examples do not take into consideration the expected increase of 0.5% due to the parameter linked to growth in the GDP in 2012.

Her pensionable earnings for 2012 are:

$$(13 \text{ weeks} \times 32.5 \text{ hours} \times \$25.50) + (39 \text{ weeks} \times 32.5 \text{ hours} \times \$25.76) = \$43,425$$

Her annual contribution is:

$$(\$43,425 - \$16,533) \times 8.94\% = \$2,410.10.$$

Since her pensionable earnings are less than the MPE, the contribution that she actually pays will be \$2,314.53; the government will cover the difference of \$89.58.<sup>8</sup>

Orthosis and/or prosthesis mechanic (38.75 hours/week) receives an hourly rate of \$21.72 from January 1, 2012 to April 1, 2012; from April 1 to December 31, 2012, this hourly rate goes up to \$21.94.

His pensionable earnings for 2012 are:

$$(13 \text{ weeks} \times 38.75 \text{ hours} \times \$21.72) + (39 \text{ weeks} \times 38.75 \text{ hours} \times \$21.94) = \$44,098$$

His annual contribution is:

$$(\$44,098 - \$16,533) \times 8.94\% = \$2,464.34$$

Since his pensionable earnings are less than the MPE, the contribution that he actually pays will be \$2,374.76; the government will cover the difference of \$89.58.

## 2<sup>nd</sup> scenario

Person working part-time in the same job for the entire calendar year (January 1 to December 31, 2012)

In this case, the CARRA recognizes a fraction of a year of credited service based on his or her time worked as a percentage of the time worked by a full-time employee.

Community organizer (0.5 FTE (Full-time equivalent) or 2.5 days a week)

His pensionable earnings for 2012 are \$68,750

Remember, pensionable earnings are the rate of pay on the salary scale for the person's job class.

Since he works part-time, there are two choices for calculating the contribution: it can be calculated on the basis of hours worked, or on the basis of days worked.

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<sup>8</sup> The agreement reached in the last round of bargaining concerning the reduction of the exemption from 35% to 25% of the MPE stipulates that people with pensionable earnings that are less than the MPE will not contribute any more than they would have contributed with an exemption equal to 35% of the MPE. In such cases, the government pays the difference in the contribution into the participants' RREGOP fund.

If the choice is to use days worked, and since he works half-time, he has 130 days of work out of 260. His contribution is:

$$(\$34,375 - (\$16,533 \times 130 \div 260)) \times 8.94\% = \$2,334$$

The service credited for pension purposes is equal to 0.5 years. He has 130 days of work out of a possibility of 260.

Contributions technician working part-time at 20 hours a week out of a possibility of 32.5 hours for her job class

Her pensionable earnings for 2012 are \$43,425

Here, the contribution required is calculated on the basis of hours worked. The number of hours per year for her job class is 1,690 (32.5 hours X 52 weeks). She works 1,040 hours. Her actual annual earnings are \$26,723.

$$(\$26,723 - (\$16,533 \times 1,040 \div 1,690)) \times 8.94\% = \$1,479$$

But under the agreement modifying the MPE exemption, she will instead pay \$1,424, with the government paying the other \$55.

The service credited for pension purposes is equal to 0.6154<sup>9</sup> years. She works 1,040 hours out of a possibility of 1,690.

Orthosis and/or prosthesis mechanic working part-time, two days a week

His pensionable earnings for 2012 are \$44,098

For this example, we will calculate the contribution on the basis of hours worked and also on the basis of the number of days worked. The total number of days worked is 104 (2 days X 52 weeks) out of a possibility of 260 days, and the number of hours worked is 806 (7.75 hours per day X 2 days X 52 weeks) out of a possibility of 2,015 hours a year.

His actual annual earnings are \$17,639.

Calculation on the basis of days:  $(\$17,639 - (\$16,533 \times 104 \div 260)) \times 8.94\% = \$986$

Under the agreement modifying the MPE exemption, \$36 is subtracted from this amount.

Calculation on the basis of hours:  $(\$17,639 - (\$16,533 \times 806 \div 2,015)) \times 8.94\% = \$986$

Again, under the agreement modifying the MPE exemption, \$36 is subtracted from this amount.

The service credited for pension purposes is equal to 0.4 years. He works 806 hours out of a possibility of 2,015, or 104 days out of a possibility of 260.

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<sup>9</sup> Note that the service is calculated to four decimal places.

## Special case

If an employee works in more than one job in the course of a given year, her or his pensionable earnings (and service) are covered by a regularization of service and earnings. The service earned in each of the jobs is credited to the employee up to the equivalent of one year of service. There are two exceptions to this rule: during the first year of work, recognized service cannot exceed the number of contributory days between the date of hiring and December 31 of that year; and during the year an employee ceases to work, the same rule applies for the period from January 1 to the last date of employment.

If the total service for calculation purposes during a calendar year is less than or equal to a full-time year, the pensionable earnings include earnings from all the jobs held. The same applies for credited service.

If we take the case of a person combining the jobs of community organizer and orthosis and/or prosthesis mechanic in our previous example, pensionable earnings for 2012 would be:

Pensionable earnings for the community organizer job class X credited service recognized for this job + pensionable earnings for the orthosis and/or prosthesis mechanic X credited service for this job

$$(\$68,750 \times 0.5) + (\$44,098 \times 0.4) = \$52,014$$

The credited service is 0.5 years for the community organizer job plus 0.4 years for the mechanic job, for a total of 0.9 years of credited service.

If, however, we take the case of a person combining the jobs of community organizer and contributions technician in our previous example, the total amount of credited service exceeds 1 (0.5 + 0.6154, for a total of 1.1154). In this case, the jobs are taken into account in decreasing order of the amount of annual pensionable earnings.

We have to first take the pensionable earnings for the community organizer job and then the technician job. The higher amount of pensionable earnings is multiplied by the total amount of credited service for that job and then the next highest amount of pensionable earnings is multiplied by the portion of credited service required to reach 1. Credited service cannot exceed 1 for a given calendar year.

$$(\$68,750 \times 0.5) + (\$43,425 \times 0.5) = \$56,088$$

Overpayments of contributions are refunded. Thus the contribution required for these pensionable earnings is \$3,172. Since the person paid in \$2,324 for the community organizer job and \$1,424 for the technician job, the CARRA will refund \$576.

The regularization of service and earnings is done by the employer if the different jobs are with the same employer, or by the CARRA if they are with different employers.

## 4- What happens with my pension plan when I'm on leave?

### General rule

A period of service or leave without pay is not counted for pension eligibility or pension calculation purposes. If you want to make these periods count, you have to buy back service. Since January 1, 2002, however, a member has to continue making contributions if the leave without pay is equal to or less than 30 consecutive calendar days or if a part-time leave is equal to or less than 20% or less of the regular time of a full-time employee.

The cost of buying back time varies depending on whether it is done within six months of the person's return to work or after six months. It can also vary depending on the type of leave.

Only periods that would have actually been worked if the person had not been on leave can be bought back. For casual, on-call employees or part-time employees who have indicated additional availability,<sup>10</sup> it is important to make sure that in his annual report, the employer indicates clearly the periods of time you would have worked given your availability, if you had not been on leave.

These are the general conditions to be met for a buyback:

- ✓ Fill out the "Application for buy-back" form (727A)<sup>11</sup> and have it signed by the employer as well.
- ✓ Have the employer fill out the "Attestation of a buy-back period" form (728A).
- ✓ Be a member of the RREGOP on the date the application for a buyback is sent.
- ✓ Meet the specific conditions for the type of buyback.
- ✓ Make the application for a buyback before retiring.
- ✓ Accept and return the buyback proposal to the CARRA within 60 days.
- ✓ Pay the required amount in full before retiring.

The periods you want to buy back can have been worked with an employer other than your current employer providing that the other employer is covered by the pension plan or would have been covered if he had not ceased activities. These can be periods that were worked for a public service agency, in the education system or in the health and social services system for which you did not contribute although you could have.

Even if your current employer is not concerned by the periods to be bought back, he must sign his part of the "Application for buy-back" form to attest that you are employed at the time of the request.

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<sup>10</sup> If, however, an employee has temporarily withdrawn his or her name from the recall list, she or he is not considered to be on leave without pay for this time and therefore cannot buy back the period of leave.

<sup>11</sup> You can find all of these documents on the CARRA web site at <http://www.carra.gouv.qc.ca/>. To facilitate your search, the number of the document is given here in brackets.

**Service as a casual employee between June 20, 1973 and January 1, 1987 can be bought back,<sup>12</sup> but only the periods that were actually worked.** Periods of maternity leave and periods covered by salary insurance are deemed to be service worked and can therefore be bought back.

However, a year of service that was refunded by the RREGOP can never be bought back.

### Should I buy back a period of leave without pay?

The benefits of buying back service are twofold: on the one hand, you can retire sooner if you buy back periods when you were eligible. On the other, it also lets you increase your pension income. Service can be bought back by transferring an amount from an RRSP or by means of payments spread over a number of months (without going past the date on which you retire).

You can do a quick estimate to determine whether a buyback is financially advantageous by dividing the cost of the buyback by the difference between pension benefits with a buyback and pension benefits without a buyback. This gives you the number of years required to recover the cost of the buyback.

Take, for example, the case of a person who had an annual salary of \$37,800 in 2010 and who intends to retire on January 1, 2016 at the age of 62.

When she retires, she will have 37 years of credited service. Her pension will be \$28,027. She can buy back a period of full-time leave that she took for a year in 1992. If she buys back that year, she will then have a pension of \$28,728, with 38 years of service. If the leave that she buys back was parental leave, the cost of the buyback would be \$3,325. She would recoup the cost in just under 5 years –  $\$3,325 \div \$701$  (the difference in the amount of her annual pension). If, however, it was leave without pay other than parental leave, the cost of buying it back would be \$6,650, and so it would take 9.5 years to recoup the cost.

Regardless, before making a final decision about whether it's a good idea to buy back a period of RREGOP service for which you could have but did not contribute, you should consult a financial planner who will help you weigh the cost of the buyback versus the resulting benefits.

### *Leave for which contributions are waived*

For certain kinds of leave, employees don't have to pay contributions; it's the plan that pays them. Pensionable earnings and service are calculated as if the person were at work. There are no special procedures to complete with the RREGOP – it's the employer who does it in his annual report to the CARRA. All you have to do is check that the information on your annual statement of contributions is accurate when you receive it, or even better, apply to the CARRA for your statement of contributions that shows the history of your participation.

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<sup>12</sup> It may be advantageous to buy back these periods because the cost is lower than for leave without pay, and this service counts for both eligibility and pension calculation purposes.

### Maternity leave

During maternity leave, an employee's contributions to the pension plan are waived for up to 105 working days<sup>13</sup> (21 weeks). Credited service is the same as what would be credited to the employee if she were not on leave. If she is a full-time employee, she will have 0.4038 years of service recognized. Her pensionable earnings for the period will be what she would receive if she were not on leave.

### Disability leave with salary insurance benefits under a mandatory insurance plan

During disability leave with benefits, the employee's contributions to the pension plan are waived for a maximum of three years. Note that this waiver is applied per continuing episode of disability and not for the entire duration of participation in the plan. For example, if a person becomes disabled a first time for two years, goes back to work for a few years and then is again disabled for another three years, her or his contributions to the pension plan will be waived for a total of 5 years, not just three years.

The employee's credited service is what would have been recognized if she or he had not been on leave, or a maximum of three years of service for a full-time employee. Pensionable earnings for the period will be what the person would have received if she or he had not been on leave.

The waiver also applies for a person receiving benefits under one of the following laws while also being eligible for salary insurance under the collective agreement:

- ✓ *An Act respecting the Québec Pension Plan;*
- ✓ *An Act respecting industrial accidents and occupational diseases (including protective leave or reassignment before maternity leave));*
- ✓ *Automobile Insurance Act;*
- ✓ *An Act to promote good citizenship;*
- ✓ *Crime Victims Compensation Act.*

### Leave with deferred pay

An employee contributes on the percentage of pay actually received during her or his participation in the deferred pay agreement. Contributions on the deferred percentage of pay are waived. If the agreement ends during the employee's participation, the contributions to the pension plan must be paid as if she or he had not participated.

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<sup>13</sup> Up to 135 days in certain special cases.

For each year of participation in an agreement, service is calculated the same way it would have been if the person had not participated. A full-time employee has one year of credited service recognized. A part-time employee has a fraction of a year of credited service recognized, corresponding to her or his time worked as a proportion of full-time hours. Pensionable earnings are what the person would have received if she or he had not been participating.

Note that tax rules require a person who takes advantage of this program to return to work for a period of time at least equal to the length of the leave. If a person were to retire immediately after the period of leave under an agreement on leave with deferred pay, there could be tax consequences. As well, the agreement would be invalidated and this would have consequences for the retirement pension.

### *Leave with continuing participation*

#### Paternity leave and adoption leave

During the five days of paid leave under the collective agreement, pensionable earnings and service are what would be recognized for the employee if she or he were at work. For paternity and adoption leave for which benefits are paid, pensionable earnings and service are recognized as if the person were at work. RREGOP contributions are deducted during these forms of leave as if the person were at work. The employee therefore pays 100% of her or his share on her or his pay.

#### Phased departure (progressive retirement)

During a phased retirement agreement, RREGOP contributions are deducted from the pay that the person would receive if she or he had not reduced her or his work time. Pensionable earnings and service are credited as if the person was not participating in such an agreement.

#### Part-time leave without pay for 20% or less of full-time hours, or leave without pay for 30 consecutive days or less

During part-time leave corresponding to 20% or less of a regular full-time job, RREGOP contributions are deducted from the pay the person would receive if she or he had not reduced her or his hours of work. Pensionable earnings and service are credited as if she or he were not taking the leave.

During leave without pay for 30 consecutive days or less, RREGOP contributions are deducted from the pay that the person would receive if she or he were not taking the leave. Pensionable earnings and service are credited as if she or he were not on leave. The contributions are deducted after the employee returns to work. The employer then deducts 1.5 times the employee's daily contribution until all the contributions for the period of leave have been reimbursed.

For example, if the employee is absent for 10 days and her or his normal daily contribution is \$8, the employer deducts \$12 a day for the first 20 days of the employee's return to work.

### *Leave without continuing participation*

#### Parental leave without pay or part-time leave without pay extending maternity, paternity or adoption leave

During leave without pay or for the portion without pay of part-time leave without pay, an employee must buy back the leave or portion of leave if she or he wants to have the service and pensionable earnings for the period of leave or portion of leave recognized.

If the leave is bought back within six months of your return to work, you only have to pay the amount of the contributions that you would have paid on the earnings you would have received if you had been at work. If you buy back the leave more than six months after your return to work, the cost of the buyback is determined by a grid of rates that is revised with each actuarial valuation. The cost will depend on your age at the time your application to buy back is received and the period covered by the buyback. This grid corresponds to half the cost of buying back “normal” leave without pay. As well, you can use the “bank of 90 days” to have service during parental or family leave under labour standards recognized. We will come back to this bank further on.

Casual employees can buy back parental leave taken after January 1, 1987, which is when they became covered by the RREGOP. This applies, of course, to periods they would have worked if they had not been on leave.

#### Family leave under Sections 79.8 to 79.15 of the *Labour Standards Act*

The *Act respecting Labour Standards* stipulates that benefits must be maintained for employees who take certain leaves of absence without pay for family or parental reasons.

For leave in progress on January 1, 2012 or that began after that date, employees can ask the employer to continue the employee’s contributions. They can also buy back the service after returning to work. If the application for a buyback is received by the CARRA within 6 months of the end of the period of absence, the cost of the buyback equals 100% of the contributions that the employee would have paid if she or he had not been absent.

If the application for a buyback is received more than 6 months after the end of the period of absence, however, the cost of the buyback varies depending on the period to be bought back and the employee’s pensionable earnings and age at the time the application for the buyback is received. Here again, the grid corresponds to half the cost of buying back “normal” leave without pay.

#### All other leave without pay

For all other forms of leave without pay or the portion without pay of part-time leave without pay, an employee must buy back the leave or portion of leave if she or he wants to have service and pensionable earnings recognized for the leave or portion of leave.

If the leave is bought back within six months of returning to work, you will have to pay your contribution as well as the employer’s – so twice what you would have paid on what you would have earned if you had been at work.

If you buy back the period of leave more than six months after your return to work, the cost of the buyback is determined by a grid of rates that is revised with each actuarial valuation. The cost will depend on your age at the time your application to buy back is received and the period covered by the buyback. In this case, you cannot use the bank of 90 days unless the leave was taken before January 1, 2011.

### Recognition of service at no cost, or the bank of 90 days

The “bank of 90 days” was used by the CARRA when it calculated your pension to compensate for days of absence without pay that you took during your years of work. You therefore didn’t have to spend a cent to have these absences recognized, up to a maximum of 90 days. This bank was a way of compensating for absences that otherwise couldn’t have been covered, since before 2000 the rules didn’t allow you to buy back certain types of leave – e.g., a few days on strike – since the rules imposed a minimum number of days to be bought back.

The bank can still be used for leave without pay that was taken before January 1, 2011 and that has not been bought back. However, absences without pay since January 1, 2011 that have not been bought back can no longer be covered by the bank and must be bought back. There is one exception: absences without pay for parental leave that are not bought back can continue to be compensated by the bank, up to a maximum of 90 days.

Days compensated from the bank are recognized for both eligibility and pension calculation purposes.

### Tax rules

Under current tax laws, when the CARRA makes you a buyback proposal and you accept it, the CARRA has to calculate a past service pension adjustment (PSPA). This will modify the pension adjustment (PA) that your employer had calculated for the year concerned by the buyback of service. Since the buyback of service can affect previous income tax returns, it is important to ask Revenue Canada about what the impact could be. In particular, Revenue Canada will check whether you have enough tax room for the buyback. The information appears in the notice of assessment issued by the federal government confirming that your taxes for a given year have been paid.

If there is not enough tax room to allow for a PSPA, Revenue Canada will let you know how to proceed if you still want to go through with the buyback.

As well, in accordance with tax law requirements, the total duration of periods of absence since 1991 that can be credited to an employee is limited to five years. In addition to the five years, there can be periods of leave for family or parental obligations of up to twelve months each, for a combined maximum of 36 months.

The limit applies to all periods of leave except for eligibility periods for salary insurance and periods for which a PSPA (past service pension adjustment) is calculated.

The amounts paid for a buyback are generally deductible, unless they come from an RRSP.

## 5- Am I eligible for an immediate pension?

You are eligible for an immediate pension **without a reduction** if you have 35 years of service or if you are 60 years old.

You are eligible for an immediate pension **with a reduction** if you are 55 years old and have less than 35 years of service. The reduction applied to your pension is 0.333% per month, or 4% per year that you take your pension early compared to whichever factor – age 60 or 35 years of service – is closer.

For example, an employee turned 57 on July 1, 2012 and wants to retire on December 31, 2012. She would have 35 years of service on February 1, 2014.

On December 31, she will be 57 years and 6 months old. She will have to wait another 30 months to turn 60. On the same date, though, she will only need another 14 months of work to have 35 years of service.

In calculating the actuarial reduction applicable to her pension, the figure to use is 14 months, since this is the criterion for obtaining a pension without a reduction that comes soonest.

$$14 \text{ months} \times 0.333\% = 4.66\%$$

Her pension will therefore be reduced by 4.66% for the rest of her life.

You cannot be eligible for an immediate pension, with or without a reduction, **if you are under 55 and have less than 35 years of service**. If you quit your job, you will be entitled to a **deferred pension**. We will look at this in more detail in Section 9.

### Service for pension calculation purposes and service for calculating pension eligibility

The calculation of service for the pension amount and the calculation of service for eligibility are two different things. In the first case, the service is used to determine the amount of the pension that you will receive when you retire. The second calculation is used to determine whether or not you are entitled to an immediate pension, with or without a reduction, if the factor 60 (age) has not been reached.

#### Service for pension calculation purposes

Service for pension calculation purposes includes, for each calendar year:

- ✓ Days for which contributions were paid;
- ✓ Days counted by using the “bank of 90 days”;
- ✓ Days that were bought back, with the exception of days entitling a person to pension credits;<sup>14</sup>
- ✓ Days for which contributions were waived (e.g., maternity leave);

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<sup>14</sup> Since January 1, it is no longer possible to buy back service entitling a person to pension credits.

- ✓ Transferred days entitling a person to service under a transfer agreement, or days coming from the TPP or the CSSP.<sup>15</sup>

One complete year of service corresponds to 260 pensionable working days:

or 5 days X 52 weeks in a calendar year<sup>16</sup>

The year of service is then equal to 1. For part-time employees or full-time employees who have periods of absence, service is expressed as a fraction of a year, up to 4 decimal places.

To determine the service corresponding to a period of contributions, multiply the number of calendar days in the period by the conversion factor (0.7123, or 0.7104 if it's a leap year) and divide the result by 260. If the person has a part-time job, multiply this result by the percentage of time worked.

For example, a person who worked 2 days a week from January 15 to June 30, 2012 inclusively will have the following service recognized:

So:

$(168 \text{ calendar days} \times 0.7104^{17}) \div 260 = 0.4590$  X the fraction of 40% of the workload (2 days out of 5), or 0.1836 years of service

The maximum number of years of service recognized for pension calculation purposes is 37 years on December 31, 2012. It will be 38 years on December 31, 2013 and subsequently.

#### Service for calculating eligibility for an immediate pension

In addition to service recognized for pension calculation purposes, you have to add:

- ✓ days of service for which there is a corresponding pension credit,<sup>18</sup>
- ✓ service added for eligibility purposes (since 1987);
- ✓ plus a few other special cases.

#### Service added for eligibility

Since 1987, a RREGOP member who has accumulated less than a year of service for pension calculation purposes during a calendar year has a year of service for eligibility purposes recognized if she or he has worked one day in the year. There are three exceptions to this rule, however. The first is the calendar year in which a person is hired for the first time: in this case, service for eligibility purposes corresponds to the period between the date of hiring and December 31 of that year. The second exception is the year in which a person's employment

<sup>15</sup> These are the Teachers Pension Plan (TPP) and the Civil Servants Superannuation Plan (CSSP), which existed before the RREGOP was created. These two plans have been closed to new enrolment since 1973, and closed completely since 1991.

<sup>16</sup> i.e., from January 1 to December 31 of the year in question.

<sup>17</sup> 2012 is a leap year.

<sup>18</sup> These are basically years or fractions of years of service worked before the RREGOP was created or before the agency you worked for became covered by the RREGOP. It also corresponds to years for which there was an existing pension plan before the creation of the RREGOP that was transferred to the CARRA.

ends: in this case, service for eligibility purposes corresponds to the period between January 1 of that year and the date on which the person ceases to be a member of the plan. The third exception concerns a person who began working in 1988 and wants to buy back service worked as a casual employee in 1987 when she or he was not on a recall list: in this case, the service bought back corresponds to service for eligibility purposes.

To evaluate your eligibility for an immediate pension, the first step is to ask for your statement of contributions. This will be sent to you upon request. It is a good idea to ask for it at least every three to five years so as to track your status. If you notice a mistake in your years of contributions, get in touch with your employer, who will ask the CARRA for a correction.

At the end of this document, you have an example of a statement of contributions illustrating the difference between years of service for eligibility purposes and years of service for pension calculation purposes.

### Dates to remember

If you want to get your statement of contributions, you have to complete and sign the “Application for statement of contributions” form.<sup>19</sup> Providing your file is complete, you can expect an answer from the CARRA to take 45 days.

If you would like to get a pension estimate, you have to complete and sign the “Application for pension estimate” form. The normal processing time for a file is 120 days. The CARRA advises that you only apply for a pension estimate if you want to retire in the next 4 to 14 months. Otherwise, you can use the Pension Estimator tool found on the CARRA site, and if you plan to retire within less than 4 months, you should simply apply for your pension.

If you want to buy back years or fractions of years of service, you have to complete and sign the “Application for buy-back” form. Part of this form must also be signed by your current employer. Each employer concerned by a period to be bought back must complete the “Attestation of a buy-back period” form. The forms should be sent in to the CARRA with all the necessary supporting documents.

It is preferable to get all your applications for buybacks in to the CARRA at least 180 days before your planned date of retirement.

It is important to send in your application while you are still contributing to the pension plan because, with a few rare exceptions, you cannot buy back periods of service once you cease to be employed.

The CARRA will send you a buyback proposal that you are free to accept or refuse. The proposal spells out the cost and terms of payment for your buyback and is valid for 60 days.

If the file is complete, the CARRA allows itself a maximum of 90 days from receiving an application for retirement to process an application for a buyback.

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<sup>19</sup> All the forms mentioned are on the CARRA web site, at <http://www.carra.gouv.qc.ca>

If the file is complete, the CARRA allows itself a maximum of 180 days from receiving the application for a buyback in the following cases:

- ✓ people age 59 or older;
- ✓ people between 54 and 58 years of age with 30 or more years of service;
- ✓ people who are 52 or 53 with 33 or more years of service.

In all other cases of people applying for a buyback, it could take longer. However, interest no longer accrues once the CARRA has received the application for a buyback.

If you want to apply for a pension, complete and sign the “Application for a retirement pension” form at least 180 days before your planned date of retirement and at least 90 days before the planned month of retirement.

The CARRA will send back a reply form entitled “Your options” on which you indicate your personalized choices, including the possibility of 60% of your pension reverting to your surviving spouse. Complete and return the reply form as quickly as possible, no more than 30 days after receiving it.

Assuming that you want to retire on June 2:

The 1<sup>st</sup> payment of your pension benefits will be on June 15<sup>20</sup> if you sent in your application at least 90 days earlier, i.e. before March 1.

The 1<sup>st</sup> payment will be made on July 15 if the application for a pension is made at least 20 days before retirement.

The CARRA will confirm the pension 60 days after receiving the “Your options” reply form.

The CARRA also advances funds to ensure as much continuity of income as possible until the calculation of the actual pension has been done.

### Pension revision

Even if the CARRA has confirmed your pension, the amount can be revised downwards, taking into account any mistake in calculations or any correction to the data used for the initial calculation of the pension.

Mistakes in calculations or corrections to data must be identified or received no later than the following dates:

- ✓ 24 months after the end of a person’s contributions to the pension plan;
- ✓ 6 months after the first payment of pension benefits.

The pension can be revised downwards up to 12 months after these dates. After this, the amount of the pension can no longer be revised downwards.

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<sup>20</sup> Note that pension payments are always made on the 15<sup>th</sup> of the month.

If the CARRA revises the pension downwards within this period (3 years), it can recover overpayments. This can sometimes cause serious problems, depending on the pensioner's situation. This aspect is currently being examined by the RREGOP pension committee.

## 6- What will my retirement income be?

Your largest source of retirement income will probably be the RREGOP. Your other sources of income will be the Québec Pension Plan (QPP), Old Age Security (OAS) and, if applicable, the Guaranteed Income Supplement (GIS), RRSPs and any personal savings.

How much will you need once you retire? There are various opinions on this. It is generally agreed that to maintain your standard of living in retirement, you should plan on 70% of your average gross annual income. This rule takes into account the fact that a pensioner's responsibilities are not as onerous, particularly with respect to family obligations, and also because some work-related expenses are lower (travel costs, clothing, food, etc.). A pensioner no longer pays into certain plans (parental insurance, employment insurance, salary insurance, QPP and RREGOPP). The tax rate is also lower, because income is lower.

### How much will my RREGOP pension be?

The amount of the pension will vary depending on the number of years of contributory service, average pensionable earnings for your 5 best years<sup>21</sup> and whether or not you have reached one of the factors of a pension without an actuarial reduction.

The basic rule for calculating the pension amount is this:

2% of average pensionable earnings (APE) for the 5 best years  
multiplied by the number of years of contributions

The maximum number of years of contributory service for pension calculation purposes is 38. Therefore, the maximum pension a person can obtain is 76% of average gross earnings for her or his 5 best years.

Step 1 is to determine your APE for your 5 best years. To do this, you have to list all pensionable earnings<sup>22</sup> by calendar year in order to identify the 5 best years. If the annualized pensionable earnings for the year in which you retire are one of your best, you only count the portion of service corresponding to the contributions period.

Take the case of a person working full-time who retires on September 1, 2012. Her contributions period for 2012 is from January 1, 2012 to August 31, 2012, or 242 calendar days, for 0.6612 of a year of service. Supposing that the order of the 5 best years of pensionable earnings goes from 2012 to 2008, the year 2007 also has to be included in calculating the average pensionable earnings for pension purposes, because **only 0.6612 of pensionable earnings for 2012 can be used.**

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<sup>21</sup> This is often the average of the last 5 years.

<sup>22</sup> Pensionable earnings were discussed in Section 3 of this document.

For example:

Year	Pensionable earnings	contributions period counted	pensionable earnings counted
2012	\$43,500	0.6612	\$28,762
2011	\$42,500	1	\$42,500
2010	\$42,000	1	\$42,000
2009	\$41,500	1	\$41,500
2008	\$41,500	1	\$41,500
2007	\$40,000	0.3388	\$13,552
total			\$219,814

So average pensionable earnings for the 5 best years are:  $\$219,814 \div 5 = \$41,963$

Step 2 is to determine whether you are entitled to an immediate pension and whether the pension is with or without an actuarial reduction. Two factors come into play here – your age and the number of years of service for eligibility purposes. For a pension without an actuarial reduction, you must be 60 years old or have 35 years of service for eligibility purposes. For a pension with a reduction, you have to be at least 55 years old.

Step 3 is to determine the amount of the pension.

### Pension without a reduction

Suppose that the person in our example has at least 35 years of service for **eligibility** purposes. On September 1, 2012, she can have a maximum of 36.6612 years of contributory service or less, depending on the percentage of time worked during her or his career. Compare one example with 36.6612 years of **contributions** and another with 20 years of **contributions**.

1<sup>st</sup> case: the annual pension is equal to:  $36.6612 \times 2\% \times \$41,963 = \$30,768$

2<sup>e</sup> case: the annual pension is equal to:  $20 \times 2\% \times \$41,963 = \$16,785$

### With a reduction

Suppose that the person in our example is 55 years old on August 31, 2012 and has 31 years of service for **eligibility** purposes on that date. On September 1, 2012, she or he can have a maximum of 31 years of **contributory** service. Compare an example with 31 years of service with contributions and another with 20.

1<sup>st</sup> case: the annual pension is equal to  $31 \times 2\% \times \$41,963 = \$26,017$ , minus 16% for taking early retirement (4% per year before the closer of the two factors – age 60 or 35 years of service for eligibility purposes). In this case, the closest factor is 35 years of service, so  $4 \text{ years} \times 4\% = 16\%$ .

The person's pension will therefore be \$21,854. **Remember, the reduction applies for the rest of the person's life.**

2<sup>nd</sup> case: the annual pension is equal to  $20 \times 2\% \times \$41,963 = \$26,017$ , minus 20% for taking an early pension (4% per year before age 60, which in this case is the closer factor).

For a total annual pension of \$16,785.

Some people may also be entitled to pension credits that are added to the RREGOP pension. These pension credits are payable starting at age 65, with the possibility of drawing them earlier with an actuarial penalty.

You can use the Pension Estimator tool on the CARRA web site. In an appendix, you have a printout of the home page for the CARRA web site, with an arrow showing where to find the Pension Estimator.

Note that if you are entitled to a pension with a reduction, you can cancel out or reduce the reduction applicable to your pension by paying an amount to the CARRA in accordance with tax laws. The amount required can come from an RRSP. However, **the amount needed to compensate for an actuarial reduction is always very high**. You can obtain an estimate of the amount of compensation needed by applying to the CARRA on the “Application for pension estimate” form (009A), which automatically generates an estimate of the cost of compensation.

### Indexation of the RREGOP pension

The pension is indexed annually on January 1 of each year. The indexation formula varies, depending on the period for which contributions were made.

The part of the pension corresponding to years worked:

- ✓ before July 1, 1982, is fully indexed according to the Pension Index Adjustment Rate (PIAR, or TAIR in French, for “taux d’augmentation de l’indice des rentes”);<sup>23</sup>
- ✓ between July 1, 1982 and December 31, 1999, is indexed according to the PIAR - 3%;
- ✓ since January 1, 2000, is indexed according to the PIAR - 3%, with a guarantee of a minimum of 50% of the PIAR.

These three indexation formulas explain why the cost of buying back previous service varies depending on when the service to be bought back occurred. Obviously fully indexed years are more expensive to buy back.

Take, for example, the case of a person who retired on January 1, 2011 and who paid into the plan from January 1, 1980 to December 31, 2010. She therefore has 30 years of service for which she contributed, divided as follows: 2.5 years up until July 1, 1982; 17.5 years from July 1, 1982 to December 31, 1999; and 10 years from January 1, 2000 to December 31, 2010.

Supposing that her average earnings were \$42,000, her annual pension in 2011 was \$25,200. If her pension is broken down into the corresponding periods, the result is:

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<sup>23</sup> The Pension Index Adjustment Rate (PIAR) is defined by the Québec Pension Board. It is derived from the increase in the average consumer price index for Québec and therefore varies from year to year.

2.5 X 2% X \$42,000 =	\$2,100 for the years from January 1, 1980 to June 30, 1982
17.5 X 2% X \$42,000 =	\$14,700 for the years from July 1, 1982 to December 31, 1999
10 X 2% X \$42,000 =	\$8,400 for the years from January 1, 2000 to December 31, 2010

How much will her pension be in 2012, knowing that the PIAR applicable on January 1, 2012 is 2.8%?

The years of service from January 1, 1980 to June 30, 1982 are fully indexed:

$$\$2,100 \times (1 + 2.8\%) = \$2,158.80$$

For the years from July 1, 1982 to December 31, 1999, there is no indexation, since the PIAR (2.8%) is less than 3%.

So \$14,700

For the years from January 1, 2000 to December 31, 2010, the indexation is 1.4%, since there is a guaranteed indexation of at least 50% of the PIAR.

$$\text{So } \$8,400 \times (1 + 1.4\%) = \$8,517.60$$

For a total pension of \$25,376.40 in 2012, or an increase of \$176.40, which works out to an overall indexation rate of 0.7% for 2012.

### Integration of the RREGOP with the Québec Pension Plan (QPP)

Integration of the RREGOP with the QPP means that the pension paid by the RREGOP will be reduced to take into account the fact that the person is eligible to receive QPP benefits. Although the QPP can be taken early at age 60, for integration purposes the RREGOP considers that a person becomes eligible for the QPP at age 65. The integration of the RREGOP pension with the QPP is reflected in the cost of the plan; otherwise, contributions would have been higher.

The integration applies from the first day of the month following the pensioner's 65<sup>th</sup> birthday, or the first day of the month following retirement if a person retires after 65 years of age.

The annual rate of integration of the pension is 0.7%. This rate is calculated on the basis of the initial monthly amount of benefits paid by the QPP, which is approximately 25% of the Québec Pension Board's average maximum pensionable earnings (MPE) for a maximum of 35 years. Dividing 25% by 35 years equals 0.7%.

The reduction of the pension as a result of the integration is calculated as follows:

$$0.7\% \times \text{the number of years of credited service, up to a maximum of 35} \times \text{the MPE or (average pensionable earnings)}^{24} \text{ for the last five years}$$

<sup>24</sup> If the average pensionable earnings for the last 5 years are less than the average MPE for the last 5 years, it is the average pensionable earnings that are used for calculating the reduction in the pension as a result of integration.

Just as for the calculation of average earnings for the 5 best years, the last period of contributions has to be considered. To establish the average MPE for the last 5 years, the last period of contributions to the RREGOP has to be taken into account.

Note that years of service credited over 35 years are not integrated with the QPP. This refers to the 36<sup>th</sup>, 37<sup>th</sup> and 28<sup>th</sup> years of pension contributions resulting from the last round of negotiations.

To illustrate, here are two examples.

Take a case with average income lower than the MPE (Case 1) and another (Case 2) with income superior to the MPE:

year	pensionable earnings Case 1	pensionable earnings Case 2	period of contributions	pensionable earnings counted in Case 1	pensionable earnings counted in Case 2	MPE	MPE counted
2012	\$43,500	\$52,200	0.6612	\$28,762	\$34,515	\$50,100	\$33,126
2011	\$42,500	\$51,000	1	\$42,500	\$51,000	\$48,300	\$48,300
2010	\$42,000	\$50,400	1	\$42,000	\$50,400	\$47,200	\$47,200
2009	\$41,500	\$49,800	1	\$41,500	\$49,800	\$46,300	\$46,300
2008	\$41,500	\$49,800	1	\$41,500	\$49,800	\$44,900	\$44,900
2007	\$40,000	\$48,000	0.3388	\$13,552	\$16,262	\$43,700	\$14,806
				\$209,814	\$251,777		\$234,632
average earnings, 5 best years				\$41,963	\$50,355		\$46,926

In both cases, the person retires on September 1, 2012 with 36.6612 years of contributory service.

1<sup>st</sup> case: the annual pension is equal to  $36.6612 \times 2\% \times \$41,963 = \$30,768$

2<sup>nd</sup> case: the annual pension is equal to  $36.6612 \times 2\% \times \$50,355 = \$36,921$

The month following a pensioner's 65<sup>th</sup> birthday, the pension will be integrated and become:

1<sup>st</sup> case: the pension will be reduced by  $0.7\% \times 35 \text{ years} \times \$41,963 = \$10,281$ , leaving an annual pension of \$20,487. Here it is the average pensionable earnings for the last 5 years that is used since it was less than the average MPE for the same years.

Note that only the first 35 years of contributory service are integrated. Once integrated, the multiplier factor is 1.3% instead of the previous 2%, up to the average MPE.

In the 1st case, we could have used the following method as well:

$$(35 \text{ years} \times 1.3\% \times \$30,768) + (1.6612 \times 2\% \times \$30,768) = \$20,487$$

2<sup>nd</sup> case: the pension will be reduced by  $0.7\% \times 35 \times \$46,926 = \$11,497$ , leaving an annual pension of \$25,424. The same rule applies for the number of years taken into account, and it is the average MPE that is used to establish the reduction since the average pensionable earnings are higher.

Why? Because the RREGOP pension plan takes into account the fact that an employee contributes to the QPP up to the maximum pensionable earnings.

The balance between the value of the RREGOP pension and the costs assumed by each member is achieved by means of the exemption of contributions to the plan. Remember, contributions are only made on the portion exceeding a certain percentage of MPE, i.e., the part that exceeds 33% of the MPE in 2012.

### Other retirement income

Between the age when you begin to draw your RREGOP pension and age 60, the only income on which you can count is your RREGOP pension, your RRSPs and your personal savings or other kinds of income.<sup>25</sup>

Benefits from the Québec Pension Plan (QPP), Old Age Security (OAS) and the Guaranteed Income Supplement (GIS), if you are entitled to it, will only provide 48% of your career-long average annual income, providing that this does not exceed about \$40,000.

### Québec Pension Plan (QPP)

You are entitled to a retirement pension if you have paid into the Québec Pension Plan and you are at least 60 years old. The amount of the pension will depend on the age at which you retire, the number of years of contributions to the QPP and the earned income on which you have paid contributions. The QPP pension is based on your career-long earnings. Note that very few people draw maximum QPP benefits, which are \$986.67 a month in 2012 for someone who retires at age 65. You can obtain your statement of QPP contributions from the QPP web site, at the following address:

[http://www.rrq.gouv.qc.ca/en/services/services\\_en\\_ligne/Pages/releve\\_participation.aspx](http://www.rrq.gouv.qc.ca/en/services/services_en_ligne/Pages/releve_participation.aspx)

This statement will also give you an estimate of the pension that you will be able to draw at age 65, based on your accumulated contributions.

Between 60 and 65 years of age, you have to have stopped working in order to draw your pension, or be an employee and have made an agreement with your employer to reduce your pay by at least 20% in view of retirement.<sup>26</sup> If you are 65 or older, though, there is no longer any need for you to have stopped working in order to draw your pension.

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<sup>25</sup> This may be dividends, rental income or income from another job or the one you had, if you return to work.

<sup>26</sup> We will discuss phased retirement further on.

Since payment of the retirement pension is not automatic, you have to apply for it. It is advisable to apply between 1 and 3 months before the date on which you wish to begin receiving it.

If you are under 65, the amount of the pension you receive throughout your retirement will be reduced by 0.5% a month, or 6% per year, that you take an early pension. If you are over 65, your pension will be increased by 0.5% a month or 6% a year. Starting January 1, 2013,<sup>27</sup> however, the reduction for an early pension will go up gradually from 0.5% to 0.6% a month until 2016, when it will reach 7.2% per year of early pension. Starting January 1, 2013, a pension drawn after age 65 will be increased by 0.7% a month or 8.4% per year of deferred pension, until 70 years of age. The QPP benefits are indexed on January 1 of each year.

With a few exceptions, it is advantageous to apply for the QPP pension as soon as you stop working, or at age 60 if you stopped working before then. If you wait to turn 65 so as to draw the full amount of your pension, it will take a number of years to recover the amount that you would have received if you had drawn your pension earlier.

### Old Age Security (OAS)

The Old Age Security pension is a monthly benefit paid to most Canadians who are at least 65 years old and who meet the residency and legal status requirements. **You have to apply for it.** It is not a work-related benefit and it is not necessary to be retired to obtain it.

Currently, the maximum amount is about \$6,540 a year. It is indexed every three months. Once you have income of \$69,562, the benefit begins to be reduced, down to zero when your income reaches \$112,966.

Starting on April 1, 2023, the age a person becomes eligible for OAS and the GIS will go up gradually until it reaches 67 in January 2029. The reform will not affect people born before 1959.

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<sup>27</sup> For people born after January 1, 1954.

## 7- Is phased retirement for me?

Before retiring, you can reduce the amount of time you work by taking **phased** retirement. At the present time, there is no “real” phased retirement program that would allow you to work fewer hours while collecting part of your RREGOP pension to compensate for the lost earnings.

Even though this kind of phased retirement is not available for the time being, the pension plan does allow you to reduce your hours of work before retiring while having service and earnings recognized as they would have been if you had not participated in the program.

### Main rules of the phased retirement program:

- ✓ be a regular full-time or part-time employee;
- ✓ be entitled to this measure according to your working conditions;<sup>28</sup>
- ✓ be entitled to an immediate pension with or without a reduction at the end of the agreement;
- ✓ conclude an agreement with the employer for a period of at least 12 months and no more than 60 months;
- ✓ first obtain an attestation from the CARRA indicating that at the end of the agreement you will be eligible for a pension.<sup>29</sup> Any change to the dates set for the start or end of the agreement must be accepted by the CARRA;
- ✓ continue to have a schedule of work corresponding to at least 40% of the regular time of a full-time employee for the duration of the agreement;
- ✓ retire when the agreement ends.

Seasonal and casual employees are not eligible for phased departure.

For the entire period covered by the agreement, contributions are based on what you would have earned if you were not taking advantage of this measure. Service and earnings that you would normally have accumulated are recognized for pension plan purposes.

Any other absence without pay during a phased retirement that involves a continuation of regular contributions (including periods of disability for which contributions are waived) does not have the effect of extending the agreement, because the service is fully recognized. If, however, the absence without pay is not recognized, you have to buy it back or extend the agreement.

When the agreement expires, if the service actually accumulated is less than the CARRA's estimate, or if you are not entitled to an immediate pension, the agreement is extended until you are eligible for the pension and have accumulated the amount of service estimated at the start of the agreement.

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<sup>28</sup> The phased retirement program is provided for in clauses 24.02 to 24.05 of the FSSS-CSN collective agreement. For more specific information about the provisions governing phased retirement and for the rights and benefits recognized during participation in the program, consult these clauses.

<sup>29</sup> You have to complete the “Application for confirmation of eligibility for phased departure” form (267A).

## Cancellation or premature end to the agreement

The consequences are different for a cancellation or a premature end to an agreement. In the first case, pensionable earnings, recognized service and contributions are adjusted downwards to correspond to the amounts paid and the service actually worked. The agreement is cancelled if the time worked is less than 40% of full-time, if you voluntarily cease to contribute to the pension plan, if the employer and you jointly end the agreement during the first year or if you do not retire at the end of the agreed period of time. In other cases, including death, dismissal or layoff, there is a premature end to the agreement. Pensionable earnings, recognized service and contributions for the period between the start of the agreement and its end are fully recognized in accordance with the terms of the agreement.

## The consequences of a reduction in work time for your QPP pension

If you reduce your hours of work otherwise than by enrolling in a phased retirement program, it can affect your **contributions to the Québec Pension Plan**. Unlike the RREGOP for which your contributions are made on the basis of your full earnings even if you are working part-time, QPP contributions are made on the basis of actual earnings.

Take the case of a full-time employee who takes leave with a 50% reduction in her or his work time for one year and who has a salary of \$70,000. If this person buys back the portion of the leave, she or he will have a full year of service recognized for retirement pension purposes on the basis of her or his full earnings, which will not affect her pension. However, her QPP contributions will be made on the basis of what she actually earns, or \$35,000, which is less than the MPE threshold (\$50,100 in 2012). This decision will therefore have a negative impact on her retirement income since she will not have contributed fully to the QPP that year. Service cannot be bought back for the QPP.

It is, however, possible to continue paying full contributions to the QPP on the basis of a phased retirement agreement with the employer once you reach 55 years of age. The Québec Pension Board offers a simulation service outlining the effects of phased retirement for workers who request it.<sup>30</sup>

**If you are 60 years old** and you reduce your work time by at least 20%, you can ask to receive your QPP pension early so as to offset the loss of income that you foresee. Furthermore, the work you do will **increase** the pension you receive from the QPP. You don't have to apply for it; the Québec Pension Board will send you this "supplement to the retirement pension" thanks to information sent to it by Revenu Québec.

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<sup>30</sup>[http://www.rrq.gouv.qc.ca/en/programmes/regime\\_rentes/rente\\_retraite/Pages/retraite\\_progressive\\_regime.aspx](http://www.rrq.gouv.qc.ca/en/programmes/regime_rentes/rente_retraite/Pages/retraite_progressive_regime.aspx)

If you are under 60, you cannot receive an early retirement pension from the QPP and therefore will have to use personal savings to offset the loss of income that you foresee. Under the RREGOP, employees do not receive what is usually called “bridging benefits” to offset the income gap between the planned start of their retirement and the time benefits from public plans begin.

### **Gradual retirement**

If you are at least 65 years old and continue to work in a position covered by your pension plan, you can benefit from a gradual retirement program that, on certain conditions, allows you to receive both your pay and your pension.

As a general rule, the total amount of your pay and the pension you receive during your gradual retirement cannot exceed the pay you would receive if you had not reduced your hours of work.

You should negotiate a gradual retirement agreement with your employer and decide with the latter what the terms of this agreement are.

Once your employer and you have decided on the terms of the agreement, you and the employer have to complete the “Application for gradual retirement” form (121A) and then send it in to the CARRA.

Benefiting from a gradual retirement agreement does not have any effect on your pension since you are deemed to have retired and cease to contribute to your plan.

Consequently, for the entire duration of your gradual retirement, you are not a member of your pension plan and do not accumulate years of service. Your pension is therefore calculated at the time you begin to use gradual retirement. And since you are supposed to be retired, you are not considered eligible for salary insurance benefits.

Gradual retirement ends at the latest on December 30 of the year you turn 69. Consequently, as of December 31 of the same year, you automatically receive your full pension in addition to your pay if you continue to work.

Note that since January 1, 2007, it is more advantageous for RREGOP pensioners to return to work than to take gradual retirement.

## 8- What happens if...?

### Departure before eligibility for an immediate pension, with or without actuarial reduction

- 1<sup>st</sup> case: You are younger than 55 and you have fewer than two years of service.<sup>31</sup> You can have your contributions refunded with interest (excluding the employer's contribution). If you opt for this, you have to use the "Application for refund" form (O80A). The amount of the refund can be transferred to a RRSP, a RRIF or a RPP. If this is done it is not taxable. The request for a transfer must be made to the CARRA when you apply for a refund.
- 2<sup>nd</sup> case: You are younger than 55 and have at least two years of service but less than 35: you can receive a deferred pension payable when you turn 65. This deferred pension is fully indexed<sup>32</sup> for any period beginning on the January 1 following the date on which you cease to be a member of the plan until January 1 of the year in which you turn 65. You can take a deferred pension early any time after you turn 55. However, there will be an actuarial reduction of 4% per year of anticipation between your age at the time you take the early pension and age 65. As well, the integration of the pension with the QPP pension applies as soon as you start to draw the pension, not just when you turn 65 as is the case with a regular pension. If this is what you choose, you and your employer must complete the legally prescribed "Application for a retirement pension" form (O79A).

You can also transfer the higher of the following two amounts to a LIRA or a LIF:

- The total amount of contributions with interest accrued up until the date the application is received;  
or
- The value of the deferred pension integrated with the QPP (indexed to the RREGOP) established on the same date.

You can apply starting on the 211<sup>th</sup> day following the end of the employment covered by the RREGOP but before your 55<sup>th</sup> birthday.

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<sup>31</sup> Service added for eligibility is not included in this calculation.

<sup>32</sup> The deferred pension of a person who ceased to be a member before January 1, 1991 is not indexed for the period during which she or is is waiting for payment.

### *Transfer agreement:*

In both cases, and providing your new employer has a transfer agreement with the RREGOP,<sup>33</sup> you can transfer your contributions with accrued interest to your new employer. Depending on the transfer agreement, your years of service will be recognized in full or in part for pension calculation purposes. For example, you may have fewer years of recognized service if your new plan is more generous than the RREGOP, since in such a case the amounts transferred from the RREGOP will be less than the amounts required by the plan you are transferring into for recognition of all your credited service. However, insofar as there is no overlapping service, service for eligibility purposes is always recognized in full.

### **Return to work**

The new provisions in the RREGOP mean that a pensioner's return to work does not have any impact on her or his retirement pension. If this is your situation, you will receive both your full pension and your pay. If you go back to work in the public sector, though, you will not participate in any retirement pension plan.

### **Divorce**

Benefits entitlements accumulated by either spouse during marriage or civil union under pension plans administered by the CARRA constitute part of the family patrimony introduced by the *Act to amend the Civil Code of Québec and other legislation in order to favour economic equality between spouses*, passed in 1989.

The persons covered are spouses married before or after the adoption of this law, regardless of the matrimonial regime chosen; since June 24, 2002, spouses in civil unions are also covered.

**Common-law or *de facto* spouses are not covered by these provisions.**

The value of benefits is established on the date of the valuation of benefits for the period between the date of the marriage or civil union and the date of the valuation of benefits. To find out the value of benefits, the "Application for a statement of benefits (Partition of family patrimony)" form (388A) can be used as soon as procedures are begun for divorce, legal separation, annulment of marriage or dissolution or annulment of civil union. When a statement of benefits has been sent and there is a judgment to the effect that the pension plan must be partitioned, an application for payment of the value of benefits must be made using the "Application for payment of the value of benefits (Partition of family patrimony)" form (389A).

The amounts awarded to the spouse must be transferred into an annuity contract, a locked-in retirement account (LIRA), a life income fund (LIF), a registered retirement savings plan (RRSP) or a registered retirement income fund (RRIF). The last two possibilities are only offered if the amounts come from a right to a refund of contributions.

When the amounts awarded to the spouse are paid, a reduction due to the partition is calculated and recorded in the member or pensioner's file. The reduction is calculated in

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<sup>33</sup> This list is available on the CARRA web site.

accordance with the amounts paid to the spouse and will reduce the amount of benefits that a member will receive or that a pensioner currently receives.

Note that a spouse may use a notarial deed to renounce her or his rights to the partition of the family patrimony upon the death of her or his spouse or a decree of divorce, legal separation or annulment of marriage or dissolution or annulment of civil union.

### Terminal illness

If you have a terminal illness, i.e., an illness that in your physician's opinion leaves you with less than two years to live, you can obtain terminal illness benefits equal to the contributions that you paid into your pension plan plus accrued interest or the value of your vested pension.

### Death

When you die, benefits will be paid to your heirs depending on whether or not you were eligible for a pension or were already retired at the time of your death.

If you don't have a spouse, your heirs will be entitled to a single death benefit equal to your contributions plus interest or the actuarial value of your pension.

If you have a spouse and you were not eligible for an immediate pension, your spouse will be entitled to a death benefit equal to your contributions plus interest or the actuarial value of your pension.

If you have a spouse and you were already retired or you are over the age of 55, the survivor's pension of 50% or 60% paid to the surviving spouse will be calculated in accordance with the choice you made when you retired.

It is impossible to designate the person of your choice as beneficiary when you die.

Regardless of your will's provisions, the law stipulates that your pension will be paid in the following order to:

- ✓ the person to whom you were married or with whom you were joined in civil union;
- ✓ you spouse if you were not married;
- ✓ your children or heirs designated in your will, if you do not have a spouse.

The RREGOP recognizes as your spouse the person with whom you have lived as if you were married for at least three years, or one year if you have a child with that person. Note that same-sex common-law spouses have the same rights. Don't forget that even if you have lived with someone for 15 years, unless you have divorced any previous spouse, it is the previous spouse who will be entitled to the survivor's pension.

If you live with a spouse who is not the mother or father of your children, you might prefer to designate your children as beneficiaries in the event of your death. If this is the case, your spouse will have to complete a form waiving her or his rights. Unless there is a signed waiver, it is your spouse who will receive the surviving spouse's pension, equal to 50% of the pension payable to you at the time of your death. Your spouse can change her or his mind and reverse such a waiver at any time before you die.

## 9- Recourse and references

If you have problems and questions, our first piece of advice is to contact a member of the union executive who will be able to refer you to the right information or call the union staff representative assigned to your union.

### Recourse

If as a member or pensioner you disagree with a decision rendered by the CARRA concerning:

- ✓ eligibility for one of the plans administered by the CARRA;
- ✓ the number of years of credited service and periods of contributions;
- ✓ pensionable earnings recognized and the amount of contributions;
- ✓ the amount of benefits;
- ✓ the right to any other benefit provided by the pension plan,

the *RREGOP Act* provides for two consecutive forms of recourse: re-examination of the decision and arbitration.

### *Re-examination:*

You or your representative can ask the pension committee to re-examine any decision rendered by the CARRA. The request must be made within 12 months of the date on which the contested decision was sent. You must complete the “Application for re-examination” form (083A) and send it in to:

Grefte des réexamens  
Commission administrative des régimes de retraite et d’assurances  
475, rue Saint-Amable  
Québec (Québec) G1R 5X3  
418 644-2901 (Québec City area)

There is a re-examination committee for each of the public service, education and health and social services sectors. The re-examination committee for health and social services is composed of two union representatives, one of them from the CSN, and two representatives appointed by the government.

The re-examination committee has 3 mandates:

- ✓ examine applications for re-examination that come within its jurisdiction;
- ✓ uphold, quash or render the decision that in the committee’s opinion should have been rendered; and
- ✓ explain and justify its decision in writing to the applicant and, if applicable, the CARRA.

In the event of a tie vote, the initial decision is upheld and the case is referred to an arbitrator.

## *Arbitration*

If you want to contest the re-examination committee's decision, you must apply for arbitration to the office of arbitration tribunals with a letter specifying what you are contesting and giving the reasons why you disagree with the decision.

You must send your letter to:

Grefe des tribunaux d'arbitrage des régimes de retraite publics et parapublics  
Édifice Lomer-Gouin  
575, rue Saint-Amable, bureau 2.02  
Québec (Québec) G1R 5Y8  
418 643-4758 (Québec City area)  
418 646-6848 (fax)

The application must be received within 90 days of the date on which the re-examination committee's decision was sent.

Arbitration can also be requested by the member or pensioner's representative or by a union or association steward. The latter can also represent the applicant at the hearing.

## *Complaint*

Complaints about the quality of the CARRA's services can be made in writing and sent to the complaints officer with all the relevant information, such as name and social insurance number if appropriate, and a detailed description of the problem.

By mail:

Bureau des plaintes  
Commission administrative des régimes de retraite et d'assurances  
475, rue Saint-Amable  
Québec (Québec) G1R 5X3  
By phone:  
418 644-3092 (Québec City area)  
1 866 239-2985, reference no.: 2009 (toll-free)  
1 855 642-3092 (toll-free)  
By fax:  
418 644-5050  
By e-mail: "E-mail for the Complaints Officer" on the CARRA web site:  
[www.carra.gouv.qc.ca](http://www.carra.gouv.qc.ca).

N.B.: a complaint does not dispose of your other forms of recourse, so pay attention to deadlines and time limits!

## Useful references

### **CARRA**

Commission administrative des régimes de retraite et d'assurances

Web site: [www.carra.gouv.qc.ca](http://www.carra.gouv.qc.ca)

Customer service

475, rue Saint-Amable

Québec (Québec) G1R 5X3

Phone no. for the Québec City area: (418) 643-4881

Phone no. for everywhere else: 1 (800) 463-5533

### **Old Age Security pension program (OAS)**

Service Canada

For toll-free service in French:

1 (800) 277-9915

For toll-free service in English:

1 (800) 277-9914

Web site: [www.servicecanada.gc.ca](http://www.servicecanada.gc.ca)

### **Québec Pension Board**

Case postale 5200

Québec (Québec) G1K 7S9

Phone no. for the Montréal area:

(514) 873-2433

Phone no. for the Québec City area:

(418) 643-5185

Phone no. for everywhere else:

1 (800) 463-5185

Web site: [www.rrq.gouv.qc.ca/en/retraite/Pages/retraite.aspx](http://www.rrq.gouv.qc.ca/en/retraite/Pages/retraite.aspx)

### **Question retraite**

A neutral, independent organization created in 2003 at the initiative of the Québec Pension Board to raise awareness about the importance of beginning to save for retirement early:

<http://www.questionretraite.qc.ca/fr/>

### **Guide d'administration retraite RREGOP**

[www.carra.gouv.qc.ca/fra/guide/administration/guide.htm](http://www.carra.gouv.qc.ca/fra/guide/administration/guide.htm)

### **A Guide to Your Retirement, published by the FNEEQ-CSN, December 2011**

[http://www.fneeq.qc.ca/en/comites/assurances/Pension\\_Plan/Guide-Regime-retraite.html](http://www.fneeq.qc.ca/en/comites/assurances/Pension_Plan/Guide-Regime-retraite.html)