SASKATCHEWAN TEACHERS' SUPERANNUATION COMMISSION

Annual Update:

The Saskatchewan Teachers' Superannuation Commission (STSC) is pleased to provide you with your Annual Statement for the year ending June 30, 2014. This letter is designed to provide teachers with helpful information to better understand the benefits available from the Saskatchewan Teachers' Superannuation Plan (STSP). Please keep in mind that any service, purchases or transfers made after June 30, 2014 will not be reflected on this statement.

It is essential that you carefully review and report any discrepancies in writing.

Saskatchewan Teachers' Superannuation Plan Benefits:

You may have heard of forthcoming changes to the Saskatchewan Teachers' Retirement Plan (STRP) that will be effective July 1, 2015. Please note these changes **do not** impact the members of the Saskatchewan Teachers' Superannuation Plan (STSP). The STSP is the pension plan for teachers hired in Saskatchewan prior to July 1980 and is governed by *The Teachers Superannuation and Disability Benefits Act*. It's important to remember that the STSP and the STRP are two distinct and different pension plans with separate plan provisions and legislation.

Annual Statement Credited Interest:

Credited interest for the period ending June 30, 2014 on contributions and interest in the STSP is 10.27%.

In accordance with the policy established by the Commission, credited interest for contributions held within the STSP is smoothed over a four year period by using 25% of each of the last four years of investment earnings. This method mitigates the swings of highs and lows in the marketplace. Therefore, during periods when investment markets are volatile, the smoothing of investment returns results in teachers' receiving higher interest credits than the plan returned in a particular year. However when markets recover, credited interest may be lower than investment performance. It is important to remember that contributions made by teachers, credited interest and investment performance do not have a direct impact on the calculation of your superannuation allowance and are not factors in the pension formula. The STSP is a defined benefit pension plan that determines your allowance by using a formula that includes the average of your best five years salary and years of contributory service.

Applying for Your Superannuation Allowance:

Once you have decided to take the big step towards retirement, **you must contact the STSC to apply for any benefit payable from the superannuation plan by submitting the appropriate forms THREE months in advance of your retirement date.** Application to commence your retirement allowance must be done separately from notifying your school division of your retirement, even if you plan on a return to teaching as a substitute or on a temporary contract. **You must apply for any benefit from the plan before the end of the year that you reach age 71.**

Did You Know?

As a contributor to the STSP, you are eligible to contribute to the Teachers' Voluntary Contribution Fund (TVCF). The TVCF is invested in a balanced portfolio with Greystone Managed Investments separate from the STSP. The investment returns for the year ending June 30, 2014 were 13.71%. The previous year's return was 5.97%. The TVCF is subject to the *Income Tax Act* limits towards contributing to retirement plans such as RRSPs.

You can maintain your life insurance coverage after you superannuate. The premiums are the same level as an active teacher; however you are required to pay the matching portion which was previously paid on your behalf by the Minister of Finance. The amount of life insurance coverage continues to be 2x the top of the salary grid for a Class VI teacher; currently is $177,000.00 however it drops to $16,000 for the period of age 65 to 85.

It is essential to update designated nominees/beneficiaries for your pension and group life insurance if you have a change in your family circumstances due to a divorce, marriage or death. It is also important to remember that if an Estate is named as a beneficiary for group insurance, the Will is subject to probate. Forms to update this information are available on the STSC website at www.stsc.gov.sk.ca.

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Options to Consider for Retirement Planning - Canada Pension Plan (CPP) Integration and Upward Adjustment:

Question:

I will be eligible to retire soon. I know the retirement allowance I will be receiving from the Saskatchewan Teachers' Superannuation Plan will be reduced when I turn 65 because the Saskatchewan Teachers' Superannuation Plan is integrated with Canada Pension Plan. What does this mean? Would you also explain the Upward Adjustment and how it will affect my retirement allowance?

<u>CPP Integration Answer:</u>

Although the Saskatchewan Teachers' Superannuation Plan (STSP) is integrated with the Canada Pension Plan (CPP), this must not be confused with the fact that STSP and the CPP are totally independent pension plans and administrators.

During your teaching career, you made contributions to the STSP as well as CPP, which funds two separate benefits. At retirement, the amount of pension a teacher receives from CPP is based on the formula within the plan provisions for CPP.

The allowance received from the STSP is calculated using STSP's formulas only.

The amount of pension a teacher receives from CPP is calculated independent of STSP. The STSP provides a pension benefit of 1.3%; this is often referred to as the **lifetime pension.** In addition, the STSP provides for a **bridge benefit** for those who retire prior to age 65 in the amount of 0.7%, bringing the total pre-age 65 allowance to a full 2%. Depending on eligibility for benefits, an allowance may be subject to early retirement reduction factors.

The bridge benefit was designed on the assumption that teachers would commence to draw their CPP allowance at age 65. The intent of the bridge benefit is to bridge the gap in income prior to age 65, which would closely level a person's income through their retirement years. However, since the early 1990s, people have been eligible to commence CPP benefits as early as age 60, if certain requirements are met.

<u>Upward Adjustment Answer:</u>

The STSP offers an upward adjustment option that provides a higher allowance for members who retire prior to age 65, but lower after 65. It is extremely important to understand that it is simply an option that the member must give careful consideration before selecting. **This option is not a mandatory adjustment. Once the upward adjustment is selected, it is irrevocable.**

The formula for calculating the upward adjustment is determined by the STSP actuaries in accordance with standard actuarial practices which includes projected life expectancy. The teacher should consider such things as their lifestyle and longevity when considering this option.

There is a monthly amount of increase prior to age 65 and a reduction after age 65. These values are indexed according to the STSP's cost of living adjustment provisions. The teacher is made aware of the amounts prior to retirement and must decide whether to take the option or not at the point of retirement. It is entirely up to the teacher to exercise their judgment whether taking the upward adjustment option is in their best interest.

The recent changes made by the Federal Government which extended the age eligibility from age 65 to 67 (to be fully implemented by January 2029) for Old Age Security (OAS) benefits pension will not have an effect on how the upward adjustment is calculated by the STSP. The reduction of your STSP will still occur the month following your **65th birthday** regardless if you are eligible for OAS benefits at age 65 or not.

Need Additional Information?
Visit our website at: www.stsc.gov.sk.ca

Or mail your questions to:
Teachers' Superannuation Commission
Room 129, 3085 Albert Street
Regina SK S4S 0B1

The Commission and Administrative team welcome any comments you wish to share regarding our services.