

## Retirement Anyone?

Teachers are able to retire once they have reached the age of 55 with a minimum of 2 years of service (in order to receive a pension). Pension accumulated prior to January 1, 2019 will be unreduced if the teacher retires with more than 30 years of service or has reached 60 years of age. The pension earned after December 31, 2018 will be unreduced if they have 32 years of service or have reached age 62.

Once you have made the decision to retire you need to follow the following steps:

1. Notify your employer. You should advise your principal and you must submit an official letter of resignation (e-mail is acceptable) to the Human Resources Department of the School Board or Branch. Verbal notification is not sufficient.

The Memorandum says a teacher is not required to let their employer know prior to March 31st but they would want to know as soon as you are sure you are retiring. It is important to let them know early in the spring so proper planning can take place. If you are an administrator they would prefer to have the information as soon as possible after March 1st. If you hold out telling the employer too long it may affect the timing of your first pension payment. The Provincial Pension office asks that you submit your forms to them at least two months prior to your retirement in order to be able to process your pension.

2. Decide what you are going to do with your service gratuity. You must decide whether you wish to receive it directly or roll it into an RRSP. Rolling the amount into an RRSP is usually the preferred method if you have the RRSP room. If the money is directly put into an RRSP you are not taxed on it until you take it out. This is preferable since you can take it out when it is most advantageous for you and your tax situation.

If you choose to receive it directly, it will be taxed at source as follows: ten percent if the gratuity is less than \$5,000., twenty percent if it is between \$5,000. and \$15,000. and thirty percent if it is more than \$15,000. When you do your taxes at the end of the year the correct final amount will have to be calculated based on your income of that year, so the amount may be more or less than what was withheld.

If you decide to roll it into an RRSP you must make arrangements with a financial institution of your choice and the money will be sent directly to that institution in your name. You should be aware that \$2,000. of contribution room is created for every year of service that you have prior to 1996. If it is not sufficient, you may use your personal contribution room. If you have enough room for the full amount the full amount can be deposited with nothing held back for taxes. You would only pay tax when it is withdrawn from your RRSP.

You may opt to use a combination of these two options.

The service gratuity is payable within thirty days of contract termination; however, if you are not putting the full amount into your RRSP you are allowed to delay receiving your service gratuity until January of the following year when your income is less and therefore will pay less in taxes.

If you are putting the service gratuity into an RRSP from the PSB a form must be filled out and submitted prior. Bring the form to your financial institution and they will fill out your RRSP information. Take that form back to the PSB.

The form for the PSB is at the following link, but for the CSLF you must contact them directly. [Click Here](#)

If you are paying the tax now or deferring it you will need to send an email to your School Board/Branch and let them know your intentions.

3. You must fill out the following forms and send them to the Provincial Pension and Benefits office.
  - o Retirement application for pension from Provincial Pension and Benefits office and a form for direct deposit into your bank account; and, an application form, if you wish to become a member of the P.E.I. Retired Teachers' Association  
[Click Here](#)
4. Contact Johnson Inc. (1-800-371-9516) to discuss the insurance coverage that you wish to retain. You may keep all your coverage except the basic critical illness coverage and the dental plan; therefore, get your teeth cleaned, filled or pulled before you retire.

Keep in mind that the employer does not cost share any of the retiree benefits. If you decide to drop any of the coverage that you now have, you will not be able to get that coverage back after you are retired. Proof of insurability will be required which will make it unlikely that you will be able to regain coverage.

If you are retiring at the end of the school year, your coverage is still in force until September 30. If you do not contact Johnson Inc., whatever coverage that you are permitted to keep will switch automatically to the retiree coverage.

If you have any questions please contact Ryan Keliher at Federation House, 902-569-4157 or toll-free at 1-800-903-4157.