



PENSION FACTS: Collecting Pension and Continuing to Work

The practice of teachers retiring in January and continuing to teach under temporary contracts until the end of June has become more common. Currently, the Alberta Teachers' Association has no policy regarding this issue although this may change if the practice grows.

The Association advises Locals NOT to give blanket approval to this practice or promote it in any way. Retiring in January and continuing to teach is an individual's decision based on circumstances such as finances, retirement plans, health and life expectancy. Locals cannot give "one-size fits all" advice on the appropriateness of this practice for individual teachers.

Individual teachers contemplating retiring and continuing to teach, should consider the following questions:

1. How will retiring in January rather than June affect pension income?

While index (age plus service equals 85) is necessary to attain an unreduced pension, the benefit formula used to calculate pension uses years of service. There is no cap on the number of years of service used to calculate pension so a teacher's number of years (or partial years) of service increases their yearly pension. Before considering retiring in January, teachers should calculate two pension estimates using [ATRF - My Pension](#), a pension calculator offered by the Alberta Teachers' Retirement Fund (ATRF) or request two pension estimates from ATRF; one using a retirement date in January and one using a retirement date in June.

Average salary calculations are made using the highest 60 consecutive months of service (usually the last 60 months). Retiring in January means that half a year of service at 2019/20 salary rates is replaced with a much lower half year from 2014/15. This average salary is then multiplied by half a year less of service by retiring in January rather than June.

Average Salary Calculation—4-year maximum

Year	Salary	January 31	June 30
2015 – 2016	46,200	6 months	1 year
2016 – 2017	94,255	1 year	1 year
2017 – 2018	94,255	1 year	1 year
2018 – 2019	94,255	1 year	1 year
2019 – 2020	94,255	1 year	1 year
2020 – 2021	47,128	6 months	1 year
5-year average		94,069	94,255

Taking into consideration both the reduction years of service and the average salary, the pension of a teacher who retires in January as opposed to June would be approximately \$860 less per year of retirement. The difference in monthly income grows over the life of the teacher because pension income is increased by a percentage of the Cost of Living each January. In return a teacher who retires January 31, will receive five additional pension payments. The value of the additional pension payments needs to be assessed in relation to the loss in lifetime pension.

2. How will collecting both pension and salary affect the amount of income tax paid?

Most likely neither ATRF nor the school board will deduct enough tax for the income the teacher will be receiving through the two sources. Making the proper arrangements (having more tax deducted or putting money away to pay taxes) will save the teacher from a nasty tax shock later.

3. How is my sick leave affected?

Retired teachers over the age of 65 are not eligible for extended disability benefits (EDB) coverage; therefore there is no income replacement for retired teachers who cannot work due to injury or illness. A retired teacher who is working would earn no teaching income after his/her paid sick leave expires and as stated in many agreements: **teachers on temporary contracts have only two paid sick days per month**, rather than 90. Therefore, if the teaching income is required to supplement pension income, a teacher may want to delay retirement until the pension is higher. A teacher who is injured or becomes ill early into a temporary contract would be left with no additional salary AND a lowered pension for the rest of his/her life.

4. How will collecting pension affect health care benefits?

Retired teachers are eligible to continue contributing to health plans—such as the Alberta School Employee Benefit Plan (ASEBP)—until age 65. The process takes time to complete, therefore, filing for retirement benefits should be started at least two months before the retirement date. The retired teacher is responsible for the entire cost of benefits. There are, however, some provisions in collective agreements for benefits for retired teachers should the teacher return to active service. One important item to keep in mind is that extended disability benefits are no longer available in retirement.

5. How will retiring affect contract status?

When a teacher retires from a school board, the teacher will be resigning from a continuing contract and replacing it with a new contract. Therefore, teachers should be signing a second continuing contract as this will ensure the same salary and benefits continue. **A temporary contract can be terminated by the employer with 30 days' notice.** While the risk of this occurring is low, teachers must be aware that if it happens, there is no legal recourse open to them. Please contact Teacher Employment Services to discuss any contract questions or concerns.

Information is available on the Alberta Teachers Retirement Fund website (www.atrf.com) or by contacting Teacher Employment Services at tes@ata.ab.ca or 780-447-9400 (Edmonton and area) or 1-800-232-7208 (toll free).