

Q_{uestion}:

When is the best time to retire?

A_{nswer}:

Various factors can be considered when planning a retirement date.

The ideal time?

- When your pension is fully “vested” in the pension fund, meaning you have reached the “85-factor”. The 85-factor is the total of your current age plus your current years of service.
 - If you currently have a less-than “85-factor”, you may take early retirement at a penalty of 3% per early retirement year. For example, an 83-factor retiree will receive a monthly pension payment based on your total invested pension contributions, less 6%.
 - You don’t “have” to retire when you attain your 85-factor. You can accrue a 3% increase per “post-85” year up to a maximum of 75% of your current salary.
- When you are 65 years of age.
 - Canada Pension Plan payments kick in, and can also be acquired early. Apply six months before you choose to receive the payments.
 - Of special note, if you retire before age 65, the CAAT Pension plan increases the pension payments by the CPP amount you should receive and stops these payments when you reach age 65, regardless whether you elect to take CPP early or not. The current survival break-even for collecting early reduced CPP vs waiting for full CPP at 65 is age 77.
 - § You can retire and apply for early CPP payments at a penalty of 0.6% per early month. For example, you incur a 7.2% penalty if you start receiving payments a year earlier than 65, and 14.4% penalty for two years. Apply at least 6 months before you wish to begin receiving CPP payments. You can also continue working, but must continue to pay CPP deductions on this income. Continuing to work and contributing to CPP can increase your CPP monthly payments for the future.
 - Your Old Age Security (OAS) pension kicks in. Apply at least 6 months before you turn 65. You cannot apply for early OAS.
- For most CAAT (A) faculty, the last day in June, any year. Your pension payment is based upon the last five years’ of employment. The 43 days’ accrued vacation you do not take is paid to you, and is also included in the five-year average. Some Faculty have different 43 contiguous days’ vacation schedules, so be aware that the rule of thumb for ideal pension accrual is the day before you start your vacation.
- Other personal factors may be particular to your own situation.