

THIS MATERIAL IS PROVIDED FOR INFORMATION PURPOSES ONLY. MEMBERS SHOULD CONSIDER THEIR OWN PERSONAL CIRCUMSTANCES WHEN MAKING A DECISION AND/OR SEEK PROFESSIONAL ADVICE.

Should a member on LTD remain on LTD or begin collecting their public service pension and CPP?

This is a math question more than anything. A lot depends on an individual's health and medical needs however and this should be considered when making a decision.

While an individual is on LTD, they are able to collect wage loss benefits (less any CPP disability received). They are also eligible for medical, dental and extended health benefits through their employer in many cases; some at no cost (confirm this). While on LTD, pensionable service continues to increase (actual pension contributions are not required) which will provide a larger pension at retirement. Annual salary at the time of the leave (on the salary for the position) is also inflation protected which will further increase the lifetime pension at retirement. LTD stops at age 65, (age 60 in Corrections), or at retirement, as will their employer benefits and, upon application, any public service pension would commence in addition to any post retirement group benefits that may be selected.

An individual should determine what their current net income is from the above (LTD and CPP disability less any medical costs). They then need to consider how important health care benefits are to them. Individuals need to be aware that while on the employer's benefit plan the extended health benefit maximum on their retiree plan is not being depleted. (Health care and dental coverage is different when retired). If members have (or anticipate) large medical expenses, this must be considered.

If a worker retires, at 60 (55 for Corrections), they are eligible for an unreduced pension. Upon application, the pension corporation would provide an estimate on what their pension would be. In order to commence a public service pension members must terminate their employment with their employer and LTD payments would stop. However, CPP disability are separate and continue until age 65. (CPP will not reduce their public service pension like it reduces LTD, they keep it all). Members collect any applicable bridge benefit until age 65 (part of a public service pension). The big negative can be benefits. If a person receives benefits while on LTD, there will have to be some allowance for benefit costs when retiring. Members in the PSPP (Extended health is subsidized and they may chose to purchase dental) while the College Pension Plan has no subsidies at all. The MPP currently subsidizes extended health benefits up to 75% of the premium costs. Dental is not subsidized. Depending on the pension plan, the individual will have to calculate these costs and reduce net income by that amount. Rates are different depending on if they are single or if it is for a couple and/or if they have a dependant. The pension corporation will give a total cost for these benefits depending on what options are chosen at the time of the estimate. Note, post retirement group benefits (PRGB) are not guaranteed and change from time to time. Information on cost and benefits is available on the pension plan website.

Be aware, if a member retires while on LTD before age 65 (60 corrections), it will impact their pension as the plan no longer gives credit for additional years of service like it would by remaining on LTD. These additional years of service result in a larger pension at 65.

The point noted above regarding an individual's medical condition comes in to play because, for example, in the PSPP, the deductible is \$250 per person per year, and the lifetime maximum on benefits is \$250,000. Therefore, individuals must consider their needs in this area. By going on pension sooner, large medical expenses use up their maximum sooner, potentially incurring these medical expenses personally later on

in life. The MPP has a lower deductible (\$100) and a lifetime maximum of (\$200,000). These benefits, as previously noted, are subject to change. Check before doing the calculation.

As of January 1, 2020 MSP is free to retirees in B.C. Drug costs are subsidized through Pharmacare and most plans now use what is called a managed formulary. Thresholds for coverage can change as well, so ensure the calculation is done with updated information. Specific drugs may have limited coverage.

Once an individual gets their pension estimate, the approximate total net retirement income can be calculated. Include in the calculation the basic public service pension, the bridge to age 65, and any CPP disability. Deduct any medical premiums and anticipated medical expenses. At age 65 or later, OAS may commence, which will partially or fully offset the loss of the bridge.

In this way, a person can then compare retirement income against current net income while on LTD.

Example:

Employees with pensionable service of over 25 years may be better off financially to "retire" rather than be on LTD. Those with less than 25 years of service could be better off as well, but it is not as likely. An individual must do the calculations using their personal information. In some situations, it will come down to how comfortable a person is with the costs and risk of medical expenses.

Income source	LTD	(retiring) PENSION
LTD	(before CPP disability) \$2,500	\$0.00
	(after CPP reduction) \$1,300	\$0.00
CPP Disability	\$1,200	\$1,200
Benefits	(\$100.00)	(\$200.00)
Public Service Pension	\$0.00	\$1,500
Bridge Benefit (to age 65)	\$0.00	\$500
Net (per month)	\$2,400	\$2,800

NOTE: These numbers are strictly hypothetical for illustration purposes only. The illustration is to give individuals a basic idea on how to lay out the calculation. Members must get personal numbers to complete the comparison as it applies to them.

Keep in mind the "Bridge Benefit" is only payable to age 65.

Members in Corrections can retire as early as 55 unreduced and LTD & Employer benefits stop at age 60. Members who meet the "Rule of 90 (85)" within their respective plans can retire unreduced at age 55 (50) for Corrections staff in the PSPP. Note: changes in plan design may affect this.

To remain on LTD or retire is an individual choice. More money short term may not be the best option. Those who remain on LTD will have a larger pension later (unless they have maximum service of 35 years in the PSPP or MPP). Every circumstance is different and individuals should carefully assess all aspects and impacts when deciding to remain on LTD to specific age (age 65 max) or to cease LTD and "retire" and collect their public service pension.