When is the Best Time of Year to Retire?
The "June 30" Strategy for Increasing Pension

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Faculty members who retire at June 30 significantly increase their pension benefit over what they would get by retiring at the end of August.

Why is this true? It is based on two principles contained in the Academic Collective Agreement and in the CAAT Pension Plan. The first principle is that our annual salary is earned over 10 months even though it is paid over 12 months, which has the effect of making a lump sum vacation payout part of pensionable earnings. The second principle is that pension entitlement is based on the best consecutive 60 months of pensionable earnings.

A specific case illustrates why this works. Consider a faculty member who has worked 35 years and retires at the end of the vacation period. The best 60 consecutive months would be all pensionable earnings back to September 1, 2006, which includes the amount earned during the vacation period of July and August 2011. If this person's 60 month total were $476,834 the annual pension would be $55,720. (Note: Dividing $476,834 by 5 gives a 5 year average of $95,367. The pension is 1.3% x AYMPE $43,620 x 35 years of service plus 2% x $51,247 above the AYMPE x 35 years of service. Therefore the pension of $19,847+$35,873=$55,720.) The first monthly pension cheque of $4,643 would arrive in September.

If the same faculty member were to leave the college at the end of June with a lump sum vacation pay in their pocket the calculations are as follows. The best 60 consecutive months would include all pensionable earnings back to July 1, 2006, and would include the lump sum vacation payout earned over the 2010-2011 academic year. The effect would be to increase the above 60 month total by an amount equal to earnings in July and August 2006 — about $14,100. This increases the 5 year average from $95,357 to $98,187 which will increase the annual pension. The number of years of service would fall by 2 months. (Note: The pension is 1.3% x AYMPE $43,620 x 34.83 years plus 2% x $54,567 above AYMPE x 34.83 years. Therefore the annual pension is $19,751+$38,011=$57,762). The increase of $2,042 annually is created solely by leaving at the end of June rather than waiting until the end of August.

As an added bonus, those who retire at the end of June and take the lump sum will also collect pension payments of $4,813 in July and in August.

The net effect of leaving at the end of June is to increase the annual pension and to start payments from the pension plan two months earlier.

Assumptions: 35 years of service at the end of August 2011

Annual salary step 21 - $100,183 for 2010-2011

Retirement Date	**Aug 31, 2011**	**June 30, 2011**
60 Month Total	$476,834	$490,934
Annual Average	$95,367	$98,187
Years of Service	35	34.833
Annual Pension	$55,720	$57,762
July — August 2011 Pay	$16,697	
July — August 2011 Lump Sum		$16,697
July — August 2011 Pension		$ 9,627