



RETIREMENT ISSUE ACTUARIAL PENALTY (REDUCTION DUE TO EARLY RETIREMENT)



Some of our members choose to retire prior to reaching their unreduced retirement date, mainly because of difficult work conditions. As a result, an actuarial penalty (or reduction due to early retirement) is applied to their pension.

Remember that, further to the last negotiation, the actuarial penalty will be modified:

- The actuarial penalty has been increased; it will move from 4% to 6% per year if plan membership ends starting July 1, 2020 (retirement as of July 2, 2020).

Here are some steps from the last negotiation that led to the 6% rate:

- Initial employer request of 7.2% per year;
- Development, by Retraite Québec, of an actuarial equivalence table according to retirement age:
 - For example, according to retirement age, between 55 and 59, the rate varies from 5.7% to 6.6% (for an unreduced pension at age 60 and a 50% CPI¹ indexation);
- Agreement between the parties of a unique 6% per year rate to reflect an early retirement reduction on the basis of actuarial equivalence.

The 6% penalty is based on actuarial equivalence. This means that there is no gain or loss to the plan if a person takes early retirement. In other words, there is no additional cost to the plan when someone retires early (before their unreduced retirement date).

In contrast, the 4% penalty is subsidized, meaning that when people stop working prior to their unreduced retirement date, they generate an additional cost to the plan. This cost is essentially paid for by the people who stop working after their unreduced retirement date and by the employer (50/50 financing).

Reminder: the actuarial reduction has already been at 6% per year; from the beginning of the plan in 1973 up until 1996, when it changed to 4% per year. This change was a result of the plan's very healthy financial situation in 1996 and the employer's will to incite voluntary early retirements.

¹ Consumer price index.