

# BLOC-NOTES

# 1

JANUARY 18, 2011



for cegep teachers

## **PARTICIPATING IN RREGOP AFTER 35 YEARS OF SERVICE: A PROFITABLE INVESTMENT!**

**I**n the CSN's consultation document on the central table agreement, regarding the pension plan, it states that the change from 35 to 38 of the maximum number of years one can contribute to *Régime de retraite des employés du gouvernement et des organismes publics* (RREGOP) is a "voluntary measure".

This somewhat ambiguous phrasing may lead one to believe that it will continue to be possible to work after 35 years of service without paying RREGOP contributions. In fact, it means that it still remains possible to retire after 35 years without actuarial penalty with an income equivalent to 70% of the average salary of the best five years. The choice offered to employees is whether or not to continue one's career and increase one's pension income by up to 6% more.

That said, we must underline that contributions paid after 35 year of service may prove to be an extremely profitable investment. Teachers at the top of the salary scale pay between \$4600 and \$4900 per year to RREGOP (the rate went up to 8.69% on January 1, 2011), depending on whether they are at levels 17, 18 or 20. The income generated by one year of service is equivalent to 2% of the average salary of the best five years (between \$67 000 and \$70 000, again depending on their salary scale level). Each additional year of service therefore adds \$1340 to \$1400 each year to their pension income. In other words, this amounts to the equivalent of a 29% return per year. It's hard to do better than that! By comparison, if one buys an annuity with an equivalent amount of capital in an RRSP with an insurance company, it will produce just over \$300 year at most.