

Capital Pension Plan Retirement Options for the Saskatchewan Jurisdiction



The Capital Pension Plan wishes to emphasize that the decisions you make regarding your retirement options are of great importance to your own financial future and that of your spouse/beneficiaries. Such decisions are your responsibility and neither you nor your spouse will have any recourse against the Capital Pension Plan or your former employer for any consequence of the decisions you make. We urge you to review the information in this document carefully and to make every effort to understand fully every aspect and potential implication of your decisions.

When can I begin receiving retirement income from my Capital Pension Plan account?

Members of the Capital Pension Plan are eligible to begin receiving retirement income from their Capital Pension Plan account:

- at age 50; or
- before age 50 when the member's age plus pensionable service totals 75 or more.

Members may retire but choose to defer the receipt of retirement income until the end of the calendar year they turn age 71, as outlined in the *Income Tax Act* (Canada).

How are my retirement income options determined?

Retirement income options vary for each jurisdiction and are outlined in the applicable pension legislation for each jurisdiction. The retirement income options available to you typically depend on your deemed provincial jurisdiction, which is determined by **the province you were employed when you last contributed to the Capital Pension Plan**, even if you subsequently move to another province. The majority of Capital Pension Plan members are within the **Saskatchewan jurisdiction**.



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What retirement income options are available from the Capital Pension Plan?

The Capital Pension Plan offers members within the Saskatchewan jurisdiction have the following retirement income options:

- establish a Variable Benefit; or
- purchase a life annuity from the Plan's Retirement Annuity Fund; or
- a combination of the above two options.

How does a Variable Benefit from the Capital Pension Plan work?

With the Variable Benefit option, your account remains invested exactly where it is with the Capital Pension Plan. Investment earnings continue to accrue in your account on a tax-deferred basis. At the same time, you can receive regular income from your account. You have the flexibility and control to decide how much income you wish to receive and to periodically change this amount to meet changing needs.

If you have a spouse when you retire, *the Pension Benefits Act, (1992)* in Saskatchewan requires that you purchase a Joint & Survivor Life Annuity with a minimum survivor benefit of 60% payable with your spouse as your joint annuitant in the event of your death. If you have a spouse, your spouse must complete a consent and waiver form if you wish to establish a Variable Benefit.

Federal legislation requires that a minimum withdrawal value be calculated each year, based on a prescribed percentage determined by your age and the value of your Variable Benefit account on January 1st. However, you are not required to withdraw the minimum amount until the year in which **you turn age 72**. Up to age 72, you may withdraw as little as you wish from your Variable Benefit, including zero. Beginning in the year in which you turn age 72, you are required to withdraw at least the prescribed minimum amount each year.

There are **no maximum withdrawal limits** set for a Variable Benefit. You have the flexibility to withdraw as much as you wish, including all of it. A Variable Benefit does not provide guaranteed lifetime income. If your payments and withdrawals consistently exceed your investment earnings, the funds in your Variable Benefit account will decrease. Once the funds in your Variable Benefit account are gone, no further payments or withdrawals will be received.

It is **your responsibility** to manage your Variable Benefit payments and withdrawals to ensure your funds last throughout your retirement.



What are my Variable Benefit payment options?

The Variable Benefit provides flexibility to customize your income to meet your needs. You can receive income from your Variable Benefit as regular scheduled payments. You can decide how much income you wish to receive (subject to applicable minimum withdrawal requirements). You can also decide whether you wish to receive a scheduled monthly payment or a scheduled annual payment.

You can change your scheduled payment amount and/or scheduled payment frequency at any time. You can make one change in your payment amount and one change in your payment frequency per calendar year free of charge. A fee of \$75.00 will be charged for each additional change in payment amount/frequency requested during the calendar year.

In addition to scheduled payments, you can make lump sum withdrawals from your Variable Benefit at any time. You can make one lump sum withdrawal per calendar year free of charge. A fee of \$75.00 will be charged for each additional lump sum withdrawal requested during the calendar year.

What are the tax implications with a Variable Benefit?

All payments and withdrawals received from your Variable Benefit account are fully taxable in the year received. Investment earnings continue to accrue within your Variable Benefit account on a tax-deferred basis.

What happens to a Variable Benefit in the event of my death?

In the event of your death, the remaining value in your Variable Benefit account become a survivor benefit payable to your beneficiary(ies).

If you have a spouse, your spouse is your specified beneficiary and your account can transfer to your spouse without tax implications. Your spouse can choose to continue receiving scheduled payments from the account, or can choose to receive the entire balance as a fully taxable lump sum payment. Your spouse can choose to waive his/her right as specified beneficiary.

If you do not have a spouse, you are required to designate a beneficiary. You may name anyone you wish, including your estate, as your beneficiary. You may name more than one beneficiary and indicate a percentage for each. In the event of your death, the remaining balance in your Variable Benefit account will be paid to your beneficiary(ies) as a taxable lump sum payment.



What are the advantages and disadvantages of a Variable Benefit?

Advantages:

- funds held in a Variable Benefit continue to be invested and can continue to grow on a tax-deferred basis after retirement, which may help manage inflation over the long-term;
- the Variable Benefit is flexible; payments and withdrawals can be customized to meet changing needs or cover unexpected expenses.

Disadvantages:

- the Variable Benefit does not provide guaranteed lifetime income; it is possible to outlive funds in your Variable Benefit account;
- it is your responsibility to monitor your Variable Benefit regularly and make appropriate changes to ensure your last you throughout retirement.

How does a Life Annuity from the Capital Pension Plan work?

When you purchase a Life Annuity from the Capital Pension Plan, your account is transferred to the Plan's Retirement Annuity Fund and a life annuity contract is established. Once the annuity contract has been established and the first payment is made, the contract is irrevocable and the terms cannot be altered. You are guaranteed to receive regular monthly payments for your lifetime. The amount of your monthly payments is determined by:

- the value of your account used to purchase the Life Annuity;
- your age at the time you purchase the Life Annuity;
- the survivor benefits you choose; and
- the annuity rate in effect at the time the contract is established.

What are my Life Annuity payment and survivor benefit options?

A Life Annuity from the Capital Pension Plan provides monthly payments. The amount of the monthly payment will remain constant throughout your lifetime. Life annuities provides a level of income security as the annuity issuer bears any investment risk. Your monthly payments will never increase or decrease (changes to taxation rates notwithstanding).

Minimum Payment Periods

Although life annuities are guaranteed to be paid for your lifetime, many annuities provide minimum payment periods that protect benefits in the event you "die too soon". Minimum payment periods provide a guarantee that, in the event of your death, payment will continue 'to somebody' based on the time remaining in the specified number of years (i.e. 5 years, 10 years or 15 years) you have selected.



Joint & Survivor Life Annuity

If you have a spouse when you retire, *the Pension Benefits Act, (1992)* in Saskatchewan requires that you purchase a Joint & Survivor Life Annuity with a minimum survivor benefit of 60% payable with your spouse as your joint annuitant in the event of your death. You have the option to choose a survivor benefit of more than **60% (e.g. 66 2/3%, 75% or 100%)**. **In the event of your death, your spouse will receive a lifetime survivor benefit based on the survivor benefit option you chose.**

Single Life Annuity

If you do not have a spouse when you retire, or your spouse waives his/her rights as joint annuitant, you may purchase a Single Life Annuity from the Capital Pension Plan Retirement Annuity Fund. A Single Life Annuity also provides constant monthly payments that are guaranteed for your lifetime.

In the event of your death during the minimum payment period, a lump sum amount representing the commuted value of the remaining payments to the end of the minimum payment period will be paid to your beneficiary(ies) or your estate. No survivor benefits are payable in the event of your death after the minimum payment period has lapsed.

What are the tax implications with a Life Annuity?

All payments received from a Life Annuity are fully taxable in the year received.

What are the advantages and disadvantages of a Life Annuity?

Advantages

- you are guaranteed to receive monthly income for your lifetime, no matter how long you live;
- in the event of your death, your spouse is guaranteed to receive a survivor benefit for his/her lifetime, no matter how long he/she lives.

Disadvantages

- the amount of income you receive remains fixed and purchasing power may be eroded by inflation over time;
- once your Life Annuity contract has been established, you CANNOT CHANGE YOUR MIND.

Do I have any other options?

Plan members within the Saskatchewan jurisdiction have the option to purchase a Prescribed Registered Retirement Income Fund (P-RRIF) from an independent financial institution or a life annuity from a life insurance company.

A P-RRIF operates very similar to a Variable Benefit. The main difference between a P-RRIF and a Variable Benefit is that P-RRIF holders MUST withdraw the prescribed minimum amount from their P-RRIF beginning in the second year (for Variable Benefit holders, minimum withdrawals are not required until age 72).



You also have the option to purchase a life annuity from a life insurance company. Such a life annuity from a life insurance company must comply with the guidelines set out in the Saskatchewan *Pension Benefit Regulations, 1993*.

It is possible to 'retire' and defer any income from your Capital Pension Plan account until the end of the calendar year in which you turn age 71.

With the Capital Pension Plan, you are not restricted to choosing just one option. You may choose to purchase a Life Annuity with a portion of your funds and use the remainder to establish a Variable Benefit.

What if I change my mind?

The Variable Benefit and the P-RRIF retirement income options provide the flexibility that if you change your mind, you can transfer all or part of your funds to another permitted option.

How can I contact the Plan for more information?

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