



Retirement Income Options



How will you spend your retirement?

Disclaimer

This document is provided for informational purposes only. You should not rely only on this information for your retirement planning or as a substitute for advice from a financial professional. We encourage you to consult independent financial professionals to discuss how this information applies to your specific financial situation. Ensure you have a full understanding of the commission and fee structure of the advisor you select. The Public Employees Benefits Agency (PEBA) is not liable for any damages resulting from any retirement planning advice based on the information presented in this booklet. As a member of the Plan, it is your responsibility to educate yourself about the Plan, using the documents, information and tools available through PEBA and outside sources.

Working Outside Saskatchewan

The plan provisions described in this booklet are contained in Saskatchewan pension legislation. Please contact PEPP if you are or were working outside Saskatchewan. Your pension may be subject to the legislation of another province.

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Introduction

Your PEPP Pension

The Public Employees Pension Plan (PEPP) is a defined contribution pension plan. It is administered by the Public Employees Benefits Agency (PEBA).

Your PEPP account balance is made up of your contributions, your employer's contributions and investment earnings.



You are entitled to receive a pension based on your account balance at retirement. You may choose how and when to receive that pension income.

This booklet provides you with an overview of the retirement income options available through PEPP. At the back of this booklet, other resources are listed that will provide you with more detailed information. Always feel free to call our staff with any questions.

Retirement Considerations

Retirement Questions

Retirement means different things to different people. While reviewing this booklet and weighing your retirement income options, it may help to ask yourself these questions:

- What do I want out of my retirement?
- Do I want my pension income stream to be fixed or flexible?
- Do I understand the types of risk I will encounter in retirement?
- What's my investment style?
- Should I work in retirement?

Retirement Considerations

Defining Your Goals

Take time to define your version of retirement. Once you clarify your retirement goals, you can begin to determine how much money you will need when you retire.

Time Horizon

Consider your *time horizon* or how much time you expect to spend in retirement. People are living longer; in fact, it's possible to spend more time in retirement than in your working years. Consider your own family history and medical conditions when determining your time horizon. You may wish to plan to make your retirement money last at least until age 90.

Your Personal Financial Situation

Take stock of your personal finances to determine your total retirement expenses. Consider expenses like mortgage payments, the balance of your line-of-credit, or a car loan as well as your medical and regular living expenses. Having a good understanding of your financial situation may help you see if your retirement income will be enough to cover your expenses.

PEPP is a key way to save for retirement, but it is not the only source of retirement income for members. To determine your total retirement income, add up your retirement income sources (personal and spousal), including your PEPP account balance. Consider things like:

- Government pensions - Canada Pension Plan (CPP) and Old Age Security (OAS);
- Registered Retirement Savings Plans (RRSPs), Tax Free Savings Accounts (TFSA) or other pensions ;
- Non-registered investments (i.e., rental income); and/or
- Employment income (if you plan to work full or part time in retirement).

Retirement Considerations

You may wish to use the Retirement Planning Worksheets on the PEPP website to determine your retirement income and expenses. To view click on *Member* then *Publications* at www.peba.gov.sk.ca/pensions/pepp

PLANet and Retire@Ease: Tools you can use

PEPP's goal is to ensure that you understand the options available to you within the Plan. We provide online resources like PLANet and Retire@Ease to help you make informed decisions about your investments in PEPP.

PLANet is a secure online tool, which allows you to monitor your PEPP account 24 hours a day, seven days a week. You can also use PLANet to:

- manage your investments;
- change your address;
- verify your designation of beneficiary(ies);
- review and print your member statements;
- review your personal information;
- view, change or confirm your contribution instructions;
- view payment frequency instructions;
- change your security settings (password).

Retire@Ease is an interactive retirement planning calculator designed to help you plan wisely for retirement. It helps you take the guesswork out of retirement planning to give you a picture of all your combined retirement incomes. You can use this tool to see when each income source will run out, so you can plan for your savings to last. Retire@Ease can be accessed securely through PLANet on our website at www.peba.gov.sk.ca/pensions/pepp

Other Considerations

If you have a spouse, consider him/her in your retirement plans (for example: spousal personal assets, retirement income, retirement date, and expenses). Consider how illness, death and/or divorce may affect your retirement and build a contingency plan.

Definition of Spouse

A *spouse* is:

- the person to whom you are legally married; or
- if you are not married, the person with whom you are living in a conjugal relationship, and to whom at least one of the following situations applies. He or she:
 - μ has been living with you in a conjugal relationship for at least 12 continuous months;
 - μ is the parent of your child by birth or adoption; or
 - μ has custody and control of your child (or had custody and control immediately before the child turned 19 years of age) and your child is wholly dependent on that person for support.

A spousal relationship with someone to whom you are legally married ceases upon divorce. A spousal relationship with someone to whom you are not married ceases upon a separation of at least 90 days due to a breakdown in your relationship. The individual immediately resumes being your spouse if you resume living together in a conjugal relationship.

A married spouse takes priority over another person even if that person meets the definition of a spouse. You cannot have more than one spouse at any given time. Inform PEPP if your marital or common-law status changes.

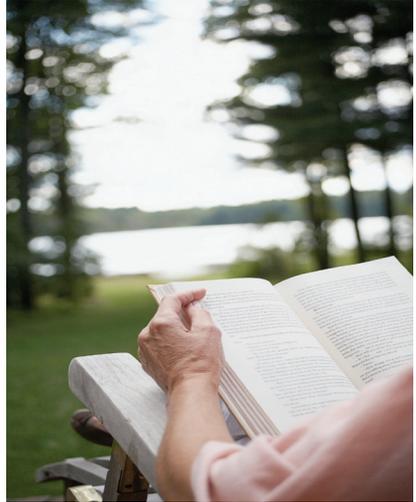
Entering Retirement

To start receiving retirement income, you must meet two criteria:

- You must be at least age 50; and
- You must have terminated your employment with a PEPP employer.

Although normal retirement age is 65, retirement is not mandatory. You may work for a PEPP employer and contribute to the Plan until the end of the calendar year you turn age 71.

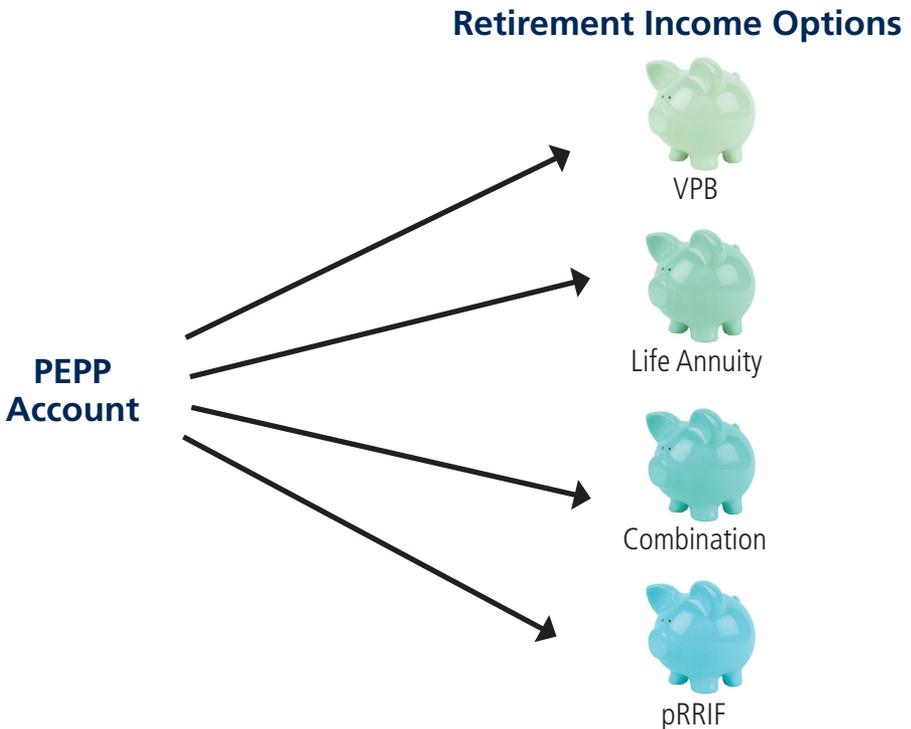
If you choose not to start receiving your retirement income, but have terminated your employment, your account balance will stay in PEPP and accrue investment earnings until you decide on a retirement income option. The *Income Tax Act* (Canada) requires you to start withdrawing your retirement income the year you turn age 72.



Retirement Income Options

There are several ways to convert your PEPP account balance into retirement income. When you decide to start receiving your retirement income, you may:

- open a PEPP Variable Pension Benefit (VPB) account;
- purchase a Saskatchewan Pension Annuity Fund (SPAF) life annuity;
- select a combination (a VPB account and a life annuity); or
- transfer your money out of PEPP to purchase a prescribed Registered Retirement Income Fund (pRRIF) and/or a life annuity from an outside financial institution.



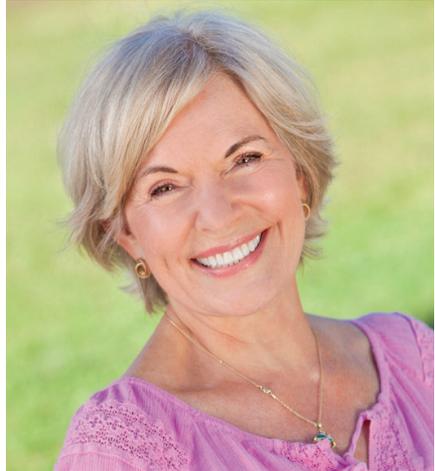
Consider the advantages and disadvantages of each retirement income option and how each may affect your personal situation.

The Variable Pension Benefit

The *Variable Pension Benefit (VPB)* is a flexible retirement income option that allows you access to your retirement funds while remaining invested in PEPP.

Pension Payments

With the VPB, you have the option to receive monthly, annual, or lump-sum payments. You also choose the amount of your payments and there are no maximum withdrawals. Minimum withdrawals are not required until you turn 72. Tax is withheld on all pension payments you receive. VPB payments are transferred to your bank account through direct deposit.



How much money should I withdraw?

It is important to carefully consider how much money to withdraw throughout retirement. Your personal financial situation, time horizon (number of years you spend in retirement), account balance, investment performance, and the amount and frequency of your withdrawals will determine how long your money lasts in retirement.

We recognize there is a lot for you to consider when deciding how much income to withdraw throughout retirement. That's why PEPP offers a variety of ways for you to get a little extra guidance. You may wish to:

- sign up for a *Your Path to Retirement* workshop (schedules and registration available online);
- call PEPP to request a personal retirement estimate;
- call and book an appointment for a one-on-one meeting; and/or
- use the Retire@Ease online calculator to see how long your money may last. Try PEPP Guidance; it may help your money last longer.

The Variable Pension Benefit

Your PEPP Investment

You stay invested in PEPP when you choose the VPB. PEPP offers eight investment choices. You may invest in up to three funds at one time. Choose from six asset allocation funds (PEPP Steps, Conservative, Moderate, Balanced, Growth or Accelerated Growth) and two specialty funds (Money Market or Bond). You may invest in one asset allocation fund at a time, and add one or both of the specialty funds or invest solely in specialty funds.

Each investment option offers a different potential rate of return based on a corresponding risk level. Make sure you're comfortable with the level of risk associated with your investment option and that its potential returns will be sufficient to sustain your retirement income over the long term.

Higher risk generally means higher potential rate of return over the long run combined with higher volatility. If in retirement you choose a more conservative investment option, you may be able to reduce the volatility combined with a lower potential rate of return.

It is important for you to re-evaluate your investment choice annually. You may wish to complete *My PEPP Investor Profile* to see what fund may best suit you. The profile is designed to help you measure your attitude about risk and return, and to find out what type of investor you are.

Your Personal Financial Situation

Take stock of your personal finances to determine your total retirement expenses. Consider expenses like mortgage payments, the balance of your line-of-credit, or a car loan as well as your medical and regular living expenses. Having a good understanding of your financial situation may help you see if your retirement income will be enough to cover your expenses.

PEPP is a key way to save for retirement, but it is not the only source of retirement income for members. To determine your total retirement income, add up your retirement income sources (personal and spousal), including your PEPP account balance. Consider things like: Canada Pension Plan (CPP), Old Age Security (OAS), Registered Retirement Savings Plans (RRSPs), Tax Free Savings Accounts (TFSA), non-registered investments and/or employment income.

Time Horizon

Consider your time horizon or how much time you expect to spend in retirement. People are living longer; in fact, it's possible to spend more time in retirement than in your working years. Consider your own family history and medical conditions when determining your time horizon. You may wish to plan to make your retirement money last at least until age 90.

Retire@Ease: A tool you can use

PEPP's goal is to ensure that you understand the options available to you within the Plan. We provide online resources like Retire@Ease to help you make informed decisions about your investments in PEPP. Retire@Ease is an interactive tool designed to help you plan wisely for retirement. It helps you take the guesswork out of retirement planning to give you a picture of all your combined retirement incomes.

Retire@Ease may give insight into how long your money will last in retirement. You have the option to use PEPP Guidance – an option within the tool, which suggests an annual withdrawal amount based on your age and account balance that may make your money last longer. Retire@Ease can be accessed securely through PLANet on our website at www.peba.gov.sk.ca/pensions/pepp

The Variable Pension Benefit

Death Benefit

The *death benefit* is your pension account balance, which is payable to your spouse (or another beneficiary) upon your death.

As a *specified beneficiary*, your spouse may choose to:

- stay in PEPP and continue to receive VPB payments;
- transfer your account balance to another registered account; or
- receive a lump-sum payout.

Your spouse must sign a *Spouse's Consent and Waiver of Post Retirement Survivor Benefits* form before you can transfer your account balance into the VPB. For more information about spousal waivers, see the PEPP *Talk on Waiver of Spousal Benefits* on our website.

Other beneficiaries receive a lump-sum payout. Income taxes apply.

Other Options

You may:

- transfer other eligible registered monies into your VPB account.
- transfer your VPB account balance to a Locked-In Retirement Account (LIRA) at any time prior to the end of the calendar year you turn age 71.
- transfer all or a portion of your VPB account balance to purchase a life annuity or pRRIF.

Other Considerations

VPB accounts are protected from creditors except for enforcement of maintenance orders and division upon the breakdown of a spousal relationship.

The VPB does not offer any guarantee on investment returns, income levels, or how long your money will last. Once the account is depleted to a zero dollar balance, the account is closed.

At age 65, VPB members are eligible for up to a \$2,000 pension income amount used for determining non-refundable tax credits. VPB members are also eligible to income split with their spouse at age 65.

Life Annuities

SPAF Life Annuities

The Saskatchewan Pension Annuity Fund (SPAF) lets PEPP members convert their PEPP account into a *life annuity* to provide lifetime retirement income with fixed monthly income.



Pension Payments

The payments you receive from a SPAF annuity are based on:

- the amount of money used to purchase the annuity;
- bond market rates;
- type of annuity (single life annuity or joint life annuity);
- your age (and your spouse's age if you purchase a joint life annuity);
- the survivor benefits (60%, 66 2/3%, 75% or 100%) you choose; and
- the guarantee period option you choose (life-only, 5, 10 or 15 years).

When you purchase a life annuity, you may transfer all or a portion of your PEPP account balance to SPAF. In turn, SPAF will make payments to you at the end of every month based on the terms of your annuity contract. You will receive monthly payments for your lifetime and continuing for your spouse's lifetime if you purchase a joint life annuity. Tax is withheld on all pension payments.

Type of Annuity

There are two types of annuities. Your life annuity contract provides you with monthly payments based on the terms of the type of annuity you select.

- **Single Life Annuity:**
provides guaranteed fixed monthly payments for your lifetime.
- **Joint Life Annuity:**
provides guaranteed fixed monthly payments for your lifetime, and in the event of your death, payments continue in whole or as a percentage to your spouse (as per the contract) for his or her lifetime.

Pension Legislation requires that if you have a spouse at the time of retirement, you must choose a joint life annuity with a minimum survivor benefit of 60%, unless your spouse waives this right.

Survivor Benefit (applicable to a joint life annuity only)

The *survivor benefit* you choose (at the time you purchase the annuity) determines the percentage of your annuity that your spouse will receive, in the event of your death. You may choose a 60%, 66 ²/₃%, 75% or 100% survivor benefit. For example, if your monthly annuity payment was \$1000 and you chose a 60% survivor benefit, on your death, your spouse would receive \$600 a month for his/her lifetime.

If your spouse predeceases you, the monthly income you receive will continue for the rest of your lifetime and then cease, subject to any guarantee period.

Life Annuities

Guarantee Period Options

Guarantee periods guarantee that annuity payments will be made for a certain period of time. The *guarantee period option* you choose determines the benefit that will be paid to your beneficiary or estate. The guarantee options SPAF offers are:

- **life-only:** If you purchase a single life annuity with a life-only guarantee, you will receive a monthly annuity payment for your lifetime. When you die payments stop. There are no benefits for beneficiary(ies) with this option.

If you purchase a joint-life annuity with a life-only guarantee you will be paid for your lifetime. When you die your surviving spouse will be paid at the survivor rate chosen until his/her death. Once both you and your spouse are deceased all payments stop and no further benefits are paid.

- **5-year, 10-year or 15-year:** If you choose a joint life annuity with a 5, 10 or 15-year guarantee and you pass away during the *guarantee period*, payments to your surviving spouse continue at 100% of your monthly annuity payment for the remainder of the guarantee period. After the guarantee period, your spouse receives lifetime income based on the survivor benefit (60%, 66 ²/₃%, 75% or 100%) chosen.

If you have a single life annuity with a guarantee period or if you have a joint life annuity and both you and your spouse pass away during the guarantee period, the full value of your monthly income may continue for your beneficiary or estate. At the end of the guarantee period, payments cease.

There is a provision where the estate may apply for a lump-sum payment of the remaining monthly payments in the guarantee period in order to close the estate.

Investment Options

You no longer make investment choices after you purchase a life annuity. The annuity issuer (SPAF) bears all the investment risk.

Other Considerations

SPAF life annuity contracts are protected from creditors except for enforcement of maintenance orders and division upon the breakdown of a spousal relationship.

Once you have purchased your life annuity, you cannot change your decision, alter the terms of the annuity contract or transfer it out. Your income will remain fixed. You may need to plan for cost of living increases with income sources outside your life annuity.

When you purchase a life annuity you are immediately eligible for the \$2,000 pension income amount used for determining non-refundable tax credits. You are also eligible to income split with your spouse.

Life Annuities

SPAF and other life annuity contracts offer similar benefits. You may purchase an external life annuity contract from an authorized insurance company. Annuities purchased from an outside financial institution must abide by pension legislation.

A Combination

You may find that a combination of retirement income options suit your retirement needs best. Choosing PEPP's VPB and a life annuity will allow you to reap the rewards from both types of retirement income - flexible and fixed.

Pension Payments

The VPB portion of your pension will be flexible; you can choose how much money you wish to receive and when you would like to receive it. The life annuity portion of your pension will be a fixed, guaranteed stream of income for your lifetime and – if you purchase a joint life annuity – your spouse's lifetime.

Investment Options

While you will continue to make investment choices with the VPB portion of your pension, you will no longer make investment decisions with the life annuity portion of your pension.

Other Considerations

Both the VPB and life annuities are protected from creditors except for enforcement of maintenance orders and division upon the breakdown of a spousal relationship.

The pRRIF

When comparing PEPP's VPB and the prescribed Registered Retirement Income Funds (pRRIFs) there are similar benefits. You may purchase a pRRIF through a bank, trust company, credit union, insurance company, brokerage firm or independent financial advisor. Prescribed RRIFs are designed to provide income throughout retirement.

Pension Payments

You must begin to make minimum annual withdrawals the year after you purchase a pRRIF. More information will be available where you purchase your pRRIF.

Investment Options

If you purchase a pRRIF, those funds will no longer be invested with PEPP. You will have different investment options and fees where you purchase your pRRIF.

Other Considerations

Like the VPB, pRRIFs are protected from creditors except for enforcement of maintenance orders and division upon the breakdown of a spousal relationship.

At age 65, your pRRIF income qualifies for up to a \$2,000 pension income amount used for determining non-refundable tax credits. You are also eligible to income split with your spouse at age 65.

Making a Choice

The Right Retirement Option for You

There are many factors to consider when choosing your retirement income option. Consider your personal financial situation, time horizon, lifestyle wants, income needs, and other retirement income sources. For many PEPP members, the right choice may be a combination of retirement income options.



While PEPP does not provide financial advice, we do have Certified Financial Planner professionals available to meet with you, free-of-charge, to discuss your retirement options and help you with general retirement planning.

The Paperwork

Once you have chosen a retirement option (or options), please notify PEPP at least one month before you plan to retire.

These are the documents we need to initiate a PEPP VPB, an annuity from SPAF, a pRRIF or a Life Annuity from an outside financial institution:

- Your birth certificate.
- If you have a spouse, married or common-law, your spouse's birth certificate.
- If you are married, your marriage certificate.
- If you have a common-law spouse, complete the *Common-Law Spouse Declaration* form available on our website.
- If you are not married now but were previously married, we require proof of your "single" status, (proof of death if your spouse is deceased or the Decree Absolute or Certificate of Divorce if you are divorced).
- A *Spouse's Consent and Waiver of Post Retirement Survivor Benefits* form is required if you have a spouse (married or common-law) and wish to purchase a VPB, pRRIF, a joint life annuity with less than 60 per cent survivor benefit, or a single life annuity.

All certificates must be certified copies of the originals. For a list of individuals who can certify your documents go to www.peba.gov.sk.ca/pensions/pepp click *Member, Forms* and then *Acceptable Documentation*.

You choose your retirement income option by completing the *PEPP Retirement Options* form sent to you with your *Retiring with PEPP* kit and returning it to PEPP along with any certificates and Canada Revenue Agency forms that are required.

Please call our staff with any questions.

Additional Resources

You may access other resources relating to retirement on our website or by calling PEPP. Some resources are:

- *PEPP Talk on Annuities from SPAF*
- *PEPP Talk on Changing Your Investment Options*
- *PEPP Talk on Designation of Beneficiary*
- *PEPP Talk on Transferring Money into PEPP*
- *PEPP Talk on Variable Pension Benefit (VPB)*
- *PEPP Talk on Waiver of Spousal Benefits*
- Fund Performance Bulletins
- My PEPP Investor Profile
- *Retire@Ease* - is our secure online retirement planning tool available through PLANet. Retire@Ease allows you to estimate the savings you will have available at retirement based on your current PEPP account balance.
- *Your Path to Retirement Workshop series* - designed to help you make informed decisions about your retirement options and financial wellness. You can register for any of PEPP's four workshops on our website.

Retirement Income Options Comparison*

| | VPB | SPAF Life Annuity |
|-------------------------------|---|--|
| Income Options | You choose the amount and frequency of your income (through regular withdrawals or lump-sum requests). You may change your income instructions at any time. Minimum withdrawals are not required until you turn 72. | You receive fixed monthly income for your lifetime and your spouse's lifetime (if a joint annuity is purchased). The annuity contract cannot be altered or changed once it has been purchased. |
| Investment Options | You remain invested in PEPP. You maintain control; you make ongoing investment decisions. | You no longer make investment choices. The annuity issuer bears all the investment risk. |
| Death/Survivor Benefit | The value of your death benefit is determined by the value of your account balance. | The survivor benefit is a monthly amount paid to a beneficiary. It is determined by the type of annuity and survivor and guarantee options chosen. |
| Inflation Risk | Depending upon your investment performance, you may be able to increase your withdrawals to cover inflation. | Your income from the annuity will never increase; inflation may decrease your purchasing power. |
| Beneficiary | You must name your spouse as beneficiary unless your spouse waives this right. | If you are married you must purchase a joint life annuity, unless your spouse waives this right. Under a joint life annuity, your spouse is your beneficiary. |
| Transfer Options | You can transfer to other pRRIFs or life annuity at any time. You may be able to transfer RRSPs, LIRAs, and RPPs into the VPB account. | You cannot transfer into or out of a life annuity contract. |
| Taxes | All pension payments are taxable. At age 65 you qualify for up to a \$2,000 income tax credit. You are eligible to income split with your spouse at age 65. | All pension payments are taxable. You immediately qualify for up to a \$2,000 tax credit. You are eligible to income split with your spouse immediately. |
| Alternative | A pRRIF is similar to the VPB. Withdrawals must begin the year after opening a pRRIF. | Life annuity from an insurance company may provide you with different annuity options. |

*This is a general comparison of the characteristics of the main retirement income options provided by PEBA.

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