RETIREMENT OPTIONS

A guide to assist pension plan members and former members in their understanding of the retirement options available under *The Pension Benefits Act, 1992*.

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Introduction

This guide is intended to provide pension plan members and former members, who are entitled[1] to pension benefits which are subject to *The Pension Benefits Act, 1992* and *The Pension Benefits Regulations, 1993* (together, referred to throughout this guide as "pension law"), with a basic understanding of the retirement options that may be available to them.

In general, there are three main sources of retirement income:

- Government Sources
  - i.e. Canada Pension Plan ("CPP") and Old Age Security ("OAS")
- Personal Savings and Investments
  - i.e. Registered Retirement Savings Plans and Tax-Free Savings Accounts
- Pension Plans
  - i.e. Employer-Sponsored Registered Pension Plans ("RPPs") and Pooled Registered Pension Plans ("PRPPs")

This guide focuses on RPPs. This guide does not focus on the benefits available under a PRPP, however as it is possible to transfer pension funds between a PRPP and a RPP, Appendix B does set out the rules of Saskatchewan pension law as it applies to the transfer of funds between a PRPP and a RPP. A PRPP is subject to the provisions of *The Pooled Registered Pension Plans (Saskatchewan) Act* ("PRPP Act").

Throughout this guide references are made to various forms. Please visit our website for the most current forms - www.fcaa.gov.sk.ca.

Please see Appendix A for a summary of the retirement option products.

This guide does not focus on government sources of retirement income or personal savings and investments. For more information about these other two sources of retirement income, please refer to the additional information found near the end of this guide.

[1] Pension plan members who work (or last worked) in Saskatchewan are covered by the pension law of Saskatchewan, unless they work (or last worked) in a federally regulated industry. In addition, certain employees who work for the federal government and the Government of Saskatchewan are not covered by *The Pension Benefits Act, 1992*. For more information about jurisdiction, please review our bulletin "*Jurisdiction*".

Introduction

It is important to note that an employer is not required to establish a pension plan for its employees, but once it does so, the employer is required to comply with federal tax law and applicable pension law. Pension law allows an employer to design their pension plan in a manner that fits their recruitment and retention needs best; therefore, pension plans can vary greatly in the retirement options offered.

While this guide focuses on the topic of retirement options, our publication "*Member Guide*" provides readers with a broader understanding of various topics related to pension benefits. To assist with understanding, readers of this guide are encouraged to also read that guide.

When it comes to retirement options, your spouse has certain rights under pension law. Under Saskatchewan pension law "spouse" means:

- (i) a person who is married to a pension plan member or former member; or
- (ii) if a pension plan member or former member is not married, a person with whom the pension plan member or former member is cohabiting as spouses at the relevant time and who has been cohabiting continuously with the pension plan member or former member as his or her spouse for at least one year prior to the relevant time.

A married spouse has precedence over a common law spouse (eg. cohabiting as spouses) even where a married couple is no longer living together.

For the purposes of this guide, "you" means a person who is, or was, entitled to pension benefits under pension law; "we" means Financial and Consumer Affairs Authority ("FCAA"). In addition, we have used many acronyms when describing certain pension-related financial products. A listing of those acronyms has been provided under "Additional Information" found near the end of this guide.

In a publication of this sort, it is difficult to avoid technical terms entirely. For your reference, you will find a glossary in our publication "Glossary of Terms".

Note: This guide has no legal authority and should not be construed as legal advice. Prior to making any decisions respecting retirement options, you should seek the assistance of your lawyer and your trusted, professional financial advisors.

Pension Basics

Your retirement options will depend on whether your entitlement is held in a defined benefit plan (DB Plan), a defined contribution plan (DC Plan) or a locked-in retirement account (LIRA).

This section outlines the high-level options that may be available to you. The following sections then discuss each retirement option in greater detail using a question and answer format. Please refer to Appendix B for information related to how PRPPs impact this section.

Retirement Options under a DB Plan

If you are a DB Plan participant, then you are entitled to a pre-determined pension that is typically based on years of service and earnings. Your member booklet will provide you with the details of your pension entitlement and your annual statement will provide you with a summary of the pension that you have earned to date.

For example: John's DB Plan will provide him with an annual pension that is based on 2% of his final average earnings (FAE). His FAE was $50,000 and he worked for the employer offering that DB Plan for 35 years. His annual pension is $35,000 (2% X $50,000 X 35).

If you are a DB Plan participant, the following retirement options may be available to you, depending on the provisions in your plan:

- Pension paid directly from the DB Plan,
- LIRA,
- Life annuity, or
- Prescribed registered retirement income fund (pRRIF).

If you terminate your employment on or after the date that you qualify for early retirement, your DB Plan could provide you with a pension that is paid directly to you from the plan, and no other option. However, your DB Plan may, but is not required to, offer you the option to transfer your entitlement to a financial institution to purchase a LIRA, pRRIF, or a life annuity.

If you terminate your employment before you qualify for early retirement, your DB Plan must allow you to transfer the commuted value[2] to a financial institution to purchase a LIRA or a deferred life annuity. They typically will also allow you to leave your benefits in the plan, to provide you with a deferred pension.

[2] Most DB Plans calculate a commuted value using the recommendations for the computation of transfer values of pensions issued by the Canadian Institute of Actuaries; however certain DB Plans (called "Limited Liability Plans" under the Act), may calculate a commuted value on a going concern basis. For more information about commuted values, please see the publication "Member's Guide".

Pension Basics

This guide does not provide any additional information about a pension paid directly from a DB Plan. If you have questions about your entitlements under your DB Plan, contact your employer or the plan administrator.

Retirement Options under a DC Plan

If you are a DC Plan member, your pension entitlement will be based on the amount of money available to you at retirement. The amount of money available to you at retirement is based on the amount of money that is contributed by you, if you participate in DC Plan that requires member contributions, and by your employer, to your DC Plan account. At retirement, your DC Plan account, which is comprised of all the contributions made to it, plus investment earnings, is used to provide you with a retirement income. You will not know for certain the amount that will be available to you at retirement until you retire.

Your member booklet will provide you with the details of your pension entitlement and your annual statement will provide you with your DC Plan account balance.

For example: John and his employer each contribute 5% of his salary to his DC Plan account. His annual salary over each of his 35 working years was $50,000. The total contributions made to his DC Plan account were $175,000, and the investment earnings totaled another $50,000. In order to commence a retirement income, he must transfer his DC Plan account balance of $225,000 to one or more retirement products.

If you are a DC Plan participant, the following retirement options may be available to you, depending on the provisions in your plan:

- A variable benefit account (VBA) if offered by your DC Plan,
- LIRA,
- Life annuity, or
- pRRIF.

Regardless of what age you are when you terminate, all DC Plans typically provide you with the option to transfer your DC Plan account balance to a financial institution to purchase a LIRA or a life annuity. In addition, your DC Plan may provide you with the option to transfer your DC Plan account balance to a VBA paid directly from your DC Plan, or to a financial institution to purchase a pRRIF or life annuity.

Retirement Options under a LIRA

A LIRA is a locked-in retirement account contract held by a financial institution. It is very similar to a registered retirement savings plan ("RRSP"), however it is subject to pension law. The *Income Tax Act* (Canada) ("ITA") requires you to start a retirement income using the money in your LIRA no later than December 31 in the year in which you turn age 71.

If you transferred your pension entitlement from a DB Plan or DC Plan into a LIRA and you wish to commence a retirement income, you would discuss your decision with the financial institution that holds your LIRA. You will typically be given the option to transfer the money in your LIRA to a retirement product, such as a:

- pRRIF,
- Life annuity, or
- Pension plan, if the plan allows the transfer in.

Life Income Funds and Locked-in Retirement Income Funds

The provisions of pension law which previously allowed members to transfer their pension money to a life income fund (LIF) or a locked-in retirement income fund (LRIF) were repealed in 2002. Those persons who had existing LIFs or LRIFs prior to April 1, 2002 were allowed to keep their money in those products, but no new LIFs or LRIFs could be established after that date.

If your money is currently in a LIF or LRIF, you may transfer the money to a pRRIF. Before money can be transferred to a pRRIF, your spouse must sign a consent form (Form 1) and the completed form must be filed with the financial institution that holds the LIF or LRIF.

This guide does not provide information related to LIF or LRIF provisions. For information about these provisions, please contact FCAA.

Retirement Option: Locked-In Retirement Account

What is a LIRA?

A LIRA is essentially an investment account designed to hold money transferred out of a pension plan. The rules found in the ITA with respect to an RRSP apply to your LIRA, except that you cannot withdraw funds from a LIRA. Because it is an RRSP, you must purchase a life annuity or transfer money to a pRRIF by the end of the calendar year in which you reach age 71.

How do I set up a LIRA?

You have the right to transfer pension money from your pension plan to a LIRA if you terminate membership before meeting the early retirement rule of your pension plan and you are vested[3].

You would discuss setting up a LIRA with your financial institution. Your financial institution will help you complete paperwork that will transfer your pension money to your LIRA.

Pension law does not require any waiver or consent forms to be completed by your spouse prior to establishing a LIRA.

It is important to note the following:

- The Act does not establish a minimum age required to open a LIRA,
- A DB Plan may restrict transferring pension money to a LIRA at the time on which, or after the time on which, you qualify for early retirement, and
- You cannot open, nor maintain, a LIRA past the age of 71.

It is also important to note that a LIRA may be established by a former spouse or a surviving spouse, with funds resulting from a spousal relationship breakdown (please refer to our bulletin "*Breakdown of Spousal Relationship*") or the death of a LIRA holder.

How much retirement income will I receive from my LIRA?

You do not get a retirement income from a LIRA. To commence a retirement income, you must transfer the money in the LIRA to a pRRIF, a Variable Benefit offered under a DC Plan (if the plan allows) or use the funds to purchase a life annuity.

[3] Vested means that you are unconditionally entitled to receive the pension you have earned under the pension plan, whether that pension is payable now or sometime in the future. For more information, please review our publication "*Member Guide*".

Retirement Option: LIRA

Is my LIRA protected from loss? What if the financial institution fails?

Your LIRA is not insured or guaranteed by the Government of Saskatchewan. Your future retirement income could suffer from poor investment performance or from the failing of a financial institution.

In the event that the financial institution or insurance company fails, some of the products in which you are invested might be protected. For example, deposits at banks, trust companies and credit unions are backed by insurance arrangements. In addition, if your LIRA is invested in segregated funds, it is protected by the insurance industry, through Assuris, in the event of the failure of the insurance company which holds your LIRA. In all cases, there are limits to the protection. If you have questions about this type of protection, you should discuss those questions with the financial institution or life insurance company that holds your LIRA.

Can I transfer money in and out of my LIRA? Can I withdraw money?

Your LIRA contract will set out the type of funds that you can transfer into your LIRA. Typically, you can transfer money in from other LIRAs, pRRIFs or pension plans, provided that money is subject to the pension law of Saskatchewan. In addition, a LIRA contract may let you transfer money in from non-locked-in sources, like an ordinary RRSP or RRIF. It is important to note that once non-locked-in money is transferred to a LIRA, that money is subject to the rules of the LIRA contract and pension law.

Your LIRA contract, which must comply with pension law, will set out where you can transfer your LIRA. Typically, provided you are under age 71, you may transfer the money in your LIRA contract to another LIRA contract of which you are the owner, to a pension plan that allows such a transfer, or to a life insurance company to purchase a deferred life annuity. If you are at least age 55 you can commence a retirement income by transferring the money to a pRRIF or use the funds to purchase an immediate life annuity. You can start a retirement income earlier than age 55 only if your original pension plan permits retirement at an earlier age (eg. age 50).

Generally, the money in your LIRA is locked-in until you are of retirement age (eg. typically age 55). This means that, prior to reaching retirement age, you cannot withdraw or surrender the money. There are a few exceptions to this rule which are outlined in our bulletin "*Unlocking Pension Money*".

Retirement Option: LIRA

What happens if I die?

You must name your spouse as beneficiary of the money in your LIRA. Your spouse may waive this right by signing a waiver (Form 0.1) and filing the completed form with the financial institution that administers your LIRA, before your death. Your spouse may revoke the waiver at any time before your date of death by providing notice in writing to the financial institution that holds your LIRA.

In general, as the beneficiary of the money held in your LIRA, upon your death, your spouse has the following options:

- Lump sum payment,
- Purchase an immediate or deferred life annuity, or
- Transfer to a pRRIF, a pension plan or a LIRA.

In the event that your surviving spouse elects a lump sum payment, Saskatchewan pension law does not prohibit the lump sum payment from being transferred to an RRSP rather than paid in cash. The financial institution that holds your LIRA would be responsible for ensuring that such a transfer only be made so long as it is permissible under your LIRA contract and the *Income Tax Act* (Canada).

If you have no spouse or if your spouse has signed the required waiver, the money will pass to a designated beneficiary or your estate and will be taxed in the year of your death.

NOTE: If you have a LIRA because you are the surviving spouse of a deceased plan member or if you have a LIRA as a result of a division on spousal relationship breakdown you are not required to name your new spouse as the beneficiary of your LIRA because you are not the original plan member.

What are the rules for investment my LIRA?

You must follow the rules for investing an RRSP found in the ITA when investing your LIRA money.

You are responsible for determining how the funds will be invested, subject to the investment options provided by the LIRA.

Retirement Option: LIRA

Can I use the money in my LIRA for the Home Buyers' Plan permitted by the ITA?

No.

Money in an RRSP can be used for the Home Buyers' Plan (HBP). While the ITA encourages the repayment of the amount borrowed from your RRSP to purchase a home, repayment is not mandatory. You cannot use the money in your LIRA for the HBP, as the withdrawn money would not have to be repaid, resulting in an unlocking of your pension money.

Is my LIRA protected from my creditors?

Yes. The money in a LIRA is exempt from execution, seizure, or attachment. Also, you may not assign the money (that is, you can't use it as collateral for a loan).

However, a LIRA could be subject to a division on spousal relationship breakdown pursuant to *The Family Property Act*. As well, the LIRA could be subject to attachment for purposes of enforcing a maintenance order pursuant to *The Enforcement of Maintenance Orders Act*. For more information about spousal relationship breakdown and maintenance enforcement, please refer to our publications "*Division on Spousal Relationship Breakdown*" or *"Maintenance Enforcement".*

How is a LIRA impacted by the PRPP rules?

Please refer to Appendix B for information related to this section and PRPPs.

Retirement Option: Life Annuity

What is a life annuity?

A life annuity is a retirement income product from which you will receive a regular stream of income for your life. Typically with a life annuity, your pension money is paid to a life insurance company that guarantees the payment of a fixed amount for your lifetime.

How do I set up a life annuity?

You would discuss setting up a life annuity with a life insurance company. The life insurance company will help you complete paperwork that will authorize the life insurance company to provide you with a life annuity payment in exchange for a lump-sum payment to them of some or all of your pension money.

If you have a spouse, your spouse may be required to complete a waiver in order for you to purchase a life annuity. This is discussed in greater detail under "What happens if I die?" found later in this section of this guide.

How much retirement income will I receive from my life annuity?

The amount of your payment is based on the amount of the lump sum, your age (and that of your spouse if applicable), the survivor benefits you choose and the annuity rate in effect at the time of transfer.

What if the life insurance company fails?

Your annuity is protected by the insurance industry, through Assuris, in the event of the failure of the insurance company underwriting your annuity. However, you should be aware of the limits of the protection. Currently, Assuris guarantees that you will retain up to $2,000 per month or 85% of the promised monthly income benefit, whichever is higher. Ask your insurance company for more details of the coverage.

If the amount of your annuity would exceed the limits of coverage, you could consider splitting your purchase over more than one insurance company.

Retirement Option: Life Annuity

Can I transfer money in and out my life annuity? Can I withdraw money?

When you purchased the life annuity, you paid a lump sum amount to a life insurance company in exchange for a guaranteed income for life. It usually is not possible to transfer more money into that same life annuity; however you could always purchase another life annuity with a new lump sum amount. In addition, it usually is not possible to take additional money out of a life annuity. Once the life annuity commences, it will pay a regular income to you for your life.

What happens when I die?

If you purchase a life annuity, you will be asked to consider, among other things, what death benefits you want the life annuity to pay upon your death. The two key death benefits are:

- Joint-survivor benefit, and
- Guarantee period.

Joint-Survivor Benefit: Pension law requires that you provide your spouse with a survivor benefit of at least sixty percent of your monthly annuity payments. The joint-survivor benefit will provide a retirement income for the life of both you and your spouse. However, your spouse may waive his or her right to a survivor's benefit by signing a waiver (Form 3) and filing that completed form with the plan administrator or financial institution prior to using the funds to purchase a life annuity. To be in force, the waiver must be signed within 90 days prior to the commencement date of the annuity payments. Your spouse may revoke the waiver at any time before the commencement date of the annuity by providing notice in writing to the financial institution that holds the annuity contract. A waiver cannot be revoked after the annuity commences.

Guarantee Period: This will guarantee the full payment of your annuity payments for a fixed period of time, commencing from the date that the life annuity starts and ending at the expiration of the guarantee period. Examples are provided below under "b" and "d".

<u>Example</u>

You are reviewing your retirement option statement and are faced with selecting one of the following options:

a. A single life annuity with no guarantee period that will pay you $1,350 per month during your lifetime. Nothing would be payable on your death.

b. A single life annuity with a guarantee period of 10 years that will pay you $1,280 per month during your lifetime. If you die within 10 years after retirement, your named beneficiary or estate would receive the same monthly pension, $1,280, for the remainder of the 10 year period. No further payments would be made after the 10 years expired.

c. A 60 percent joint-survivor annuity that will pay you $1,150 per month during your lifetime, and then $690 per month to your spouse, on your death, for the remainder of your spouse's lifetime.

d. A 60 percent joint-survivor annuity with a guarantee period of 10 years that will pay you $1,100 per month during your lifetime. If you die within 10 years after retirement, your spouse will receive the same monthly pension, $1,100, for the remainder of the 10 year period, and then your spouse will receive $660 per month for the remainder of your spouse's lifetime. If you die after the 10 year period, your spouse will receive $660 per month for the remainder of your spouse's lifetime.

As you and your spouse work through the options, you see that the single life annuity provides the largest monthly pension as long as you are alive, but offers no continuing income to your spouse if your spouse survives you.

The single life annuity with a 10 year guarantee term is payable to you for the duration of your life, but if you live more than 10 years after retirement, it will stop at the time of your death. However, if you die before the 10 years expire, the pension is payable to your spouse if he or she is named as beneficiary, but only for the remainder of the 10 year guarantee term.

You must select a joint-survivor option unless your spouse signs a waiver. The joint-survivor option, with no guarantee period, provides a smaller monthly payment than the two previous options to you throughout your life. However, upon your death a reduced amount is payable to your spouse for your spouse's lifetime. The joint-survivor option, with a guarantee period, provides the smallest monthly payment to you throughout your life. However, if you die before the 10 years expire, the full pension is payable to your spouse during the guarantee period, and then is payable to your spouse at the reduced amount for your spouse's lifetime.

If my spouse dies before me can I name another co-annuitant? What if I marry or enter into a common law relationship after I start my annuity?

The terms of the contract between you and the insurance company will determine whether the contract can be altered or revoked. Direct these questions to your life insurance company.

Retirement Option: Life Annuity

Are my life annuity payments protected from creditors?

The life annuity contract itself is exempt from execution, seizure or attachment. However, the annuity payments may be subject to seizure.

The life annuity payments may be subject to a division on spousal relationship breakdown pursuant to *The Family Property Act*. Further, the life annuity payments could be subject to garnishment for purposes of enforcing a maintenance order pursuant to *The Enforcement of Maintenance Orders Act*. For more information about spousal relationship breakdown and about maintenance enforcement, please refer to our publications *"Division on Spousal Relationship Breakdown"* or *"Maintenance Enforcement".*

Are life annuity payments eligible for the pension income tax credit?

Payments from a life annuity are eligible for the pension income tax credit, regardless of your age. Please discuss questions related to the pension income tax credit with your professional tax advisors.

How is a life annuity impacted by the PRPP rules?

Please refer to Appendix B for information related to this section and PRPPs.

Retirement Option: Prescribed Registered Retirement Income Fund

What is a Prescribed Registered Retirement Income Fund (pRRIF)?

A pRRIF is a type of registered retirement income fund (RRIF) from which you can draw a retirement income. "Prescribed" means that certain rules for this product are required by pension law. Generally, a pRRIF is established with money from a LIRA or a pension plan.

How do I set up a pRRIF?

You would discuss setting up a pRRIF with your financial institution. Your financial institution will help you complete paperwork that will transfer your money to your pRRIF.

Your spouse must sign a consent form (Form 1) in order to transfer money into a pRRIF. Pension law provides your spouse with the right to a survivor benefit of at least sixty percent of the monthly pension amount to which you were entitled under your pension plan or could be provided through the purchase of an annuity, unless the consent is signed. A pRRIF cannot provide that this type of survivor benefit to your spouse. Rather, your spouse would receive the balance in your pRRIF as at your date of death. As well, there is nothing preventing you from withdrawing the entire amount from your pRRIF, in which case your spouse would not receive any survivor benefit on your death.

Form 3 is not a required form to transfer pension money to a pRRIF.

How much retirement income will I receive from my pRRIF?

The amount of retirement income that you will receive depends on several factors, including the investment earnings of your pRRIF and the length of time that you wish the pRRIF money to last. The retirement income received from your pRRIF may or may not last for your lifetime.

The frequency of payments (monthly, quarterly, annually) is a matter between you and your financial institution. There is a minimum withdrawal requirement under a pRRIF. However, there is no maximum withdrawal restriction under a pRRIF. Income tax is withheld on withdrawals that exceed the minimum withdrawal requirement.   All pRRIF income is taxable.

Retirement Option: pRRIF

A pRRIF is subject to the minimum withdrawal rules found in the ITA. You must make withdrawals from your pRRIF each year, except in the year that you establish the contract. The issuer of your pRRIF will calculate the minimum withdrawal amount[4], which ranges between 2.5% (age 50) up to 20% (age 95 and beyond).

Is my pRRIF protected from loss? What if the financial institution fails?

Your pRRIF is not insured or guaranteed by the Government of Saskatchewan. Your retirement income could suffer from poor investment performance or from the failure of the financial institution that holds your pRRIF.

In the event that the financial institution or insurance company fails, some of the products in which you are invested might be protected. For example, deposits at banks, trust companies and credit unions are backed by insurance arrangements. In addition, pRRIFs which are invested in segregated funds, are protected by the insurance industry, through Assuris, in the event of the failure of the insurance company holding your pRRIF. In all cases, there are limits to the protection. If you have questions about this type of protection, you should discuss those questions with the financial institution or life insurance company that holds your pRRIF contract.

Can I transfer money in and out of my pRRIF? Can I withdraw money?

If your money is in a pension plan, in order to transfer your pension money to a pRRIF, you must be eligible[5] to commence a pension under the terms of your plan. It is important to note that a pension plan is not required to offer the direct transfer to a pRRIF. If your money is in a LIRA, you will have the option to move to a pRRIF when you become eligible[6] to start your pension.

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[4] The minimum amount is based on rules of the ITA and the age of you or your spouse. When the pRRIF is established, as a one-time election, you decide whether to use your age or your spouse's age in determining the minimum withdrawal. A younger age will reduce the minimum withdrawal requirement.

[5] The age at which you can start your pension is determined by the rules of your plan. In addition to providing you with a summary of your plan, your plan administrator must provide you with a statement advising you of your options at retirement or on termination of membership in the plan. If the written material does not indicate whether you can transfer directly to a pRRIF, ask your plan administrator.

[6] You may start your pension with the money in your LIRA at age 55, or at an earlier age, if the rules of the pension plan from where the money originated allow for retirement earlier than age 55. You may be able to use the current early retirement rule in your former pension plan even if the early retirement rule changed after your money was transferred from the plan. The administrator of your former pension plan can confirm the early retirement rule that applies to you.

Retirement Option: pRRIF

You are not required to purchase a life annuity at a certain age with the money in your pRRIF.

You can transfer your money from one pRRIF to another pRRIF. However, before the transfer takes place, the minimum annual withdrawal amount required under the ITA must be taken.

You cannot roll your annual withdrawal to an RRSP or RRIF. The pRRIF has certain characteristics such as protection of spouses that make it different from an ordinary RRSP or RRIF.

Pension law permits, but does not require, a pRRIF contract to accept money from ordinary RRSPs and RRIFs. However, once this money is transferred to a pRRIF, that money is subject to the rules of the pRRIF contract and pension law.

What are the rules for investing my pRRIF?

The investment rules are those placed on a RRIF by the ITA. No further restrictions apply. You determine how the money in your pRRIF is invested and investment earnings continue to grow on a tax-sheltered basis to the extent they are not withdrawn.

The rules of your pRRIF contract may permit you to transfer identifiable and transferable securities, either into or out of a pRRIF. This would permit you to continue a particular investment strategy you have adopted in investing your LIRA assets without having to dispose of and repurchase the securities.

What happens if I die?

You must name your spouse as beneficiary of the money in your pRRIF. However, your spouse may waive his or her designated beneficiary status by signing a waiver (Form 2), and filing that completed form with the financial institution that holds your pRRIF, before your date of death. Your spouse may revoke the waiver at any time before your date of death, by providing notice in writing to the financial institution that holds the pRRIF.

If you have no spouse, or if your spouse has signed a waiver, the money will pass to a designated beneficiary or your estate.

Retirement Option: pRRIF

The disposition of the money in your pRRIF is governed by the ITA. In general, on death of a pRRIF contract owner, the spouse may elect any of the following transfer options, or, could take a lump sum payment:

- An ordinary RRSP (provided the spouse is under age 71) or an ordinary RRIF,
- A pension plan , where the spouse is a member of that plan, and the plan accepts the transfer in,
- A life insurance company to purchase an immediate or deferred annuity.

Is my pRRIF protected from my creditors?

The money held in a pRRIF is exempt from execution, seizure or attachment. Also, you may not assign the money. However, withdrawals made from a pRRIF may be subject to seizure.

A pRRIF could be subject to a division on spousal relationship breakdown pursuant to *The Family Property Act*. As well, the money in a pRRIF could be subject to attachment for purposes of enforcing a maintenance order pursuant to *The Enforcement of Maintenance Orders Act*. For more information about spousal relationship breakdown and about maintenance enforcement, please refer to our publications *"Guide – Division on Spousal Relationship Breakdown"* or *"Bulletin – Maintenance Enforcement".*

Are pRRIF payments eligible for the pension tax credit?

Payments from a pRRIF to a person age 65 and older are eligible for the pension tax credit. However, if you are under age 65, you will not be able to claim your pRRIF payments.

How is a pRRIF mpacted by the PRPP rules?

Please refer to Appendix B for information related to this section and PRPPs.

Retirement Option: Variable Benefit Account

What is a variable benefit?

A variable benefit account (VBA) is a retirement option paid directly from a defined contribution plan. It is similar in nature to the pRRIF in that it provides you with flexibility in determining how much income you withdraw annually and how your money is invested.

How do I set up a VBA?

Only a DC Plan is permitted to offer a VBA. You must contact the administrator of your pension plan to inquire if your plan offers a VBA as a retirement option. You must be eligible to retire in order to establish a VBA. The earliest age at which you can retire is determined by the rules of your plan.

Your spouse must sign a consent form (Form 2.01) in order for you to transfer money into a VBA. By completing this form, your spouse is authorizing you to manage the money in the VBA and your spouse is acknowledging that he or she understands that there is nothing preventing you from withdrawing the entire amount from your VBA.

Your spouse must also sign a waiver form (Form 3) in order for you to transfer money into a VBA. Pension law provides your spouse with the right to a survivor benefit of at least sixty percent of the monthly pension amount to which you were entitled under your pension plan or could be provided through the purchase of an annuity, unless the waiver is signed. A VBA cannot provide that this type of survivor benefit to your spouse. Rather, your spouse would receive the balance, if anything remains, in your VBA at your date of death.

How much retirement income will I receive from my VBA?

Your VBA income must comply with the ITA. The ITA establishes the minimum annual withdrawal required to be made from a VBA. The minimum withdrawal is a percentage of your total account balance based on your age or your spouse's age at the beginning of each year. There is no minimum withdrawal required prior to age 72. Your plan administrator will calculate the minimum amount[7]. The minimum withdrawal amount ranges between 2.5% (age 50) up to 20% (age 95 and beyond).

[7] The minimum amount is based on rules of the ITA and the age of you or your spouse. A younger age will reduce the minimum withdrawal requirement. When the VBA is established, you decide whether to use your age or your spouse's age in determining the minimum withdrawal. The rules of your pension plan will determine how often this decision may be exercised.

Retirement Option: VBA

There is no maximum limit on withdrawals from a VBA. The frequency of payments is a matter between you and the rules of your pension plan.

Withdrawals from a VBA are considered to be RRIF-type payments and will be part of your income for the year. You will have to pay tax in accordance with the ITA.

Can I transfer money in and out of my VBA? Can I withdraw money?

Your previous DC Plan may permit you to transfer assets back into the pension plan in order to establish a VBA. Contact the administrator of your previous DC Plan to determine if the rules of the plan permit the transfer.

The rules of your DC Plan will determine if partial amounts can be transferred to a VBA. Pension law requires your spouse to provide the applicable consent form and waiver form prior to each transfer. Contact the administrator of your DC Plan to determine if partial transfers are allowed.

You do not have to purchase a life annuity at a specific age with the money in your VBA.

You may transfer the balance in your VBA to another pension plan, a LIRA (provided you are not past age 71), to a pRRIF or you may purchase a life annuity.

Due to the fact that a VBA has certain characteristics, such as protection of spouses, that make it different from an ordinary RRSP or RRIF, you can't transfer or roll your VBA or its payments directly into an ordinary RRSP or RRIF.

Your plan may permit you to transfer money from an ordinary RRSP or RRIF into your VBA. However, once that money is transferred to a VBA it is subject to the plan rules governing the VBA and pension law.

Can I start a VBA and continue to work for my employer?

The rules of your DC Plan will determine if you are permitted to continue to work while receiving a VBA. Contact your plan administrator to inquire if you can continue to be employed after establishing a VBA.

Retirement Option: VBA

Does my spouse have to sign a consent form and a waiver form for me to establish a VBA?

Yes. In order to establish a VBA, your spouse must complete a consent form (Form 2.01) and a waiver (Form 3). Under pension law, upon your death your spouse is entitled to receive a survivor benefit of at least sixty percent of the pension to which you were entitled. A VBA cannot provide that type of survivor benefit to your spouse. Rather, your spouse would receive the balance in your VBA at that time of your death. As well, there is nothing preventing you from withdrawing the entire amount from your VBA, in which case your spouse would not receive any survivor benefit on your death.

What are the investment rules for my VBA?

The investment rules are those provided under your DC Plan. You determine how the money in your VBA is invested and investment earnings continue to grow on a tax-sheltered basis to the extent they are not withdrawn.

What happens if I die?

You must name your spouse as beneficiary of the money in your VBA. However, your spouse may waive his or her designated beneficiary status by signing a waiver (Form 2.02) and filing that completed form with the administrator of your DC Plan before your date of death. Your spouse may revoke the waiver at any time before your date of death, by providing notice in writing to the plan administrator.

If you have no spouse or if your spouse has signed the above waiver, the money will pass to a designated beneficiary or to your estate. The payment of the money in a VBA is governed by the ITA.

The *Income Tax Regulations* (Canada) also allow you to designate your spouse as a "specified beneficiary". This type of designation would permit the payments being made to you from a VBA to continue to your spouse uninterrupted upon your death. Alternatively, your spouse may elect any of the following transfer options, or, could take a lump sum payment:

- An ordinary RRSP (provided the spouse is under age 71) or an ordinary RRIF,
- A pension plan , where the spouse is a member of that plan, and the plan accepts the transfer in,
- A life insurance company to purchase an immediate or deferred annuity.

Retirement Option: VBA

Is my VBA protected from my creditors?

The money in a VBA is exempt from execution, seizure or attachment. Also, you may not assign the money (that is, you can't use the money in the VBA as collateral for a loan). However, withdrawals made from a VPA may be subject to seizure.

A VBA could be subject to a division on spousal relationship breakdown pursuant to *The Family Property Act*. As well, the money in a VBA could be subject to attachment for purposes of enforcing a maintenance order pursuant to *The Enforcement of Maintenance Orders Act*. For more information about spousal relationship breakdown and about maintenance enforcement, please refer to our publications *"Guide – Division on Spousal Relationship Breakdown"* or *"Bulletin – Maintenance Enforcement".*

Are VPA payments eligible for the pension tax credit?

Payments from a VBA to a person age 65 and older are eligible for the pension tax credit. However, if you are under age 65, you will not be able to claim your VBA payments.

How is a VBA impacted by the PRPP rules?

Please refer to Appendix B for information related to this section and PRPPs.

Which Retirement Option is Best for You?

It's important to remember that many factors enter into your retirement planning decisions. The following are some general comments regarding the characteristics of life annuities, pRRIFs and VBAs. Although in most cases these general characteristics will apply, they may not hold true in every case.

You do not have to place all of your pension money into a single retirement product. You may use a portion of your money to purchase a life annuity, with the remainder being transferred to a pRRIF or where applicable, a VBA. As well, you could leave all or part of your pension money in a LIRA, provided you are younger than age 71.

What are your goals? In general, if providing income for yourself and your spouse during retirement is your goal, a life annuity provides a stable, predictable stream of income. If leaving an estate for your heirs is your primary objective, then a pRRIF or a VBA is the option to choose. If you are thinking about your estate, bear in mind that lump sum payments from a pRRIF or a VBA on your death are taxable, unlike the payment of a death benefit from an insurance policy.

Are you permanently retired? If you believe that retirement is temporary, remember that a pRRIF or a VBA allows you to “un-retire” by transferring money to a LIRA. To do so, you must be young enough to be able to hold money in an RRSP. Under the ITA you cannot have an RRSP beyond the calendar year you reach age 71.

How much risk are you willing to bear? If you purchase a life annuity, the investment risk is transferred to the issuer of that annuity. You get the same amount of income each month regardless of the investment return on your money. If you invest in a pRRIF or establish a VBA, you bear the risk of poor investment returns and have the opportunity to benefit from good investment returns.

On the other hand, taking on investment risk may allow you to protect the purchasing power of your retirement income. The purchasing power of a fixed life annuity payment will erode with inflation. Certain investments strategies may allow you to protect the purchasing power of your retirement income. You are able to manage the investments of your pRRIF and your VBA. It is best to discuss your investments with a qualified, trusted professional.

It cannot be said that there is no investment risk associated with a life annuity. You bear the risk that the market value of your pension assets or the interest rate on which the annuity depends is abnormally low on the date you purchase the annuity. You have no opportunity to take advantage of subsequent improvements in either.

What Option is Right for You?

How long will you live? With a pRRIF or a VBA, your income is likely to decline with age. With a life annuity, the same amount will be paid to you for as long as you live. People are living longer. In 1941, a 65 year old Canadian female could expect to live another 13.6 years. Currently, life expectancy for a 65 year old female is about 22 years. With a pRRIF or a VBA, you bear the risk of outliving your retirement money.

What do you expect annuity rates to be? If you believe annuity rates are low at the time you retire, you may wish to put off purchasing an annuity until rates are more favourable. A pRRIF or a VBA allows you to delay the purchase of an annuity while still receiving retirement income. Probably the most important factor in determining the direction you expect annuity rates to go is your expectation of inflation. If you believe the rate of inflation will increase significantly then you should expect annuity rates to follow suit.

In general, annuities pay more if you wait until you're older before purchasing them. Waiting a few years can pay off, because the benefit of pooling longevity risk is greater as you get older.

What's your complication threshold? Purchasing a life annuity has the least complication after the initial decisions are made. Your lifetime income is set. With a pRRIF or a VBA, you will be making investment decisions and you also must decide before the beginning of each year just how much you wish to withdraw from your pRRIF or VBA.

A pRRIF and a VBA are more difficult to invest than a LIRA. The minimum annual withdrawal requirement means that you will have to maintain a portion of your fund in liquid assets. The withdrawal also means that you will have to regularly review and perhaps buy and sell securities to maintain your asset mix objectives.

We strongly urge you to contact someone qualified to give financial advice who can help you evaluate your own personal situation.

Additional Information

Abbreviations

The following chart provides the abbreviations, and their meanings, used throughout this guide.

Abbreviation	Description
LIRA	Locked-in retirement account
pRRIF	Prescribed registered retirement income fund
RRSP	Registered retirement savings plan
RRIF	Registered retirement income fund
ITA	Income Tax Act
DB Plan	Defined benefit pension plan
DC Plan	Defined contribution pension plan
VBA	Variable Benefit Account

Helpful Links

Canada Pension Plan (CPP) – Service Canada
www.servicecanada.gc.ca/cpp

Old Age Security (OAS) – Service Canada
www.servicecanada.gc.ca/oas

Other personal savings and investments
- Please contact your trusted professional financial advisor

Appendix A – Retirement Options Chart

	Pension benefit directly from a DB Plan	PBA Life annuity[8]	Variable benefit directly from a DC Plan	Variable payment directly from a PRPP	Prescribed registered retirement income fund (pRRIF)	Pooled retirement income account (PRIA)	Locked-in Retirement Account (LIRA)	Pooled retirement savings account (PRSA)
Income options	Income is paid directly from your pension plan. You receive a fixed monthly income for your lifetime and your spouse's lifetime (if a joint-survivor pension is elected).	Income is paid from the life annuity that is provided by a life insurance company. You receive a fixed monthly income for your lifetime and your spouse's lifetime (if a joint-survivor annuity was purchased).	Income is paid directly from your pension plan. You choose the amount and frequency of your income. Minimum withdrawals are not required until you turn age 72. There is no maximum withdrawal amount. You will need to monitor your withdrawals to ensure you do not outlive your money.	Income is paid directly from your PRPP. You choose the amount and frequency of your income. Minimum withdrawals are not required until you turn age 72. There is no maximum withdrawal amount. You will need to monitor your withdrawals to ensure you do not outlive your money.	Income is paid from a pRRIF that is held by a financial institution or life insurance company. You choose the amount and frequency of your income. Minimum withdrawals are required the year following the purchase of the pRRIF contract. There is no maximum withdrawal amount. You will need to monitor your withdrawals to ensure you do not outlive your money.	Income is paid from a PRIA that is held by a financial institution or life insurance company. You choose the amount and frequency of your income. Minimum withdrawals are required the year following the purchase of the PRIA contract. There is no maximum withdrawal amount. You will need to monitor your withdrawals to ensure you do not outlive your money.	A LIRA does not pay you a retirement income. A LIRA is a holding account for your pension monies. In order to start a retirement income, you must transfer to a pRRIF, an existing PRIA, life annuity, or a pension plan.	A PRSA does not pay you a retirement income. A PRSA is a holding account for your pension monies. In order to start a retirement income, you must transfer to a PRIA, pRRIF, life annuity, a pension plan, or a PRPP.
	Pension benefit	**PBA Life annuity**	**Variable benefit**	**Variable**	**Prescribed**	**Pooled**	**Locked-in**	**Pooled**

[8] A life annuity payable under the PRPP Act is not presented in this chart. For more information about a PRPP Life Annuity please see Appendix B.

	directly from a DB Plan		directly from a DC Plan	payment directly from a PRPP	registered retirement income fund (pRRIF)	retirement income account (PRIA)	Retirement Account (LIRA)	retirement savings account (PRSA)
Investment options	You do not make investment choices. The pension plan bears the investment risks.	You do not make investment choices. The life insurance company bears the investment risks.	You remain invested in the options available under your pension plan. If the plan allows you to make investment choices, you maintain control and you make ongoing investment decisions. You will need to monitor your investments and may need to rebalance your allocations on an ongoing basis.	You remain invested in the options available under your pension plan. If the plan allows you to make investment choices, you maintain control and you make ongoing investment decisions. You will need to monitor your investments and may need to rebalance your allocations on an ongoing basis.	You invest in the options available from the financial institutions or life insurance company that holds the pRRIF contract for you. You maintain control; you make ongoing investment decisions. You will need to monitor your investments and may need to rebalance your allocations on an ongoing basis.	You invest in the options available from the financial institutions or life insurance company that holds the PRIA contract for you. You maintain control; you make ongoing investment decisions. You will need to monitor your investments and may need to rebalance your allocations on an ongoing basis.	You invest in the options available from the financial institutions or life insurance company that holds the LIRA contract for you. You maintain control; you make ongoing investment decisions. You will need to monitor your investments and may need to rebalance your allocations on an ongoing basis.	You invest in the options available from the financial institutions or life insurance company that holds the PRSA contract for you. You maintain control; you make ongoing investment decisions. You will need to monitor your investments and may need to rebalance your allocations on an ongoing basis.
	Pension benefit directly from a	**PBA Life annuity**	**Variable benefit directly from a**	**Variable payment directly**	**Prescribed registered**	**Pooled retirement**	**Locked-in Retirement**	**Pooled retirement**

	DB Plan		DC Plan	from a PRPP	retirement income fund (pRRIF)	income account (PRIA)	Account (LIRA)	savings account (PRSA)
Death / Survivor Benefit	If a joint-survivor pension was elected, the survivor's benefit is a monthly amount paid to your spouse. It is determined by the type of annuity options chosen. If a guarantee period was elected, the beneficiary receives a monthly amount payable to the expiration of the guarantee period.	If a joint-survivor pension was purchased, the survivor's benefit is a monthly amount paid to your spouse. It is determined by the type of annuity options chosen. If a guarantee period was elected, the beneficiary receives a monthly amount payable to the expiration of the guarantee period.	The death benefit is determined by the amount remaining in the account. The surviving spouse can elect to receive the death benefit as cash, transfer to an ordinary RRSP/RRIF[9], transfer to a LIRA/pRRIF, transfer to a pension plan, or purchase a life annuity. In addition, the surviving spouse may be able to transfer to an existing PRPP, PRSA or a PRIA. Any other beneficiary will receive the death benefit as cash.	The death benefit is determined by the amount remaining in the account. The surviving spouse can elect to receive the death benefit as cash, transfer to an ordinary RRSP/RRIF, transfer to a PRSA/PRIA, transfer to a LIRA/pRRIF, transfer to a pension plan, or purchase a life annuity. Any other beneficiary will receive the death benefit as cash.	The death benefit is determined by the amount remaining in the account. Subject to the ITA, the surviving spouse can elect to receive the death benefit as cash, transfer to an ordinary RRSP/RRIF[10] or purchase a life annuity. Any other beneficiary will receive the death benefit as cash.	The death benefit is determined by the amount remaining in the account. Subject to the ITA, the surviving spouse can elect to receive the death benefit as cash, transfer to an ordinary RRSP/RRIF[11] or purchase a life annuity. Any other beneficiary will receive the death benefit as cash.	The death benefit is determined by the amount in the account. The surviving spouse can elect to receive the death benefit as cash, transfer to an ordinary RRSP/RRIF[12], transfer to a LIRA/pRRIF, transfer to a pension plan, or purchase a life annuity. In addition, the surviving spouse may be able to transfer to an existing PRPP, PRSA or a PRIA. Any other beneficiary will receive the death benefit as cash.	
	Pension benefit directly from a	**PBA Life annuity**	**Variable benefit directly from a**	**Variable payment directly**	**Prescribed registered**	**Pooled retirement**	**Locked-in Retirement**	**Pooled retirement**

[9] Provided such transfer is allowable pursuant to the *Income Tax Act* (Canada) and under the contract.
[10] Provided such transfer is allowable pursuant to the *Income Tax Act* (Canada) and under the contract.
[11] Provided such transfer is allowable pursuant to the *Income Tax Act* (Canada) and under the contract.
[12] Provided such transfer is allowable pursuant to the *Income Tax Act* (Canada) and under the contract.

	DB Plan		DC Plan	from a PRPP	retirement income fund (pRRIF)	income account (PRIA)	Account (LIRA)	savings account (PRSA)
Inflation	Your pension may or may not increase to cover inflation. If your pension does not provide a cost-of-living adjustment to cover inflation, inflation may decrease your purchasing power.	Your annuity may or may not increase to cover inflation. If your annuity does not provide a cost-of-living adjustment to cover inflation, inflation may decrease your purchasing power.	Depending upon your investment performance, you may be able to increase your withdrawals to cover inflation.	Depending upon your investment performance, you may be able to increase your withdrawals to cover inflation.	Depending upon your investment performance, you may be able to increase your withdrawals to cover inflation.	Depending upon your investment performance, you may be able to increase your withdrawals to cover inflation.	n/a	n/a
Taxes	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.	All income received is taxable. You immediately qualify for up to a $2,000 tax credit. You are eligible to income split with your spouse immediately.	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. 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 income received is 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 income received is 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.	n/a – you do not receive retirement income directly from a LIRA.	n/a – you do not receive retirement income directly from a PRSA.
	Pension benefit directly from a	**PBA Life annuity**	**Variable benefit directly from a**	**Variable payment directly**	**Prescribed registered**	**Pooled retirement**	**Locked-in Retirement**	**Pooled retirement**

	DB Plan		DC Plan	from a PRPP	retirement income fund (pRRIF)	income account (PRIA)	Account (LIRA)	savings account (PRSA)
Beneficiary	You must elect a JS[13] pension, unless your spouse waives this right. Under a JS pension, your spouse is your beneficiary. In addition, you may be given the option to elect a guarantee period. You can designate any person to receive the benefit payable should you (and your spouse, if a JS pension) should die before the expiration of the guarantee period.	You must elect a JS annuity, unless your spouse waives this right. Under a JS annuity, your spouse is your beneficiary. In addition, you may be given the option to elect a guarantee period. You can designate any person to receive the benefit payable should you (and your spouse, if a JS annuity) should die before the expiration of the guarantee period.	You must name your spouse as beneficiary unless your spouse waives this right.	You must name your spouse as beneficiary unless your spouse waives this right.	You must name your spouse as beneficiary unless your spouse waives this right.	You must name your spouse as beneficiary unless your spouse waives this right.	You must name your spouse as beneficiary unless your spouse waives this right.	You must name your spouse as beneficiary unless your spouse waives this right.
	Pension benefit directly from a	**PBA Life annuity**	**Variable benefit directly from a**	**Variable payment directly**	**Prescribed registered**	**Pooled retirement**	**Locked-in Retirement**	**Pooled retirement**

[13] Joint and survivor

	DB Plan		DC Plan	from a PRPP	retirement income fund (pRRIF)	income account (PRIA)	Account (LIRA)	savings account (PRSA)
Transfer options	Transfer Out / In You cannot transfer into or out of a DB Plan after the commencement of a pension.	Transfer Out / In You cannot transfer into or out of a life annuity contract.	Transfer Out You may be able to transfer to a pension plan, a LIRA, a pRRIF, or use the funds to purchase a life annuity. Transfer In You may be able to transfer funds into the VB account from a pension plan, a LIRA, a pRRIF, a RRIF, and a RRSP. You may be able to transfer funds into the DC Plan from a PRPP, PRSA, or a PRIA; then, from the DC Plan, transfer to a VB account.	Transfer Out You may be able to transfer to another PRPP, a pension plan, a PRSA, a PRIA, a pRRIF, a LIRA or use the funds to purchase a life annuity. Transfer In While in receipt of variable payments, you may be able to transfer funds into the PRPP from a PRPP, a pension plan, a PRSA, a PRIA.	Transfer Out You may be able to transfer to a pension plan, a pRRIF, an existing PRIA, a LIRA, an existing PRSA or use the funds to purchase a life annuity. Transfer In You may be able to transfer funds into the pRRIF from a pension plan, a PRPP, a pRRIF, a LIRA, a PRIA, a PRSA, a RRSP, or a RRIF.	Transfer Out You may be able to transfer to a pension plan, a PRPP, a pRRIF, a PRIA, a LIRA, a PRSA or use the funds to purchase a life annuity. Transfer In You may be able to transfer funds into the PRIA from a PRPP, PRSA, or a PRIA. You may be able to transfer funds into an existing PRIA from a pRRIF, LIRA, RRSP or RRIF.	Transfer Out You may be able to transfer to a pension plan, a pRRIF, an existing PRIA, a LIRA, an existing PRSA or use the funds to purchase a life annuity. Transfer In You may be able to transfer funds into the LIRA from a pension plan, a PRPP, a pRRIF, a LIRA, a PRIA, a PRSA, a RRSP, or a RRIF.	Transfer Out You may be able to transfer to a pension plan, a PRPP, a pRRIF, a PRIA, a LIRA, a PRSA or use the funds to purchase a life annuity. Transfer In You may be able to transfer funds into the PRSA from a PRPP, PRSA, or a PRIA. You may be able to transfer funds into an existing PRSA from a pRRIF, LIRA, RRSP or RRIF.
	Pension benefit directly from a DB Plan	**PBA Life annuity**	**Variable benefit directly from a DC Plan**	**Variable payment directly from a PRPP**	**Prescribed registered retirement**	**Pooled retirement income account**	**Locked-in Retirement Account (LIRA)**	**Pooled retirement savings account**

					income fund (pRRIF)	(PRIA)		(PRSA)
Risks	Your decisions at retirement (i.e. joint-survivor, guarantee period) are fixed and cannot be changed after pension commencement. The DB Plan bears 100% of the investment risk.	Annuity payment amounts are fixed at the time of purchase based on the interest rate at that time. A higher rate at the time of purchase translates into a higher payment for life, and vice versa with low rates. Your decisions at retirement (i.e. joint-survivor, guarantee period) are fixed and cannot be changed after pension commencement. The life insurance company bears 100% of the investment risk.	Your payments are not guaranteed – you may live longer that your savings. Payment amounts may vary year to year, up and down. You bear 100% of the investment risk.	Your payments are not guaranteed – you may live longer that your savings. Payment amounts may vary year to year, up and down. You bear 100% of the investment risk.	Your payments are not guaranteed – you may live longer that your savings. Payment amounts may vary year to year, up and down. You bear 100% of the investment risk.	Your payments are not guaranteed – you may live longer that your savings. Payment amounts may vary year to year, up and down. You bear 100% of the investment risk.	You bear 100% of the investment risk.	You bear 100% of the investment risk.

Appendix B - PRPPs

<u>Introduction</u>

The purpose of this appendix is to provide you with a sense of how PRPPs can play a role in your overall retirement income needs. This appendix is formatted in a similar fashion as the guide itself, using the same headings and subheadings.

<u>Pension Basics</u>

<u>Retirement Options under a DB or DC Plan</u>

In addition to the options listed under "Pension Basics" of this guide, if you are a DB Plan or DC Plan participant and hold a PRPP account, you may be able to transfer your pension benefit to your PRPP account. Your spouse will be required to complete and file with your plan administrator a completed Form 3, prior to the transfer to your PRPP account.

<u>Retirement Options under LIRA</u>

In addition to the options listed under "Pension Basics" of this guide, if:

1. You are the owner of a LIRA contract; and
2. You are the owner of a Pooled Retirement Savings Account ("PRSA") or the owner of a Pooled Retirement Income Account ("PRIA");

You may be able to transfer the funds in your LIRA to your existing PRSA or PRIA.

- If the transfer is to a PRSA, your spouse will be required to complete and file with the issuer of your LIRA, a completed Form 3, prior to the transfer to your PRSA[14].

- If the transfer is to a PRIA, your spouse will be required to complete and file with the issuer of your LIRA, a completed Form H as prescribed in *The Pooled Registered Pension Plans (Saskatchewan) Regulations* (the "PRPP Regulations"), prior to the transfer to your PRIA.

[14] It is important to note that while you can transfer LIRA funds to a PRSA, you cannot withdraw funds nor receive a retirement income directly from a PRSA. If you intend of on withdrawing funds or commencing a retirement income, you may want to consider transferring the funds in your LIRA to a pRRIF, PRIA or a life insurance company to purchase a life annuity.

<u>Retirement Options: LIRA</u>

<u>How do I set up a LIRA?</u>

You can establish a LIRA using funds from a PRPP, PRSA or a PRIA.

<u>Can I transfer money in and out of my LIRA? Can I withdraw money?</u>

In addition to the transfer in options listed under this same question found under section "Retirement Options: LIRA", you can transfer money into a LIRA from a PRPP, PRSA and a PRIA. Once those PRPP funds are in the LIRA, those funds become subject to the pension law applicable to that LIRA (i.e. the Act).

In addition to the transfer our options listed in this same section, you can transfer money in your LIRA out to your existing PRSA or a PRIA. Once those funds are in a PRSA or a PRIA, those funds become subject to the PRPP Act. If the transfer is to a PRSA, your spouse will be required to complete and file with the issuer of your LIRA, a completed Form 3, prior to the transfer to your PRSA. If the transfer is to a PRIA, your spouse will be required to complete and file with the issuer of your LIRA, a completed Form H, prior to the transfer to your PRIA.

The Regulations do not provide for a direct transfer of your LIRA funds to a PRPP.

<u>What happens if I die?</u>

In addition to the transfer out options listed under this same question found under section "Retirement Options: LIRA", your spouse may be able to transfer a death benefit to his or her own PRPP, provided the PRPP permits that transfer in.

The Regulations do not provide for a direct transfer of a death benefit from a LIRA to a PRSA or a PRIA.

<u>Retirement Options: Life Annuity</u>

A life annuity payable under *The Pension Benefits Act, 1992* ("PBA") versus one payable under *The Pooled Registered Pension Plan (Saskatchewan) Act* ("PRPP Act") are different.

A PBA life annuity (PBA-LA) can only commence at retirement age (typically age 55, but could be earlier if the pension plan permits). If you have a spouse when you retire and commence your PBA-LA, that PBA-LA must be a joint life annuity with at least 60% of your monthly pension being payable in the event of your death to your spouse.

A PRPP Act life annuity (PRPP-LA) can commence at any age. There are no requirements that the PRPP-LA must provide your spouse with a guaranteed monthly payment worth at least 60% of your monthly pension in the event of your death. With a PRPP-LA, regardless of if have a spouse when you retire and commence your PRPP-LA, you can purchase a single life annuity.

The section “Retirement Options: Life Annuity” speaks only about PBA-LAs. If you transferred funds that are subject to the PRPP Act to an account that is subject to the PBA, those PRPP funds would become subject to the PBA, including the rules respecting life annuities and survivor benefits.

Retirement Options: pRRIF

How do I set up a pRRIF?

You can establish a pRRIF using funds from a PRPP, PRSA or a PRIA.

If you are establishing a pRRIF using funds from a PRPP or a PRSA, your spouse will be required to complete and file with the PRPP plan administrator or the issuer of your PRSA, as the case may be, Form 1.1, prior to the transfer to your pRRIF.

Can I transfer money in and out of my pRRIF? Can I withdraw money?

In addition to the transfer in options listed under this same question found under section “Retirement Options: pRRIF”, you can transfer money into a pRRIF from a PRPP, PRSA and a PRIA. Once those PRPP funds are in the pRRIF, those funds become subject to the pension law applicable to that pRRIF (i.e. the Act).

In addition to the transfer our options listed in this same section, you can transfer money in your pRRIF out to your existing PRSA or a PRIA. Once those funds are in a PRSA or a PRIA, those funds become subject to the PRPP Act.

The Regulations do not provide for a direct transfer of your pRRIF funds to a PRPP.

What happens if I die?

In addition to the options listed under this section, you spouse can transfer a death benefit to their own PRPP, provided the PRPP permits the transfer in.

The Regulations do not provide for a direct transfer of a death benefit from a pRRIF to a PRSA or a PRIA.

Retirement Options: VBA

How do I set up a VBA?

The Regulations do not permit the direct transfer of funds in a PRPP, PRSA or a PRIA to a VBA.

However, the PRPP Regulations do permit the direct transfer of funds from a PRPP to a pension plan, subject to applicable law.

Can I transfer money in and out of my VBA? Can I withdraw money?

The Regulations do not permit the direct transfer of funds in a VBA to a PRPP, PRSA or a PRIA.

The PRPP Regulations do permit the transfer of funds in a PRPP, PRSA or a PRIA to a pension plan. When the funds are in a pension plan, if the pension plan so provides, the member or former member may elect to transfer to a VBA.

What happens if I die?

In addition to the options listed under this section, you spouse may be able to transfer a death benefit to their own PRPP.

The Regulations do not provide for a direct transfer of a death benefit from a pRRIF to a PRSA or a PRIA.

Contact Us

For more information please contact:

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