

TIME TO START A PENSION



This publication has been developed as a general guide. It has no legal authority and should not be regarded as legal advice. Sections 40 and 46.1 of the *Employment Pension Plans Regulation* prescribe the rules for a LIF and DC RIA. Nothing in this publication replaces that regulation.

None of the retirement options available to you are insured or guaranteed by the Government of Alberta. To view the legislation, or any of the specific policy bulletins explaining the LIRA and LIF options, please visit www.finance.alberta.ca/business/pensions

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Introduction

In order to retire, it is important for a person to have a good retirement plan. Good retirement planning means:

1. determining what your needs will be,
2. deciding which needs are most important and which are least important, and
3. deciding how you will pay for each of those needs.

Because every person is unique, it's important for you to consider what your needs will be and what form of retirement income arrangement will best allow you to pay for those needs. This will allow you to make the best decisions for your retirement. Some factors you should consider are:

1. the amount of retirement income you will receive and, if you have a choice, how you wish to receive it. (for example, regular monthly payments compared to a yearly lump sum withdrawal),
2. the lifestyle you expect to maintain in your retirement years,
3. your ability to manage your own assets,
4. how much risk you feel comfortable with in terms of changes in the amount of your income,
5. your expectations about your future cost of living (that is, the level of inflation),
6. Your expectation about how long you will live, and
7. If you have a pension partner, you should also consider your pension partner's retirement income sources and expectations about how long they will live.



Pension Partner: The person you are legally married to is your pension partner. If you are separated from that person, but still legally married, that person is still your pension partner until you have been separated for at least three years.

If you are not married, but living common-law, then your pension partner (including a same sex partner) is the person you have lived with in a marriage like relationship for at least 3 years. This period is reduced if there is a child as a result of your relationship).

The money that you have in your LIRA (Locked In Retirement Account sometimes called a Locked in RRSP) and/or the money that is held for you in a Registered Pension Plan must be used to provide you with *lifetime* income when you retire.

There are four ways to provide retirement income. All of the options have upper limits on the amount of income you can withdraw in a year, to help ensure that the money will last for your lifetime.

Retirement Income Options

1. Direct payments for a Registered Pension Plan
2. Purchase of a life annuity;
3. Purchase of a Life Income Fund (LIF); and
4. Defined Contribution Retirement Income Arrangement (DC RIA) from a DC plan;



If your money is no longer in a Registered Pension Plan and has been transferred to a LIRA, you may be able to use more than one type of retirement income arrangement. For example, you could purchase a life annuity with a portion of your money to cover some of your basic needs such as food and shelter, and transfer the remainder to a LIF. In doing so, you can unlock up to 50% of the amount and transfer the unlocked portion to an RRSP to withdraw at a later date.

All funds in a Registered Pension Plan and/or LIRA must be converted into one of the options before the end of the year in which you reach age 71. Payments from a Registered Pension Plan or a DC RIA (option 1 or 4) may begin anytime after the earliest date that the Registered Pension Plan permits a person to begin a pension. Depending on the rules of your Registered Pension Plan, you may be given the chance to transfer your benefit from that plan into a LIRA. Any funds held in a LIRA may be moved into a life annuity or LIF (options 2 or 3) anytime after you reach age 50.

The Superintendent's List is a list of all the financial institutions and their agents which are approved to handle Alberta locked in funds in the form of a LIRA or LIF. A financial institution is defined as a bank, credit union, trust company, or insurance company.

When trying to decide what is best for you, here is a brief summary of some of the things you should consider. These will be discussed in greater detail later.

- The **life annuity** and **direct payments from a Defined Benefit Registered Pension Plan** provide you with a predictable amount of income for life. These options provide the greatest certainty of income because the Registered Pension Plan or the Insurance Company *bears the investment risk* as well as the *risk that pensioners will live longer than expected*. However, this option is the least flexible because once you have elected the form of annuity or pension, it can't be changed. Also, if both you and your spouse die after the pension commences usually there is no payment to your heirs. These two options are a good choice if you are looking for a secure monthly income.
- **Defined Contribution Registered Pension Plans** do not typically pay any pensions from the plan except if they offer a **Defined Contribution Retirement Income Arrangement** (DC RIA). If you are given the option to start a DC RIA from your defined contribution pension plan, or to move your benefit into a locked-in product, there are a few things you may want to consider.
- **The LIF** combines some of the flexibility of favorable investment performance with some of the certainty of the life annuity. However, the LIF also can decrease in value if the investments lose value – for example if the money in the LIF is invested in stocks or mutual funds and the value decreases. **The LIF** allows for flexible but nonetheless limited, payments until the end of the year in which you reach age 85. After this point, you will be permitted to withdraw any remaining account balance.



At any point with a LIF, you also have the option to purchase a life annuity. If you take out the maximum allowable amounts each year as you get older, your monthly payments will generally decline, because the overall amount in your LIF is decreasing.

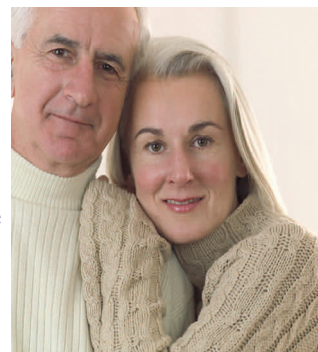
- If you are receiving **direct payments from a Registered Pension Plan** and you are given the option to transfer your money to a locked-in account, compare the amounts you may expect to receive from a LIF to the amount of monthly pension you would get from the plan. The option that suits you best may be different at different times during your retirement. It can depend on how much income you need, how much variation in income you can deal with (due to investment risk), and how actively you can be involved in making investment decisions now and in the future.

The Legislated 60% Joint and Survivor Benefit

If you have a pension partner when you retire, there is a standard form of pension that must be offered to you. That form is called a joint and survivor pension and it must pay a survivor benefit of at least 60%. This means that if your pension partner outlives you, he or she will receive 60% of your monthly pension for the rest of his or her life.

Sometimes the “joint and survivor” pension reduces to 60% as soon as either pension partner dies. This means if you are the plan member, but your pension partner dies first, your pension *may* decrease to 60%. You should be sure to understand which kind of “joint and survivor” pension applies to you. Most pension plans reduce the initial monthly amount payable under this form compared to the amount you would be paid if you were single to cover the extra cost to the Registered Pension Plan of paying a pension for two lives instead of one.

As an alternative to the Joint and Survivor form, some Registered Pension Plans permit guarantees to be placed on the pension payments. For example: some forms guarantee to pay at least 10 years’ worth of monthly payments. If you die before 10 years’ worth of payments are made, the rest of the payments will be made to your pension partner or to the person(s) you name as your beneficiary.



When you select a form of pension that provides for a different payment arrangement than the standard form, it is called an **optional** form . Once you decide on the form of pension and you start to receive your pension, you can make no further changes to the form or amount that you receive. You should check with your plan sponsor to see what optional forms are available to you.

Another example of an optional form of pension is an unreduced joint and survivor pension. Regardless of the death of either the former plan member or the pension partner , the amount of monthly pension paid by the pension plan will not change. It might be a good choice for a couple where one member is in poor health and may not live as long as you might normally expect.

If you choose a form of pension that guarantees payments for a longer period, (for example, 15 years), then the amount of monthly income you receive will likely be reduced to cover the extra cost to the Registered Pension Plan of making guaranteed payments for a longer period of time.

As a final example of a possible optional form, your Registered Pension Plan may allow you to start with a higher pension payable from the pension plan in the years before you are eligible to receive your Canada Pension Plan and Old Age Security. Once you start collecting OAS and CPP, the monthly amount of income paid from the pension plan will reduce but would be offset by the income you would receive from your OAS and CPP.

Pension Partner Waiver Forms

Under pension law, there are a number of waiver forms that are used in different situations. In general, these waiver forms accomplish two main tasks.

1. Waiver of the Form of Pension

If you choose an optional form of pension that gives your pension partner **less** than 60% of your monthly pension after you die, then your pension partner must agree to sign the appropriate **Pension Partner's Waiver Form**. This form states that your pension partner agrees to give up the entitlement to the 60% joint and survivor pension and allows you to select this different form of pension.

Common examples of optional pension forms that require your pension partner to complete this waiver are those that provide for a continuing pension of only 50% of your monthly pension after you die. Another example is a pension that provides no survivor benefits at all once the member passes away. This is called a life-only form of pension.

Why Select a Life-Only Form of Pension?

Everyone has different reasons for selecting one form of pension over another, and their own individual circumstances will influence this decision a great deal.

One reason why you might select a life-only pension, even if you have a pension partner, is because the monthly pension paid to you will be greater than it would be under a joint-life pension. This is a reflection of the fact that the pension will only be paid for the remainder of one life (yours) rather than two lives (your life and your pension partner's life).

If you have other retirement assets saved up and your pension partner does not need to rely on a joint life form of pension, this may be an option for you to consider.



NOTE: A waiver form is valid only if it is signed within the 90-day period immediately before you start to receive your pension payment. The form must be witnessed by someone other than yourself. You must not be present and you must not put pressure on your pension partner to sign it.

Pension plan administrators and financial institutions have copies of these pension partner waiver forms. These forms are also available from the office of the Superintendent of Pensions. See page 23 for contact information.

Pension Partner Waiver Forms

2. Waiver of Death Benefits

The pension partner always has the “first in line” right to the payment of any death benefit under a pension plan or a locked-in account. However, he or she can waive (give up) the right to the payment of this benefit by signing the appropriate **Pension Partner’s Waiver Form**.

At any time before the pension starts, as a pension partner, you can waive your right to the **pre-retirement** death benefit that would be payable if the member died. Also, when the member is about to start his pension, you can make the decision (at that time) to waive your right to the payment of any **post-retirement** death benefits. You must make this decision before pension payments start. If you signed a pre-retirement death benefit waiver, you will also have to sign the post-retirement waiver if you still want to give up the right to the death benefit after the member has retired.

Why Give Up the Right to the Death Benefit?

Just as the selection of a form of pension is a personal decision, so too is the decision to waive (give up) the right to the payment of any benefits that may be payable on death of the former pension member.

As a pension partner, one situation where you may want to waive the right to a death benefit payment is if you do not have to rely on the continuation of the monthly pension. This could occur if you have saved up sufficient retirement assets and you don’t need the income or if you have your own pension plan. Alternatively, you may simply desire that the death benefit be paid to your children (or some other beneficiary) instead of you.

NOTE: Someone other than you must witness the waiver form completed by the pension partner. You must not be present and you must not put pressure on your pension partner to sign it. Pension plan administrators and financial institutions have copies of the pension partner waiver forms. These forms are also available from the office of the Superintendent of Pensions. See page 23 for contact information.



Want More Information on Waivers?

Please look over **Policy Bulletin # 35** which explains Pension Partner Waiver Forms in greater detail. You can also contact the Superintendent’s office for a copy of this document and any of the waiver forms.

Direct Payments from a Registered Pension Plan

If you are retiring from a Defined Benefit Registered Pension Plan, payment from the plan may be the only option that is available to you. Under this option, you will receive a set monthly pension, payable for the remainder of your life.

A defined benefit pension plan has a formula that is used to figure out how much monthly pension you will receive. The amount of pension depends on the number of years you have been in the plan, and it may also depend on your earnings with the company when you were earning the benefit.

A Defined Contribution Registered Pension Plan is unlikely to give you the option of receiving monthly payments that are paid directly from the pension plan fund (*some exceptions apply, see page 13*). In a defined contribution plan, you accumulate an account balance which is the sum of your employer contributions, your contributions (if any), and the investment income you earn on that account. When you retire from a Defined Contribution pension plan, you have the option of a life annuity (page 10) or a Life Income Fund (page 11).

Most Registered Pension Plans allow members to choose among a number of different forms of pension. All Registered Pension Plans offer a “normal form” of pension. (Example: a pension guaranteed for the remainder of your life or 10 years, whichever is greater). This normal form can vary from plan to plan, and you are advised to speak

with your pension plan administrator for specific details about the normal form that applies to your pension plan.



If you have a pension partner when you retire from your Registered Pension Plan, you **must** choose a “joint and survivor” form of pension that will continue to pay a monthly income to your pension partner when you pass away. (As mentioned on page 7, you can select a different form of pension if your pension partner agrees to sign a **Pension Partner’s Waiver** form to permit the optional form).

Purchase of a Life Annuity

Your second retirement income option is a life annuity. A life annuity can be purchased only from a life insurance company. A life annuity is a contract with a life insurance company in which you pay the life insurance company a set amount of money, and in return, the life insurance company agrees to pay you a guaranteed monthly amount of income for as long as you live. A lump sum of all or part of the money in your Locked-In Retirement Account (LIRA) or your Registered Pension Plan is transferred to the life insurance company. The amount of monthly income that you will receive is based on the amount of the lump sum and the annuity prices in effect at the time of transfer.

Annuity prices are based on current interest rates and life expectancy tables. Higher interest rates mean you will receive a slightly higher annual income than at lower interest rates. As life expectancies rise, annuities become more expensive (for a given level of monthly income) because, on average, they are paid out for longer. Quotes from insurance companies on annuities can vary, so you are encouraged to shop around and obtain a number of quotes from different insurance companies.

Similar to pension payments from a Registered Pension Plan, the life annuity will be paid to you as long as you live. You may also add guarantees to the life annuity. For example, you could buy a life annuity that guarantees to make payments for your lifetime, but if you die before 60 monthly payments have been made, the rest of those payments will continue to be made to your pension partner or your heir. Monthly payments will be lowered, however, if a longer guarantee is placed on the life annuity.

If you have a pension partner when you retire, you **must** choose a joint and survivor form of annuity that will give your pension partner the survivor benefit. It must pay a survivor benefit of at least 60%. This means that if your pension partner outlives you, he or she will receive 60% of your monthly pension for the rest of his or her life.

You may choose a form of pension that gives your pension partner less than 60% of your monthly pension for life, but only if your pension partner agrees to sign a **Pension Partner's Waiver Form**. See page 7 for more information.



Purchase of a Life Income Fund (LIF)

Your third option is the Life Income Fund (LIF). To set up a LIF, a portion or all of the money is transferred from your Locked-In Retirement Account (LIRA) or your Registered Pension Plan to a LIF account with a financial institution. You **must** be at least 50 years old to establish a LIF and there are minimum and maximum amounts that must be withdrawn. These amounts are designed to try to ensure that a stable amount of income is provided annually throughout your retirement.



The features of a LIF are as follows.

1. The fund cannot be cashed out in one lump sum. It must be used to provide retirement income for your lifetime.
2. If you wish to transfer funds to a LIF, and you have a pension partner, the transfer may occur only if your pension partner agrees to sign a **Pension Partner's Waiver Form** giving up the entitlement to the 60% Joint and Survivor Life Annuity required by pension legislation.
3. All transfers into a LIF must be locked-in funds. That is, they must have been earned while you were a member of a pension plan. Additional transfers of locked-in funds into the LIF will require an additional **Pension Partner's Waiver Form** because each time you wish to move locked-in funds to the LIF, your pension partner must have the choice to give up entitlement to the 60% Joint and Survivor Life Annuity.
4. When you die, your pension partner will receive the balance of the funds in your LIF as either a transfer to a LIF in their name or as lump-sum. As a lump-sum these funds may keep their tax-deferred status by being rolled over directly to a RRIF or may be taken out as cash less withholding tax. There are no further restrictions on the amount that can be withdrawn.
5. If you have no pension partner when you die, the person(s) you have named as the beneficiary on the account will receive the balance of the funds in a lump sum amount, subject to applicable taxes. If you die without naming a beneficiary, the LIF account balance forms part of your final estate.
6. You may purchase a life annuity with your LIF at any time. If you have a pension partner when you purchase your life annuity, that person will continue to have "first in line" rights to the payment of any death benefits when you die, unless they sign a new **Pension Partner's Waiver Form**. The amount of death benefit depends on the features of the annuity you purchase.



7. The Canada Revenue Agency (CRA) requires that all funds in a LIRA must be transferred to a LIF or a life annuity by the end of the calendar year in which you turn 71.

Once you have converted a LIRA into a LIF, you are not permitted to transfer back to a LIRA.

8. Your financial institution will give you the minimum and maximum withdrawal amounts from your LIF at the beginning of each year. The CRA sets the **minimum** amount that you must take out each year. The maximum amount that you can take out in a given year is based on the greater of two amounts, (a) and (b).

(a) is the result of multiplying your account balance with the LIF Factor that is based on the age of the LIF holder on January 1 of the year*.

(b) is the result of the investment income you earn in your LIF in the prior calendar year.

This second calculation depends entirely on how well your investments perform. For example, if you are 60 years old with a LIF and earned a 10% rate of return last year, then you would use that return for your maximum withdrawal (since 10% is greater than 7.38%).

For your convenience, the maximum and minimum withdrawal factors are listed in the adjacent table. Please note that the maximum withdrawal factors are based on an interest assumption. As interest rates change, so will the maximum withdrawal factor. However, they will never be lower than the amounts published in this table.

* = If you turn 50 years old mid-year and decide to “turn on” your LIF at that point, you would use your age at that date instead of using your age at January 1.

LIF Max and Min					
Age	Min (%)	Max (%)	Age	Min (%)	Max (%)
50	2.50	6.51	73	7.59	11.25
51	2.56	6.57	74	7.71	11.96
52	2.63	6.63	75	7.85	12.82
53	2.70	6.70	76	7.99	13.87
54	2.78	6.77	77	8.15	15.19
55	2.86	6.85	78	8.33	16.90
56	2.94	6.94	79	8.53	19.19
57	3.03	7.04	80	8.75	22.40
58	3.13	7.14	81	8.99	27.23
59	3.23	7.26	82	9.27	35.29
60	3.33	7.38	83	9.85	51.46
61	3.45	7.52	84	9.93	100
62	3.57	7.67	85	10.33	100
63	3.70	7.83	86	10.79	100
64	3.85	8.02	87	11.33	100
65	4.00	8.22	88	11.96	100
66	4.17	8.45	89	12.71	100
67	4.35	8.71	90	13.62	100
68	4.55	9.00	91	14.73	100
69	4.76	9.34	92	16.12	100
70	5.00	9.71	93	17.92	100
71	7.38	10.15	94+	20.00	100
72	7.48	10.66			

9. The LIF factor listed in the table on the previous page is intended to take into account the number of years and months between your current age and age 85, and the expected investment return on the money in your LIF.

This maximum withdrawal is similar to what you would have received if you had used the funds in your Locked-In Retirement Account to purchase a term-certain life annuity to age 85.

10. In the year that you first establish the LIF, the maximum amount that you may take out is adjusted for the number of months remaining in the year. Example: if you establish a LIF in February, then you would only be permitted to withdraw 11/12ths of the maximum.



Policy Bulletin #11 has more information on LIFs. This document is available from the office of the Superintendent of Pensions. See page 23 for contact information.

REMINDER about LIF Withdrawals

Although the money is no longer in the pension plan, the intent of the LIF is to pay retirement income for the remainder of your life (similar to what occurs in a pension plan).

The amount of income you receive from a LIF depends greatly on the overall amount of money in the account. A larger account balance means that you'll have larger annual payments. Although you can start your LIF as early as age 50, you should factor in your expectations of how long you will live to make sure the LIF has enough money in it for the later years of your retirement.

Defined Contribution Retirement Income Arrangement (DC RIA)

Your fourth retirement income option, available only in defined contribution plans that allow for the option, is a payment from the defined contribution plan in the form of a DC RIA. A DC RIA provides LIF-type payments from a defined contribution (DC) plan. The calculation of the maximum and minimum withdrawal amounts is identical to those under a LIF. The only difference between a DC RIA and a LIF is that the payments are made from the pension plan fund (rather than a separate account).

Not all DC pension plans will offer this option; contact your plan administrator to see if this applies to you.

50% Unlocking Option

If your funds are in a LIRA and you decide on a LIF or life annuity, you may have the option to exercise 50% unlocking. This option is available if you are over 50 years of age and start your retirement income via a LIF, annuity or DC-RIA.

NOTE: The option to transfer directly into a LIF or life annuity may not be available from your Registered Pension Plans. Check with your plan administrator to see if this option applies to you. Additionally, some Defined Benefit (DB) pension plans require that once you reach a certain age, you **must** receive retirement income directly from the pension plan and no transfer options are available. In these situations, the 50% option is not available to you.

The amount that you can unlock can be as much as 50% of the value of your locked in account, and you can unlock less if you wish. Please note, however, that it is a **one time option**. You can not re-visit your decision on the unlocking option at a later date and attempt to remove the remaining amount that you did not unlock when you started retirement income.



Pension Partner Consent

Pension partner consent is required to unlock 50%. The prescribed Pension partner waiver form must be signed by the pension partner for 50% unlocking to occur.

Small Account Balance Unlocking

In some cases, the process of 50% unlocking may result in a balance that is below the threshold of 20% of the Year's Maximum Pensionable Earnings (YMPE). This is often called the small account balance limit. In these cases, the entire amount in your account could be unlocked. The first 50% would be unlocked by virtue of the 50% option. The remainder of the account could be unlocked because it is below the threshold of 20% of YMPE. Your financial institution can advise you if your account balance meets the small amount unlocking threshold.

Retirement Planning and the 50% option

The 50% option is intended to provide flexibility in your retirement planning. The unlocked portion can result in the transfer to an RRSP to retain tax deferred status or it can be transferred to a RRIF to provide a flexible retirement income. Speaking with a financial planner can help you decide what is best for you.

Comparison of the Life Annuity and the LIF / DC RIA What you need to know

The decision on whether to purchase a life annuity, or convert your pension benefit into a LIF or DC RIA or some combination of these choices must be made on an individual basis. You should understand your own needs, the way each of the products works, and their advantages and disadvantages. The following may assist you in choosing a retirement product that best suits your needs.

LIFE ANNUITY:

Advantages

- Guaranteed for your lifetime – you do not have to worry about the performance of investment markets.
- Provides a steady and predictable amount of income.

Disadvantages

- Once you set the terms of your contract, it is unlikely that your insurance company will permit you to change the terms of that annuity. It has been paid to the insurance company in exchange for the promised stream of payment.

LIFE INCOME FUND (LIF) / DC RIA:

Advantages

- You have control over the investment of the funds in the LIF. You will usually have control over the investment in a DC RIA.
- The payouts in a LIF / DC RIA based on the withdrawal factors are designed to be similar to those in an annuity (assuming investments perform as expected). Because the factors are based on your age, they are more stable.
- The LIF / DC RIA allows you to take advantage of the investment gains in a previous year if that amount is greater than the withdrawal factor amount.

Disadvantages

- LIF annual payments are affected by varying investment returns.
- This is a pension plan for you (and your pension partner). You have to “insure” yourself against the possibility of outliving your retirement funds, without the advantage of sharing that risk with a large group of people like a regular pension plan.
- Unlike the life annuity, there is no guaranteed amount of monthly income that will be paid from the LIF / DC RIA.

Information from the Fund Holder

Certain disclosure statements will be provided to you from time-to-time.

Annual Statement

If you have a LIF (or DC RIA), the financial institution (or plan administrator) holding your money must give you the following information at the beginning of each calendar year of the fund:

- a) the amount of money transferred in during the past year, if any,
- b) the amount of investment income earned during the past year,
- c) the amount of payments made and transfers made out of the fund during the past year,
- d) the amount of any fees or service charges taken from the fund during the past year,
- e) the balance of the fund as of the beginning of the calendar year,
- f) the minimum amount that you must take out during the next year, and
- g) the maximum amount that you may take out during the next year.



Transfer Statement

When you purchase a life annuity with funds held under a LIF or a DC RIA, or transfer your funds from a LIF to a DC RIA (and vice versa), the financial institution (or pension plan) holding your money must give you a statement containing all of the information required for the annual statement as of the date of the transfer.

Death Benefit Statement

If you die before the total amount in your fund is used up or before a life annuity is purchased, the financial institution holding your money must give your pension partner a statement containing all of the information required for the annual statement as of the date of death. If there is no pension partner, or that person has waived their right to the payment of the death benefit, the statement will be provided to your beneficiary or the executor of your estate. Death benefits paid to a pension partner can be done on a tax deferred basis. Payments to a beneficiary must be made as a lump sum amount, less applicable taxes.

Frequently Asked Questions (FAQs)

Is my Registered Pension Plan a defined benefit pension plan, or is it a defined contribution pension plan?

In a defined benefit plan, there is a formula for determining how much annual or monthly pension you are entitled to at retirement and this dollar value is paid to you in the form of regular retirement income by the Registered Pension Plan regardless of how the investments of the Registered Pension Plan's assets are performing.

In a defined contribution plan, you accumulate an account balance which is the sum of your employer contributions, your contributions (if any), and the investment income you earn on that account. When you retire in a DC plan, your pension account can be used to purchase a life annuity from an insurance company. The monthly benefit you receive will be based on the annuity rates in effect when you purchase the annuity. Your pension account will buy a higher monthly benefit if you purchase the annuity when annuity rates are high than when they are low. It is important to ensure that any estimate you are using to make a decision is based on up-to-date annuity rates.

Alternatively, your pension account can be moved to a LIF or converted to a DC RIA if your pension plan provides for that option.

Is my pension benefit formula integrated with the benefits payable under the Canada Pension Plan (CPP)? If so, how does it affect the benefit payable to me?

Some defined benefit pension plans may give you an increased monthly pension if you retire before you are eligible to receive benefits under the CPP. Once you start to collect CPP, you will not receive this additional benefit. Talk to your plan administrator to see if this applies in your circumstances.

Is my pension indexed to reflect increases in the cost of living?

Some defined benefit pension plans may automatically provide that every year the pension payable to you will be increased to reflect the increases to the cost of living. This is called a cost of living adjustment (COLA). Other plans may provide these increases whenever the plan has enough money to pay for them. Still others may provide no COLA at all.



What is the normal retirement age under my Registered Pension Plan?

All pension plans must state what age a member becomes entitled to start collecting their pension at an unreduced rate. This age is also called “pensionable age”.

At what age is early retirement permitted? If I retire early, what will be my monthly pension?

All pension plans must state the earliest age that a member becomes entitled to start their pension. Typically, starting a pension at an earlier age means your monthly benefit is reduced. This reflects the cost to the pension plan of allowing you to collect your pension for longer.

If you retire early, you will receive a lower monthly benefit than you would if you retired at the normal retirement date. However, some defined benefit pension plans may remove the reductions (or lessen them) depending on your age and/or the number of years you were a member of your RPP.

What will be the amount of the surviving pension partner’s benefit when I die?

Although you were the member of the pension plan, it is likely that both you and your pension partner will depend on your pension for your retirement years. When you die, your pension will continue to be paid to your pension partner but at a reduced rate.

In Alberta, at least 60% of the monthly payments paid to you must continue to your pension partner. However, some pension plans provide for a greater survivor benefit, or allow you to choose a form of pension providing a lower level of survivor benefit, provided that your pension partner agrees to waive (give up) his or her right to the 60% joint and survivor pension.

Will I receive a lower pension because I have a pension partner who must be paid a survivor benefit?

Generally, the monthly pension you receive if you have a pension partner is adjusted and is smaller than the amount you would receive if you did not. The monthly pension is adjusted to reflect that fact that the pension will be paid over the rest of your life as well as the life of your pension partner.

The amount that the monthly pension is adjusted by will depend on a number of factors (such as the age and the life expectancy of your pension partner). The adjustment is made using assumptions about how long you and your pension partner will live.

If those assumptions prove true, the total amount of pension paid to you during the rest of your life, as well as the life of your pension partner, being equal to the total amount paid to you if the pension was paid for your lifetime only.

If I keep working after my normal retirement date, how will my pension be adjusted?

There is no requirement to retire at the normal retirement date. Some plans allow you to continue to earn further benefits while you work beyond your normal retirement date, while other plans allow you to start your pension and keep working (although you will earn no additional benefits).

What happens if I retire but then go back to work with my former employer?

If you retire and start to collect a monthly pension, but decide to go back to work at a later date for the same employer your pension might continue to be paid to you, meaning you don't earn additional benefits. On the other hand, you may be allowed to suspend your pension payment and when you finally retire, the pension paid to you is updated to reflect the additional service you had with the employer.

If I die before I start collecting a pension, what happens?

The benefits you earn in your Registered Pension Plan are payable as a death benefit to your pension partner. The amount of benefit paid to your pension partner is subject to certain minimum standards:

- a. For years of membership before 1987, your pension partner gets the contributions you made to the Plan plus the interest earned, and
- b. For years of membership from after 1986 to before 2000, your pension partner will receive 60% of the total (or commuted) value of your pension earned during that period, and
- c. For years of membership after 1999, your pension partner receives 100% of the commuted value of your pension.

If you don't have a pension partner, then (as a minimum) your beneficiary would receive the value of your contributions (plus interest) made for years of membership before 2000 and 100% of the commuted value of your benefit after 1999. Some pension plans may pay a higher death benefit than these minimum amounts.

If I die after I start collecting a pension, what happens?

If you die after you start to receive your pension, then what continues to your pension partner (or beneficiary) depends entirely on the form of pension you were collecting before your death.

Calculating Your Retirement Income

Following is a sample worksheet for your use in gathering some of the information you will need when selecting income options and planning your retirement finances. There may be items that you wish to add to the worksheet and items that are not relevant to your particular situation.

Annuity quotes can be obtained from most insurance companies. LIF estimates may be obtained from any of the financial institutions on the Superintendent's List of Financial Institutions offering locked-in pension products.

Once you have completed the worksheet, you should discuss the information with your pension partner, or other family members, if applicable, and/or your personal financial advisor.

Sample Worksheet

1. Estimated Costs (monthly)

Basic	_____	Other	_____
Food (etc.)	_____	Personal	_____
Housing	_____	Entertainment	_____
Utilities	_____	Travel	_____
Transportation	_____	Health	_____
Clothing	_____	Other	_____
Insurance	_____		_____
Taxes	_____		_____

2. Your Income and Estimated Amounts (monthly)

Fixed	Flexible
Old Age Security _____	RRSP(s) _____
Canada Pension _____	Other Income _____
Registered Pension Plan(s) _____ _____	LIRA(s) (still to be converted) _____ _____
	TFSA* _____
Annuity/LIF (see items 4 & 5) _____	_____

3. Your Pension Partner's Income Sources and Estimated Amounts (monthly)

Fixed	Flexible
Old Age Security _____	RRSP(s) _____
Canada Pension _____	Other Income _____
Registered Pension Plan(s) _____ _____	LIRA(s) (still to be converted) _____ _____
	TFSA* _____
Annuity/LIF/ (see items 4, 5, & 6) _____	_____

*Tax Free Savings Account (TFSA)

4. Annuity Quotes (monthly)

Name of Insurance Company	Form of Pension	Amount
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

5. Income Estimates for LIF

Name of Financial Institution and LIF Account Number	Minimum Payment	Maximum Payment
_____	_____	_____
_____	_____	_____
_____	_____	_____

6. Personal Notes

Contact the Superintendent of Pensions

General Information:

www.finance.alberta.ca

(780) 427-8322, or

310-0000 (toll free), then dial 427-8322

employment.pensions@gov.ab.ca

Employment Pensions

#402, 9515—107 Street

Edmonton, AB T5K 2C3

All Forms are available at:

<http://www.finance.alberta.ca/publications/pensions/forms.html>

All Policy Bulletins are available at:

<http://www.finance.alberta.ca/publications/pensions/bulletins.html>