PEPP Talk

on **Voluntary Contributions**

The plan provisions described in this PEPP Talk are contained in Saskatchewan pension legislation.

Visit us at pepp.plannera.ca to learn more.

This issue of *PEPP Talk* provides members of the Public Employees Pension Plan (PEPP) with information on making voluntary contributions to PEPP by payroll deduction. Voluntary contributions are optional contributions to your PEPP account over and above your regular pension contributions.

Voluntary Contributions

Active contributing PEPP members have the option of making voluntary contributions to the Plan. A member considering making voluntary contributions should note:

- voluntary contributions can only be made by payroll deduction through your employer. PEPP cannot accept voluntary contributions directly from the member;
- employers are not required to contribute toward voluntary contributions;
- once a voluntary contribution is received by PEPP, it becomes inaccessible[1] as long as the member is employed with a PEPP participating employer; and
- voluntary contributions made after January 1, 2001 will be accessible upon retirement or termination.

Voluntary Contribution Limits

The *Income Tax Act,* (Canada) governs the maximum contribution that can be made into a Defined Contribution (DC) plan for your retirement benefit. The contribution limit for your pension is the lesser of 18 per cent of your current year's earned income or a maximum dollar amount set by Canada Revenue Agency. All contributions made by you and your employer to your pension plan are included when calculating your contribution limit. Therefore, if you are contributing 5 per cent of your salary and your employer is contributing 5 per cent of your salary you may be able to add an additional 8 per cent of your salary as a voluntary contribution through payroll deduction.

All contributions into PEPP will reduce your RRSP contribution limit, dollar for dollar, for the following year.

The member is responsible for ensuring that contributions do not exceed the maximum *Income Tax Act* (Canada) contribution limit.

[1] "Inaccessible" voluntary contributions cannot be withdrawn as cash until termination or retirement.

Benefits of Making Voluntary Contributions to PEPP

Payroll deduction: Convenient as the contributions are taken directly off your pay cheque.

Tax refund with each contribution: Example: monthly payroll contribution of $50.00 reduces your monthly net pay by approximately $36.00, based on annual income of $30,000).

Make contributions earlier: Pension contribution limits are based on current year's earned income. Registered Retirement Savings Plan (RRSP) contribution limits are based on previous years earned income. You must wait until the following year to make the same contribution to your RRSP. This can be a big factor on your long-term return on investment (power of compounding).

PEPP's investment funds are managed by a number of different investment fund managers: This provides portfolio diversification across the asset classes (equity, alternatives and income).

Each PEPP investment fund has one low administration fee that combines manager fees, custodian fees and administration fees: The unit value for each fund is net of this fee. See the Fund Fact Sheets on our website for more information.

Like RRSPs, there is protection from creditors: Your voluntary contributions cannot be attached or seized by creditors. (The Family Property Act and The Maintenance Enforcement Act are exemptions to this provision).

Voluntary contributions: Voluntary contributions made after January 1, 2001 are accessible upon termination or retirement from a PEPP participating employer.

Other Considerations in Making Voluntary Contributions to PEPP

- cannot access the money while employed with a PEPP participating employer;
- pension plans require you to name your spouse as beneficiary unless a Spousal Waiver Form is completed; and
- cannot purchase/contribute in your spouse's name. RRSPs give you the option to contribute your RRSP limit to your own RRSP or to your spouse's as a "spousal contribution."

Accessing Voluntary Contributions at Termination of Employment or Retirement

As long as you are working for a PEPP employer you cannot access your voluntary contributions. Once you terminate your employment or retire, voluntary contributions made after January 1, 2001 will become accessible. If you become re-employed with a PEPP participating employer and you have not withdrawn your voluntary contributions, they will be inaccessible again until your current period of employment has been terminated.

Investing Your Voluntary Contributions

Your voluntary contributions will be invested in PEPP according to your existing investment instructions for your required contributions. You may change how your future contributions are invested by completing Section B of the *Investment Option Changes* form, which can be found on the PEPP website. Any changes you make on this form will be applied to both your required and voluntary contributions.

Making Voluntary Contributions by Payroll Deduction

You can make voluntary contributions through payroll deduction as:

- a lump sum amount - one payment taken off one paycheque; or
- smaller amounts taken off each paycheque for several pay periods.

To make or stop making voluntary contributions notify your payroll department.

Other PEPP Information to Review

- ***PEPP Talk on Transferring Money into PEPP:*** provides information on transferring other registered money into your PEPP account.
- ***PEPP Talk on Investment Fund Changes:*** provides information about changing how your future contributions are invested and transferring units among the available funds within the Plan.
- ***Fund Fact Sheets:*** provides information such as rates of return, and administration fees for each of the PEPP Funds.
- ***Information Summary to Investment Options in PEPP:*** provides information about PEPP, purchasing units in investment funds, risk factors and performance objectives.

These documents are available on our website at pepp.plannera.ca.

Questions?

For further information, contact:

Public Employees Pension Plan (PEPP)
110 - 1801 Hamilton Street
REGINA SK S4P 4W3

Phone: 306-787-5442 (in Regina)
or toll free at 1-877-275-7377
Fax: 306-787-0244

Website: pepp.plannera.ca
Email: pepp@plannera.ca

Administered by **Plannera Pensions & Benefits**

The information contained in this issue of PEPP Talk does not replace or supersede The Public Employees Pension Plan Act or The Pension Benefits Act, 1992 or related regulations. In the event of any misunderstanding or conflict, the Acts and Regulations will prevail. Please contact PEPP if you are or were working outside Saskatchewan. Your pension may be subject to the legislation of another province.

The Public Employees Pension Plan produces issues of PEPP Talk as a service to its members. These documents provide information on specific provisions of the Plan. Plan information is available in a variety of other forms including: issues of PEPP Talk on other topics; our newsletter, Pension Perspectives; PEPP Member Booklet; and the PEPP website.