

PEPP Talk

on **Variable Pension Benefit**

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

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

This PEPP Talk provides members with information about PEPP's Variable Pension Benefit (VPB).

When you are retired and ready to begin receiving income, you must decide on a retirement income option(s). You can choose one or a combination of four options: the PEPP Variable Pension Benefit (VPB), the PEPP Lifetime Pension, a life annuity, or a prescribed Registered Retirement Income Fund (pRRIF).

Details described in this PEPP Talk are as they relate to Saskatchewan legislation.

What is the VPB?

A Variable Pension Benefit is a retirement option paid directly from a defined contribution pension plan. It is similar to prescribed Registered Retirement Income Funds (pRRIFs), which are available at most financial institutions. **The PEPP Variable Pension Benefit (VPB) provides you with flexibility and control over when and how much retirement income to withdraw, and choice over how the money is invested within the Plan.** Investment earnings continue to grow on a tax-sheltered basis.

By applying for the VPB at retirement you can begin to draw on your money as retirement income. PEPP's VPB offers you the option to stay in PEPP and take advantage of the low fees, PEPP's investment options, and the Plan's dedicated member services. It's easy, convenient, and familiar.

Combining the VPB with Lifetime Pension

PEPP's Lifetime Pension provides a dependable monthly income for as long as you live. A combination of the Lifetime Pension and the VPB provides you with the flexibility and stability to enjoy your retirement, with the knowledge that you won't outlive your savings.

A combination of the VPB and the Lifetime Pension is available to all PEPP retirees. We recommend choosing the option that is right for you. Our PEPP Retirement Information Consultants can help you take a look at your retirement options and determine what is best for your financial situation.



VPB Eligibility

As a current or former PEPP member, you can apply for the VPB if you:

- are not currently contributing and have terminated employment with a PEPP participating employer;
- are at least 50 years old;
- have a PEPP account balance or are able to show prior PEPP membership (previous PEPP member statement, payslip, or T4); and
- have a minimum PEPP account balance of approximately \$10,000.

Applying for the VPB

To apply for the VPB, complete the *Application for Variable Pension Benefit (VPB)* form available on our website. Return the form to PEPP along with any certificates and Canada Revenue Agency (CRA) forms required. The VPB Application Guide and Checklist section of the application form has a complete list of the required documents and certificates.

Spousal Waiver/Consent Required

If you have a spouse, your spouse must complete a *Spouse's Consent and Waiver of Post-Retirement Survivor Benefits* form at the time of your application for the VPB. According to The Pension Benefits Act 1992 a surviving spouse is entitled to a minimum 60 per cent survivor benefit from a pension. A VPB cannot provide that guarantee to your spouse. By signing the spousal waiver, your spouse confirms to PEPP that he/she is fully aware that you may withdraw all the money in your VPB account, which could leave \$0.00 in the event of your death.

The waiver must be signed by the spouse outside the immediate presence of the member. The spouse's signature must be witnessed by an adult who is not the member. The waiver must also be completed no more than 90 days prior to the application for the VPB.

Definition of a Spouse

Your spouse is the person to whom you are legally married; or if you are not married, the person with whom you are living in a conjugal relationship, and to whom at least one of the following situations applies. He or she:

- has been living with you in a conjugal relationship for at least 12 continuous months;
- is the parent of your child by birth or adoption; or
- has custody and control of your child (or had custody and control immediately before the child turned 19 years of age) and your child is wholly dependent on that person for support. A spousal relationship with someone to whom you are legally married ceases upon divorce.

A spousal relationship with someone to whom you are not married ceases upon a separation of at least 90 days due to a breakdown in your relationship. The individual resumes being your spouse if you resume living together in a conjugal relationship for a NEW period of at least 12 continuous months.

A married spouse takes priority over another person even if that person meets the definition of a spouse. You cannot have more than one spouse at any given time. Under the Plan rules, you are still legally married if you are separated but not divorced.

If you divorce, Plannera requires proof of divorce, such as a certified copy of the divorce certificate or Decree Absolute.

VPB Payments Options

The VPB has flexible payment options to suit your financial needs:

- You can receive monthly, annual or lump-sum payments.
- All cash withdrawals from your VPB account are paid directly to your Canadian bank account through Electronic Fund Transfer.
- You can withdraw any amount (less tax) at anytime.
- You can transfer all or a portion of your money out of the VPB account (tax-deferred) at any time to another eligible registered retirement account.
- Payments are made by redeeming units from your investment option(s). The number of units redeemed at payout or transfer is calculated using the unit value in effect the day of payment.

VPB Payment Considerations

- Scheduled payments are made by the last banking day of the month.
- The minimum payment amount is \$100.00 (before tax).
- Payment schedules remain in effect until you notify us of a change.
- Changes to your scheduled payments or requests for a lump sum may be done free of charge through your PEPP member online account. These options can be found in your online account under “VPB account” and then either “Edit Payment Schedule” or “Request Lump-Sum Payment”.
- If you do not wish to use your online account, you may request one free change to your scheduled payments in each fiscal year (April 1 - March 31). A \$30.00* fee is charged for each subsequent change within the fiscal year.
 - To make changes to your payment schedule, complete the Payment Schedule Change for Variable Pension Benefit form (available on the website under “Account Changes” under the “VPB Schedule Change” section) and send it to PEPP.
- If you do not wish to use your online account, you may request a lump sum at any time. You are entitled to one free lump-sum payment per fiscal year. A \$60.00* fee is charged for each additional lump-sum payment request within the fiscal year.
 - To request a lump-sum payment, complete the Lump Sum Payment Request for Variable Pension Benefit form (available on the website under “Account Changes” under the “VPB Lump Sum Payment Request” section) and send it to PEPP.
- If you have more than one PEPP investment option, you must supply payment instructions to PEPP. The default when there is more than one investment option is to pro-rate payments based on the account balances.
- Once the account is depleted to \$0.00 the account is closed.

**Fees effective April 2022. Fees are subject to change.*

Required Minimum Withdrawals Begin at Age 72

Required minimum withdrawals (based on the *Income Tax Regulations* (Canada)) must begin the calendar year the member reaches age 72, but the remainder of your account balance can remain in the VPB. You do not have to transfer your account balance out at age 72.

The minimum annual withdrawal is calculated each January 1 and is based on a prescribed factor (see schedule on page 4) using your age – or your spouse’s age if chosen – multiplied by your total account balance. Any balance of the required minimum not withdrawn by December 31 will be automatically deposited to your bank account.

Minimum Payment Schedule

Income Tax Regulations

	Age at January 1	Factor	Age at January 1	Factor	
	50	0.0250	73	0.0553	Doug's age
	51	0.0256	74	0.0567	
	52	0.0263	75	0.0582	
	53	0.0270	76	0.0598	
	54	0.0278	77	0.0617	
	55	0.0286	78	0.0636	
	56	0.0294	79	0.0658	
	57	0.0303	80	0.0682	
Sharon's age	58	0.0313	81	0.0708	
	59	0.0323	82	0.0738	
	60	0.0333	83	0.0771	
	61	0.0345	84	0.0808	
	62	0.0357	85	0.0851	
	63	0.0370	86	0.0899	
	64	0.0385	87	0.0955	
	65	0.0400	88	0.1021	
	66	0.0417	89	0.1099	
	67	0.0435	90	0.1192	
	68	0.0455	91	0.1306	
	69	0.0476	92	0.1449	
	70	0.0500	93	0.1634	
	71	0.0528	94	0.1879	
	72	0.0540	and beyond	0.2000	

Required minimum withdrawals begin the calendar year the member reaches age 72

Example:

Doug (the PEPP member) is age 73 at January 1. Sharon, his spouse, is 58. Doug's account balance at January 1st is \$235,000.

Doug must withdraw at least the minimum amount under *Income Tax Regulations* (Canada) because he is over age 72. At enrolment for the VPB, he requested Sharon's age be used for the calculation.

Using Sharon's age, Doug must withdraw:

$\$235,000 \times 0.0313$ (age 58 factor) = \$7,355.50 as a minimum for this year.

If he had requested PEPP to use his age, Doug would have had to withdraw:

$\$235,000 \times 0.0553$ (age 73 factor) = \$12,995.50 as a minimum this year.

Doug may also make withdrawals over and above the minimum required amount.

Income Tax

Your VPB account is tax-sheltered and tax-deferred until withdrawals/payments are made. PEPP is required to withhold income tax from all payments and forward it to CRA on your behalf. You will receive a T4A reporting withdrawals and income tax paid for the calendar year.

Ultimately, the tax liability falls to you and will be determined when filing your personal income tax return. Taxes are based on the information you supply to PEPP on your applicable CRA tax form. Most often this is the TD1 form, however, your individual tax status may vary so make sure to consult the CRA. Please forward your completed CRA and provincial tax forms to PEPP.

VPB members are eligible at age 65 for a \$2,000 pension income amount used for determining non-refundable tax credits and income splitting with their spouse. Please see the CRA website (<https://www.canada.ca/en/services/taxes.html>) if you would like more information on income splitting.

Investment Options

PEPP has eight investment options. These funds offer a mix of asset classes, which are made up of equities, alternatives and income.

Asset Allocation Funds	Specialty Funds
PEPP Steps	Money Market
Conservative	Bond
Moderate	
Balanced	
Growth	
Accelerated Growth	

You may invest in up to three funds at one time. Choose from six asset allocation funds (PEPP Steps, Conservative, Moderate, Balanced, Growth or Accelerated Growth) and two specialty funds (Money Market or Bond). You may invest in one asset allocation fund at a time, and add one or both of the specialty funds or invest solely in specialty funds. This arrangement offers several options. Here are a few examples:

Valeska is invested in and contributes to both the Growth and Money Market funds – two funds – one asset allocation and one specialty.

Odette contributes to the Balanced Fund and also has money invested in the Money Market and Bond Funds – three funds – one asset allocation and two specialty.

Barrett is invested solely in the Money Market Fund – one specialty fund.

The VPB does not offer any guarantee on investment returns, income levels, or how long the money will last. Those factors are determined by how you invest your money, the market gains/losses experienced, and how quickly you withdraw the money. When the account is depleted to \$0.00, there is no more money payable.

For more information on investment options and fund performance, go to our website.

Transferring Money In and Out

You may transfer other eligible registered retirement money into your VPB account from:

- RRSPs and RRIFs;
- spousal RRSPs if you are the annuitant;
- other registered pension plans (RPP) subject to approval; and
- pRRIFs or another approved variable benefit account.

You can transfer all or a portion of your money out of the VPB account to an eligible registered account, including into a PEPP Lifetime Pension, at any time.

All transfers in and out must qualify for administration under *The Public Employees Pension Plan Act*. Your spouse (if applicable) must sign a *Spouse's Consent for Member to Transfer Outside Monies into the Variable Pension Benefit (VPB)* form prior to all transfers into the VPB from a locked-in source. This consent form is available on our website.

Death Benefit

The death benefit is your pension account balance, which is payable to your spouse as a Specified Beneficiary or as an Other Beneficiary (options are outlined below in the Beneficiaries Section).

Beneficiaries

If you have a spouse, that person will be the beneficiary of 100 per cent of the death benefit. If you choose to designate someone other than your spouse as a beneficiary, your spouse must waive rights to all or a portion of the survivor benefit by completing a *Spouse's Waiver of Designated Beneficiary Status* form. This will allow you to designate all or a portion of the death benefit to a beneficiary(ies) other than your spouse.

If you have no beneficiary designated and no spouse, the account balance will go to your estate.

Specified Beneficiary Options - Spouse Only

You may only designate your spouse as a *specified* beneficiary. The specified beneficiary cannot waive any portion of the beneficiary rights - he/she will receive 100 per cent of your account balance.

The specified beneficiary on file has these options upon the member's death:

- continue the VPB within PEPP;
- transfer all or a portion of the VPB to another registered retirement account;
- purchase an annuity; or
- take a lump-sum payout less withholding tax.

Upon the death of the member, the specified beneficiary (your spouse) must choose an option for the account and inform PEPP by the end of the year following the member's death. For example, if the member dies in September 2025, PEPP must be informed of the decision by December 2026. Your spouse would have full access to the account during that time.

Other Beneficiary Options

Your children, your estate, or any other person or agency may be designated as *other* beneficiaries. You may name your spouse as an other beneficiary if he/she has not been designated as a specified beneficiary or has waived a portion of his/her beneficiary rights.

Other beneficiaries (other than a spouse) must take a lump-sum payment less withholding tax as soon as is practical after the member's death. A spouse listed as an 'other' beneficiary may make a request for a tax-deferred transfer to another registered account as well as request a lump-sum payment. Your spouse would not be able to continue the VPB account in PEPP when listed as an other beneficiary. Payments cease upon your death when there is no specified (see previous section) beneficiary.

If you name someone under the age of 18 as a beneficiary, you must name a trustee. A **trustee** is an individual or legal entity responsible for controlling the assets.

Complete a *Change in Personal Data (VPB)* form to make beneficiary designation changes. This form is available on our website.

Staying Connected in Print and Online

VPB members receive:

- an annual statement after each calendar year end. The statement will show the activity for the calendar year;
- periodic newsletters; and
- in November of the year prior to you turning age 72, a letter estimating your required minimum withdrawal for the coming year. You will also see your required minimum at the start of the year on your member online account and from your annual member statement.

To cut down on paper, clutter and save on postage we encourage you to sign up for email and digital services. A PEPP online account allows you to opt out of receiving paper versions of your PEPP member statements and Pension Perspectives newsletters. You will be notified by email when plan material is available to view on the website or in your online account. To sign up, click on the Member Login button on the top right of the PEPP homepage.

All PEPP and VPB members can use their online member account to see their personal account information and activity at any time. Check your account balance, view statements and transactions and do your own inter-fund transfers.

Prior to retirement, you may also wish to take advantage of PEPP's Retirement Planner – a secure, online planning tool. The Planner helps you assess your financial projections into retirement.

Becoming Re-Employed

VPB members who become re-employed with a PEPP participating employer may be required to make regular contributions again. Those contributions will be accumulated in a separate PEPP account. You will have the same retirement options with this new account.

Other Important Information

In Saskatchewan: PEPP's VPB complies with the variable benefit guidelines implemented by the *Income Tax Act* (Canada) and *The Pension Benefits Act*, 1992, and *The Public Employees Pension Plan Act*.

The VPB account cannot be attached or seized by creditors, except through *The Family Property Act* and *The Maintenance Enforcement Act*.

Please contact PEPP about possible legislative variances if you work outside Saskatchewan.

Other PEPP Information to Review

- **Retirement Income Options Booklet:** provides information on retirement options for PEPP members.
- **Lifetime Pension PEPP Talk:** provides information on PEPP's Lifetime Pension retirement option.
- **Annuities From SPAF:** provides information on SPAF annuities, guarantees and options.
- **Waiver of Spousal Benefits:** provides information on the waiver of death and survivor benefits.
- **Variable Pension Benefit Forms:** online fillable forms to apply for and request changes to your personal information and account.
- **Fund Fact Sheets:** provides information such as rates of return, and administration fees for each of the PEPP investment options.
- **Investment Option Changes PEPP Talk:** provides information on transferring units among the available funds within the Plan.

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

Questions?

For further information, contact:

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Administered by **Planner 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.