

Saskatchewan Pension Plan

Member Guide Contents

Introduction.....	3
Privacy	3
Start Saving Today	4
Managing your investment	4
Joining SPP	5
Contributing to SPP	6
Payment methods.....	7
Spousal contributions.....	8
Tax considerations	8
Retiring from SPP	9
Additional information	
Choosing a beneficiary	10
Implementing an employer plan.....	11
Initial refund period.....	11
Marital division	11
Maintenance orders	11
Plan governance	12
Common questions.....	13
Glossary of SPP terms.....	15

Reasons You Should Join the Saskatchewan Pension Plan (SPP)

- An affordable and flexible pension plan.
- Extremely easy to implement and maintain.
- Costs may be as little as issuing a cheque or purchasing a stamp.
- Able to start or stop contributions at any time without penalty.
- Contributions are tax deductible within RRSP limits.
- Funds are professionally managed.
- 20-year average rate of return is over 9 per cent.
- Contributions are locked-in until retirement.

Introduction

The Saskatchewan Pension Plan (SPP) Member Guide is designed to provide information to people interested in joining SPP.

If you have any questions that this guide does not answer, we would be pleased to help you.

- Call us toll-free at 1-800-667-7153 from anywhere in Canada. Outside Canada call collect to 1-306-463-5410.
- Fax us at 1-306-463-3500.
- Write us at Box 5555, Kindersley SK S0L 1S0.
- E-mail to info@saskpension.com
- Teletype access for the deaf and hard of hearing is available toll-free at 1-888-213-1311 from anywhere in Canada.
- Visit our website at saskpension.com.

Privacy

SPP only collects the personal information necessary to administer our program. Our privacy policy stipulates that personal information can only be disclosed to the member. Exceptions may be made if there is written consent from the member. If you have questions about SPP's privacy policy, please call the toll-free line.

Start Saving Today

Have you ever considered what you will be doing when you retire? You may have many dreams about what you would like to do in retirement. Will you be able to realize those goals with the financial resources you are setting aside?

The Saskatchewan Pension Plan (SPP) is designed to assist people, just like you, who want a comfortable income to live on in retirement. Whether you are a business owner, farmer, professional person, homemaker, student, part time or full time employee, SPP can help you save for your future.

Becoming a member of SPP is the first step to using the Plan as part of your retirement savings strategy. You are eligible to join the Plan if you are between 18 and 71 years of age at the time of your application. There are no other restrictions to SPP membership.

SPP is flexible and affordable. The Plan is funded by member contributions and investment earnings. SPP is administered by a Board of Trustees, some of whom are also Plan members. Funds in the Plan are professionally managed and earn a competitive rate of return each year.

Managing Your Investment

Member contributions are pooled for investment. Average annual interest applied to member accounts has been over nine per cent since 1986. Funds are invested in a balanced portfolio of bonds, equities and short-term investments. This approach allows the Plan to maximize earnings while minimizing risk to members.

All contributions received by the Plan are invested for you by independent, professional investment firms. The Plan's investment managers must follow the investment policy developed by the Board of Trustees. This policy establishes the type of investments that can be made and the minimum and maximum limits of each type. A list of the Plan's investments are available on our website.

The investments of the Fund must also comply with the requirements and restrictions imposed by the applicable legislation, including but not limited to the *Pension Benefits Act, 1992*, which refers to the federal *Pension Benefits Standards Act, 1985* on investment related issues, the *Income Tax Act* (Canada) and Regulations, and all subsequent amendments.

SPP annually allocates 100 per cent of the earnings, less operating expenses, to members. The Fund is subject to market forces and as market returns rise and fall, so will SPP earnings. This is comparable to how earnings are allocated in the investment industry.

SPP's Board of Trustees is committed to keeping operating expenses as low as possible. The expense ratio has been less than one per cent every year since 1992.

Account Balances 8% & \$600/year		
Years	\$600/yr	Balance
10 years	\$6,000	\$8,692
20 years	\$12,000	\$27,457
30 years	\$18,000	\$67,969

Earnings on your account begin immediately and over time the compounding effect of earnings will far exceed the value of your personal contributions. The table projects your account balance over time, with earnings compounded annually.

Joining SPP

Joining SPP is simple. All you need to do is complete the Membership Application included in this booklet, attach a photocopy of your proof of age, and mail them both to SPP.

Proof of age could be a photocopy of your birth certificate, your baptismal certificate, if the issue date is within four years of the date of birth, or a Canadian passport. If none of these documents are available or if your document is written in a language other than English or French, please contact SPP for information regarding translation.

Your social insurance number (SIN) is required on the application form as we will need to issue tax receipts or T4A's for you to file with your income tax return. The information collected on your member application is used for administering your account and for collecting general statistics about the Plan.

When you join SPP, you are required to name a beneficiary for your account. In the event that you die before you begin receiving retirement payments from SPP, the funds in your account will be paid to the beneficiary you have named. You can change your beneficiary at any time. See page 10 for detailed information about choosing your beneficiary.

It is important to sign your application form as it is not valid without your signature. Applications must be mailed to SPP as the original signed copy is required. You may submit your contribution with your application. SPP will assign you an account number when your application is processed.

Death benefits received as cash become taxable income in the year received. The beneficiary will receive a T4A to file with his or her income tax return. The T4A provides the beneficiary with the total amount of the death benefit and the amount of tax paid. The amount of withholding tax is determined by Canada Revenue Agency (CRA) using the schedule on the right. For example, if your account balance is \$9,000 when

Account Balance	Tax Rate
\$5,000 or less	10%
\$5,001 to \$15,000	20%
More than \$15,000	30%

you die and your beneficiary chooses to take the payment in cash, your beneficiary will receive a cheque for \$7,200 and \$1,800 of withholding tax will be sent to CRA on your beneficiary's behalf.

It is your responsibility to ensure that your beneficiary information is up to date and reflects your intentions. Changes in your marital or family status or changes to the status of a minor may necessitate an update of your beneficiary. Should you wish to change your beneficiary, you will require a Designation of Beneficiary form available from our website, saskpension.com or by calling the SPP office.

Contributing To SPP

Contributions are applied to your SPP account by plan year. A plan year is equal to the calendar year plus the first sixty days of the next year. You may contribute any amount to a maximum of \$600 per plan year using the schedule and payment method of your choice. Your SPP account is tax sheltered. You or your spouse may be able to use your contribution as a tax deduction. Tax deduction guidelines are explained in more detail starting on page 8.

You can contribute to your account until the year you turn 71 or until you begin receiving a pension from SPP, whichever is earlier. You can continue contributing to the Plan if you are receiving other retirement income or SPP survivor benefits.

Contributions to your account are locked-in until age 55 and earn interest until you retire. If you die before you retire, the funds in your account will be paid to your beneficiary.

Your money is protected from claim or seizure except in the event of an order under a marital division or an Enforcement of Maintenance Order.

Payment Methods

1. When you join the Pre-Authorized Contribution (PAC) program, your contributions are made directly from your bank account on a prearranged schedule. This schedule can be either the 1st or 15th of the month on a semi-monthly, monthly, semi-annual or annual basis. Your PAC is applied to calendar year in which it is received. The PAC application is located on the back of the Member Application.
2. You can make your contribution with VISA® or MasterCard® online at saskpension.com, by calling or visiting SPP or by a prearranged schedule. The pre-authorized credit card application is available on the website and can be done on a semi-monthly, monthly, semi-annual or annual basis
3. Your contributions can be made by mail or at most financial institutions. Simply complete a contribution form and include it with your cheque. Please check with your institution for any charges that may be incurred.
4. Many financial institutions offer a telephone banking and electronic service for making payments. In some cases, your SPP contribution may be made using this telephone service. Please contact your financial institution for information on this method.

Spousal Contributions

In order for your spouse to use the contributions as an income tax deduction, complete the spousal information on your contribution form, PAC application or on-line contribution. The telebanking and electronic systems do not forward spousal information to SPP. Contributions made using these methods may still be deducted by your spouse if you call or write SPP with your request. Please include your spouse's full name and SIN with your request.

Tax Considerations

SPP contributions are deductible within RRSP guidelines established by CRA, as long as the person claiming it, either you or your spouse, has earned income as defined by CRA.

In each tax year, the allowable deduction for SPP contributions is the least of:

- \$600;
- you or your spouse's RRSP deduction limit minus RRSP deductions that year; or
- the amount contributed to SPP during the plan year for yourself or your spouse.

If both spouses are members of SPP and one spouse wishes to contribute to both accounts, **the maximum tax deduction is still \$600.**

SPP contributions in excess of your RRSP limit, while not deductible, can be left in your SPP account and will not be subject to any penalty by CRA. Contributions and all earnings remain tax sheltered until drawn as a pension or paid as a death benefit.

Contributions made during the first 60 days of the year can be deducted from either the previous or current year's income. Contributions made after the first 60 days of the year can only be deducted in the year made. Both your application and your contribution must be received by SPP before a tax receipt will be issued. SPP contributions can be claimed as a deduction on line 209 of your income tax form.

If you name your spouse as beneficiary of your account, CRA allows death benefits to be transferred directly to his or her SPP account or to an Registered Retirement Savings Plan (RRSP), Registered Retirement Income Fund (RRIF), or guaranteed Life Annuity (LA).

SPP benefits are taxable when received and are not eligible for the \$2,000 pension income credit. Each year you will receive a T4A for the benefits that you have received in that year.

Retiring From SPP

When you retire from SPP, you have three options:

- Purchase an SPP annuity which provides a monthly payment for your lifetime,
- Transfer your account balance to a Locked-In Retirement Account (LIRA), prescribed Registered Retirement Income Fund (RRIF) or LA at another financial institution, or
- A combination of the annuity and transfer option.

You do not have to retire from your place of employment in order to receive SPP retirement benefits. You may retire from SPP between the ages of 55 and 71. As with any pension plan, the younger you retire the smaller your benefits will be.

You must apply for your SPP retirement benefits. Approximately four months before your 65th birthday, SPP will mail you a retirement package. The package contains the required application forms and an estimate of your pension for the annuities SPP offers. If you wish to retire earlier than age 65, contact SPP and a retirement package will be sent to you.

If you choose to receive an annuity from SPP the amount of your pension will depend on the form of annuity you select, your account balance, your age at retirement and the current interest and annuity rates.

Some annuity options available from SPP may provide payments to a beneficiary or survivor after your death. We will be pleased to provide a personal pension estimate for you upon request. Further information on SPP retirement benefits is found in the Retirement Guide available from the Plan.

Additional Information

Choosing a beneficiary

Your beneficiary will receive the balance of your account if your death occurs before receiving pension from SPP. Some factors you may wish to consider when naming a beneficiary are:

- If you name your spouse as beneficiary of your account, upon your death, he or she may be able to defer taxes by transferring your account balance into their own SPP account or to a retirement savings option at another institution; or receive it in cash, less withholding tax.
- If you name a person other than your spouse as beneficiary, the funds will be paid to them in cash, less withholding tax. The benefit is taxable to the beneficiary and must be claimed as income in the year it is received. A T4A will be sent to the beneficiary.
- If you are naming more than one person as beneficiary, it is important that you indicate what share of your account each beneficiary is to receive.
- When you name more than one person as beneficiary the share of a deceased beneficiary will be paid to the survivor(s) unless otherwise indicated.
- When your estate is the beneficiary, the funds are paid to the estate, less withholding tax. It is then part of the money used to settle debts of the estate and the balance is distributed according to the terms in your will.
- SPP cannot pay benefits directly to a minor child. If you name a minor as a beneficiary, you should make any arrangements that are necessary (such as the appointment of a trustee) to ensure that the benefits are paid according to your intention. Changing or removing the trustee requires that your SPP beneficiary information be updated.

Implementing An Employer Plan

By joining SPP, employers and employees have all the benefits of an employer sponsored pension plan without the costs. The employer simply issues a cheque and SPP does the paperwork. Contributions can be made by the employer as an employee benefit, by the employee as a payroll deduction, or a combination of both. Regardless of who makes the contribution the total must not exceed the \$600 annual limit. The employer contributions are deductible as a salary expense and employees may deduct the total contribution within RRSP limits. Funds are locked-in to provide income at retirement.

Please contact the SPP office if you or your employer would like further information about the Employer Plan or to arrange a presentation at your work place.

Initial Refund Period

For first time contributors who decide the Plan does not meet their retirement planning needs, there is a six-month initial refund period. Members may receive a refund of their contributions if they change their mind within six months of their date of application or their first contribution, whichever is later.

Marital Division

If your account becomes part of a settlement in a division of property due to the breakdown of a spousal relationship, it will be divided as specified in the Family Property Division Agreement or Separation Agreement and Interspousal Contract. The receiving spouse must become a member of the Plan for the division to be completed. The funds in both accounts remain locked-in until retirement. Both parties have the opportunity to add to their account if they wish.

Maintenance Orders

SPP account balances and pension payments are subject to attachment under *The Enforcement of Maintenance Orders Act, 1997*. SPP will act as specified in the Notice of Attachment.

Plan Governance

SPP is governed by the *Saskatchewan Pension Plan Act* and Regulations and the information in this guide summarizes the program. If any discrepancy arises between the information contained in this guide and the Act, the Act will prevail.

Common questions

Q: What is the Plan's rate of return?

A: The Plan returned an average of 9.2 per cent since the Plan started in 1986. The ten year average is 7.4 per cent and the five year average is 8 per cent.

Q: Who can use my SPP contribution for a tax deduction?

A: SPP contributions may be claimed by you or your spouse within CRA guidelines. The person using the contribution as a tax deduction must have income from wages or a business. If both spouses are members of SPP and one spouse wishes to contribute to both accounts, the maximum tax deduction is still \$600. Contribution forms and PAC applications have a spousal information section.

Even if you cannot use the contribution as a tax deduction, the earnings on your contribution will be tax sheltered until you receive them as retirement benefits.

Q: How do I make my contribution?

A: Several methods of payments are available. They are:

- Directly from your bank account or credit card using the PAC system on the 1st or 15th of the month using a semi-monthly, monthly, semi-annual or annual schedule;
- VISA® or MasterCard® on-line at saskpension.com or by calling toll-free, 1-800-667-7153;
- At any financial institution using a contribution form;
- Through telephone or electronic banking; or
- Mailing directly to the Plan office in Kindersley.

You can contribute monthly, annually or on whatever schedule you choose up to \$600 to each year. **The earlier you contribute in the year, the greater the earnings you will receive on your investment.**

Q: What is a plan year?

A: A plan year is the calendar year plus the first 60 days of the following year.

Q: Do I have to contribute the same amount each year?

A: SPP is designed to be very flexible and to accommodate your individual financial circumstances. There is no minimum contribution. Even contributing \$10 per month will build your SPP account and provide you with additional pension at retirement. The maximum contribution is \$600 per plan year.

Q: Who will invest my money?

A: SPP has independent, professional money managers. The funds are invested in a diversified portfolio of high quality investments to ensure a competitive rate of return. Your investments are monitored regularly.

Q: When can I expect to receive my tax receipt?

A: Contributions made during the first sixty days of the year (January 1 - March 1/February 29 in an leap year) will be issued weekly. Contributions made between March 2/ March 1 in a leap year and December 31 will be included on one tax receipt and mailed to you by January 15 of the following year.

If you make your contribution using PAC, you will receive one receipt for contributions made between March 2/March 1 in a leap year and December 31 and one receipt for PAC contributions made between January 1 and March 1/February 29 in a leap year.

Q: How much will my pension be when I retire?

A: At retirement the amount of your pension will be determined by your age, your account balance, the type of annuity you choose and interest and annuity rates. Please call the Plan office for a personal pension estimate.

Glossary Of SPP Terms

Annuitant - the person receiving the benefits of an annuity.

Annuity - a series of payments of a fixed amount. SPP annuities are paid monthly for the duration of the member's life.

Beneficiary - person or persons named to receive proceeds of a member's account at the time of their death.

Board of Trustees - people responsible for operations of SPP. One-third of the trustees must be SPP members.

Capital Gains - the increase in value of an asset between the time it is bought and sold.

CRA - Canada Revenue Agency, formerly Revenue Canada.

Compound Interest - interest computed on the principle plus all interest that has accumulated on the principle.

Contribution - payment to your SPP account. Maximum contribution is \$600 per year.

Death Benefit - Funds paid to a member's beneficiary after the member's death. Death benefits are available if a member dies prior to retirement and has funds in his or her account. When a member dies after retirement, the death benefit depends on the pension option chosen.

Earnings - return on investment.

Equities - an investment class consisting of shares in public companies.

Garnishee - to be taken by legal authority. In the case of a bankruptcy, money in some funds can be garnisheed to pay creditors. The only way SPP funds can be claimed or seized is following an order under *The Enforcement of Maintenance Orders Act*.

Investment - to commit money in order to receive a profit.

Investment Manager - Firm(s) hired by SPP to make and carry out day-to-day investment decisions for SPP's Board of Trustees. The Investment Managers report to the Board quarterly.

LIRA - Locked-in Retirement Account (formerly locked-in RRSP). The LIRA is a holding account sheltering investment income until age 71. At age 71 the LIRA must be converted to a life annuity or a prescribed RRIF.

Locked-in - Unable to shift or withdraw invested funds. Money invested in SPP is locked-in until age 55.

Market Value - current value of an investment.

Minor Child - child under the age of 18.

PAC - (Pre-Authorized Contribution) Direct withdrawals from a bank account or credit card.

Plan Year - calendar year plus 60 days. Contributions made in the first 60 days may be deducted in either the prior or current tax year.

Prescribed RRIF - a retirement arrangement that can be established with funds locked-in by pension legislation. Spousal consent must be obtained before assets are transferred to a prescribed RRIF. The owner may decide what to invest in and income must be paid to the owner each year.

Proof of Age - needed to confirm your birth date for retirement purposes. Proof of age could be a photocopy of your birth certificate, your baptismal certificate, if the issue date is within four years of your date of birth, or a Canadian passport.

Spouse -

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

Tax Shelter - An investment upon which taxes are deferred.

Telebanking - a 24 hour, automated banking service that allows you to make your SPP contribution from your home using a touch tone phone. This service may be offered by your financial institution.

Withholding Tax - required by CRA when money is taken out of a tax shelter. Tax is deducted from the payment and the member receives a T4A to include with their next tax return. See the table on page 6 for the rate.