

# PENSION PLANNER

2023



**SASKATCHEWAN  
PENSION PLAN**

YOUR RETIREMENT  
GROWS HERE



## PENSION OPTIONS

You can choose one of the following four options when you decide to start collecting a pension from Saskatchewan Pension Plan (SPP).

### Option 1: SPP Annuities

An annuity is a contract that provides you with a guaranteed income stream payable for your life. This means you will never outlive your money. Your pension is not affected by market fluctuations. There are no investments to manage and, regardless of your age, annuity payments qualify for the pension income amount. However, your pension cannot be cashed in and the terms cannot be altered.

Depending on the type of annuity you choose, payments may continue to your spouse or go in a lump sum to your

beneficiary after your death. SPP currently offers three types of annuities which pay a fixed monthly benefit, guaranteed for your lifetime. All the investment risk is assumed by SPP.

When comparing SPP annuities to other financial institutions, consider the term of the annuity; SPP pays for your lifetime while others may be for a fixed term and stop at a certain age. At one's death, depending on your choice of annuity, any balance remaining in your SPP account, could be paid out to your beneficiary.

### Option 2: SPP Variable Benefit (VB)

SPP VB is a pension option, available to Saskatchewan members, with no maximum withdrawal restriction and the option to withdraw part or all of the balance. VB provides you with control over how much retirement income you wish to withdraw and when you would like to withdraw throughout the year. Options include receiving monthly payments and or lump sum withdrawals, for any amount. All payments are subject to tax. Members continue to have the choice of how the money is invested within the Plan: the Balanced Fund (BF) and/or the Diversified Income Fund (DIF) (see page 2 for investment options and other considerations). You continue to receive the

low fees and service you are accustomed to while your investment continues to grow on a tax-sheltered basis.

Members may transfer from existing unlocked Registered Retirement Savings Plans (RRSP), Registered Retirement Income Funds (RRIF), Registered Pension Plans (RPP) or Deferred Profit Sharing Plans (DPSP) to their VB.

At any point funds in the VB can be converted to an SPP annuity or transferred to another financial institution.

VB has many similarities to a Prescribed Registered Retirement Income Fund (PRRIF) offered at other financial institutions.



#### SPP ANNUITIES

##### LIFE ANNUITY

This provides the highest monthly payment with no survivor or death benefits payable. All pension payments stop at death.

##### REFUND LIFE ANNUITY

At death your beneficiary receives the remaining account balance. The death benefit is calculated by subtracting total payments received from account balance at retirement.

##### JOINT AND LAST SURVIVOR ANNUITY

At your death, your surviving spouse or common-law partner receives a monthly payment for the rest of their life. The continuing benefit for your joint survivor is 100%, 75%, or 60% of your monthly pension, as chosen at retirement.

### Option 3: LIRA or PRRIF at another financial institution:

A Locked-in Retirement Account (LIRA) is a holding account, similar to your SPP account, which is locked-in until retirement. A LIRA allows you to manage your investment portfolio and earnings accumulate tax-free. This option requires continuous ongoing investment decisions.

Once funds are converted into a LIRA you cannot make further contributions and you are not allowed to make withdrawals. There is no option to create income. You are required to convert your LIRA to either a life annuity or PRRIF when you choose to retire or turn 71.

A PRRIF is a vehicle that gives you the opportunity to manage your investments. Once funds are transferred to a PRRIF, they can be cashed out, transferred to another PRRIF or used to purchase a life

annuity contract. With a PRRIF, you can choose the payment amount, subject to prescribed minimums, which are based on your age and the value of your account. With this flexibility, comes the responsibility to ensure that your money lasts as there are no guaranteed payment periods. Lump sum withdrawals and poor investment performance can erode the capital in the fund and you risk outliving your money. Once set up, a person cannot make further contributions. Withdrawals will be taxed as income in the year they are received and can also impact your marginal tax rate for the year. Income from a PRRIF does not qualify for the pension income credit until you reach age 65. Once the balance of your SPP account has been transferred to another financial institution, you lose the opportunity to take an annuity from SPP.



### OPTION 4: COMBINATION

Combining an SPP annuity with a transfer option. A portion can remain with SPP and the balance transferred to another financial institution.

### VB INVESTMENT OPTIONS

When choosing the VB pension option, you can have any combination of both the BF and the DIF to match your risk tolerance, and we will send you the fund facts of these investment options -which can help you make a decision.

The BF has a risk rating of low to medium. The objective of the fund is to deliver capital accumulation in a prudent risk-controlled manner through investing in a diversified portfolio targeting 40% in equities and the remaining in real estate, infrastructure, private debt, bonds,

mortgages and short-term investments.

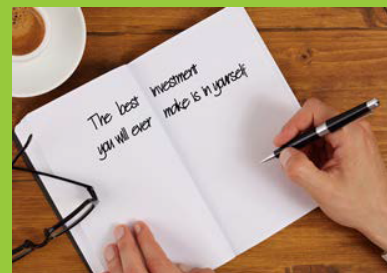
The DIF has a low risk rating that offers income from diversified sources. Funds are invested in Canadian short-term investments, bonds and mortgages with an equal target split between the two investment types.

An interfund transfer can be requested at any time. You are permitted two free transfers per calendar year. A \$50 fee is charged for each additional interfund transfer request within the calendar year.

### VB CONSIDERATIONS

The VB has flexible payment options. There is no payment requirement under age 72. However, the year you turn 72, the minimum required CRA withdrawal begins. Minimum withdrawals are based on your age or your spouse's age (if designated). For example, at age 72, 5.28% of your January 1 balance is required to be withdrawn in that calendar year (assuming your age

was designated). This amount can be taken monthly or in a lump sum. Tax will be deducted accordingly. Unlike the SPP annuities, VB payments are not guaranteed for life. Payments stop when your account is depleted. Your VB account balance is dependent on market volatility, how much and how often you withdraw funds and the amount, if any, transferred in from unlocked registered plans.



Accumulating funds for retirement is only one side of the story – making these funds last for the balance of your life requires some planning to reach your financial goals. These four questions might help:

- ✓ What are your current and long-term cash flow needs?
- ✓ What is your risk tolerance?
- ✓ What are your estate planning needs?
- ✓ Do you prefer a fixed guaranteed amount for life or do you prefer the flexibility of being able to draw funds according to your needs with regards to how much and when?

Other factors which can affect your plan are the health of you and your spouse, the level of flexibility you want, your financial obligations and the amount of time you are willing to spend managing your financial affairs.

Canada Revenue Agency (CRA) requires your retirement savings be cashed in or converted into some form of retirement income by December of the year you turn 71. It is never too soon to look at what options are available.

**SPP HAS RETIREMENT OFFICERS TO HELP YOU WITH YOUR QUESTIONS.**



David (CIM), Retirement Information Officer and Alycia, Retirement Officer

Feel free to call David or Alycia to discuss your questions before making your choice.

**The question isn't at what age I want to retire, it's at what income.**

**George Foreman**



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