

THE SASKATCHEWAN PENSION PLAN

# VARIABLE BENEFIT



## What is the Variable Benefit (VB)?

A VB is a retirement income option 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. You have the choice of how the money is invested within the Plan: the Balanced Fund (BF) and/or the Diversified Income Fund (DIF).

In this way, you can continue to receive the low fees and service you are accustomed to while your investment continues to grow on a tax-sheltered basis.

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

Saskatchewan Pension Plan (SPP) is now giving you more choices when it comes to receiving your retirement income. While we still offer three different types of annuities for those who like to receive a fixed monthly amount, guaranteed for life, SPP now has a flexible option that gives you control over your investment choices and payments throughout the year. This product is called the Variable Benefit (VB).

## QUESTIONS

If you need more information regarding SPP's VB contact:

**1-800-667-7153**

[info@saskpension.com](mailto:info@saskpension.com)

## VB eligibility

As a SPP member, you can apply for the VB if:

- You are at least 55 years old, and
- Your account balance exceeds the small pension amount.

If you have a spouse, your spouse must complete a Spouse's Consent to Transfer form when you apply for VB. By signing the spousal waiver, the spouse confirms that they are fully aware that you may withdraw all the money in the pension account which could leave \$0 in the event of your death.

The minimum annual withdrawals begin the year you reach age 72. You can elect to have the required withdrawal amount calculated based on your age or your spouse's age.



## FAQ

How are my funds invested?

You can decide how your VB account is invested in SPP's options. SPP has two investment options: BF invests in a mix of global equities, real estate, infrastructure, bonds, mortgages and cash equivalents; and DIF invests in short-term Canadian debt securities, bonds and mortgages.

## Variable considerations

### VB payment features

The VB has flexible payment options to meet members' most complex retirement planning needs.

- You can receive monthly and/or lump sum payments directly to your bank account
- The minimum monthly payment chosen must be at least \$29.71\*, before tax
- You can request lump sum withdrawals through out the year, for any amount, less tax
- One free change to monthly or lump sum payments may be requested

in each calendar year. A \$50 fee is charged for each subsequent change or additional lump sum payment within the year.

- Payments are made by the 20th day of the month.

\* Equals 0.5% of the annual Year's Maximum Pensionable Earnings, divided by 12.

### Contributions and transfers

You may continue transferring in from other eligible registered money into your VB account. Contributions must stop when you opt for the VB.

## Investment options

SPP has two investment options: BF invests in a mix of global equities, real estate, infrastructure, bonds, mortgages and cash equivalents; and DIF invests in short-term Canadian debt securities, bonds and mortgages. The VB does not provide any guarantee on investment returns, income needs or length of time until the funds are depleted. Those components are determined by the investment allocation chosen, the market conditions for the long term and the decisions on when and how much to withdraw. When the account is drawn down to \$0, there are no more funds payable to the member.

If there is more than one SPP investment option selected, payments are pro-rated based on the investment instructions.



For example, if your investment instructions are BF 80 per cent and DIF 20 per cent, your payment will be withdrawn 80 per cent from the BF and 20 per cent from the DIF.

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.

## Tax considerations

All payments withdrawn from the VB are subject to tax. Based on your CRA TD1 form, withdrawals will be taxed based on the annual aggregate of monthly payments. For example, based on withdrawing \$500 per month or \$6,000 annually, the tax applied would be based on \$6,000, not \$500.

Lump sum payments are taxed on an aggregate basis and are subject to lump sum payment withholding tax rules: \$5,000 or less - 10%; \$5,001 to \$15,000 - 20 %; and \$15,001 or more - 30% (Quebec lump sum tax rates are 5%, 10%, and 15%).

For example, if you took out \$4,000 in

February and an additional \$4,000 in April, the withholding tax would be calculated as if it were 20 per cent on the full \$8,000. You can request more tax to be deducted at source.

An account is identified as a spousal account on the first spousal contribution or transfer in. SPP will note it as spousal on the T4A but the member should consult their tax professional to determine if attribution rules apply.

The VB is eligible for the \$2,000 Pension Income Credit and pension income splitting between spouses at age 65.

Visit [saskpension.com](http://saskpension.com) for fund facts about the BF and DIF.

### AN EXAMPLE

Steve, the SPP member, is age 72 on January 1. Rebecca, his spouse, is 65. Steve's account balance at January 1 is \$40,000.

Steve must withdraw at least the minimum under Income Tax Regulations (Canada) because he is 72. He requested Rebecca's age be used for the calculation.

Using Rebecca's age, Steve must withdraw the following: \$40,000 x 4% (age 65 factor) = \$1,600 as a minimum for this year.

If he requested SPP use his age, Steve would need to withdraw: \$40,000 x 5.40% (age 72 factor) = \$2,160 as a minimum for this year.

Steve may withdraw any amount over and above the minimum required amount in a calendar year.

### FAQ

Who is the VB available to?

SPP members between the ages of 55 and 71 and whose account balance exceeds the small pension amount.

Visit [saskpension.com](http://saskpension.com) for information on how to apply for the Variable Benefit.



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## VB minimum withdrawal schedule

Required minimum withdrawals (based on the Income Tax Regulations (Canada)) must begin the calendar year the member reaches age 72. Prescribed factors are listed below.

Age	Factor (%)	Age	Factor (%)
65	4.00	73	5.53
66	4.17	74	5.67
67	4.35	75	5.82
68	4.55	76	5.98
69	4.76	77	6.17
70	5.00	78	6.36
71	5.28	79	6.58
72	5.40	80	6.82

Age	Factor (%)	Age	Factor (%)
81	7.08	88	10.21
82	7.38	89	10.99
83	7.71	90	11.92
84	8.08	91	13.06
85	8.51	92	14.49
86	8.99	93	16.34
87	9.55	94	18.79
		95+	20.00

## Death benefits

If the beneficiary is the Estate or anyone other than the spouse, a cash payout is processed as soon as possible after all the required documents are received.

If the beneficiary is the spouse and the spouse is an active SPP member, the VB can be transferred to the active account, transferred out or taken as a



lump sum. If the spouse is receiving an SPP annuity, the funds can be transferred out or taken as a lump sum.

If the beneficiary is a spouse who is receiving their own VB, the VB death benefit can be combined with their existing account.

If the beneficiary is a spouse but the spouse is not an SPP member, the spouse can become a VB member and continue payments to the end of the year and then recalculate payments based on his or her current age. Alternatively the spouse can become an SPP member and transfer to an active account, transfer out or take a lump sum payout.

## Member reporting

VB members will receive an annual statement after each calendar year providing all activity for that year, an annual newsletter, a letter estimating the required withdrawal for the next calendar year and tax slips.

Online access to member accounts is available through MySPP. This portal allows members to view personal account information and account activity, statements and tax slips.

## Post retirement options

1. Members may transfer-in from existing unlocked RRSPs, RRRFs, RPPs or DPSPs to their VB. Spousal transfers are accepted.
2. At any point during retirement, the funds in the VB can be converted to an SPP annuity.
3. At any point during retirement, the funds in the VB can be transferred to a PRRIF.
4. Contributions stop once you are invested in the VB.



## HOW IS A VB DIFFERENT FROM A PRRIF AND AN RRSP?

A VB allows payments to be made directly from a pension plan account rather than needing to be transferred to another financial institution (PRRIF) for this purpose.

A VB means your retirement savings have been converted to income rather than being in the saving stage as is the case with an RRSP.

## MY SPP

Take time today to enroll in MySPP. It's easy! Call us if you would like some help.

## FAQ

What happens when my funds are gone?

When your VB account is depleted to \$0, payments stop.

## QUESTIONS?

If you still have questions about our VB option and its fit for your retirement needs, please call our office at 1-800-667-7153 or email your questions to [info@saskpension.com](mailto:info@saskpension.com).