

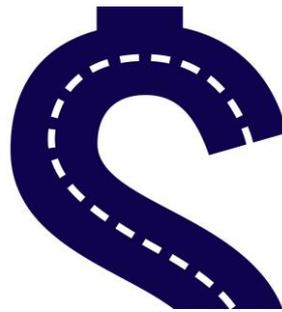


PENSION PLAN

# Ready to Retire

Manitoba

[www.csspen.com](http://www.csspen.com)



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# I'm Ready to Retire!

## On the road to retirement you're in the driver's seat

### *Congratulations!*

You and your employer have been contributing to the Co-operative Superannuation Society (CSS) Pension Plan for your retirement. Over the years these contributions have grown, and now that you're ready to retire you have to decide how to use your accumulated pension funds for a retirement income that best suits you! You're in the driver's seat, so to make an informed decision you should take the time to read this booklet and understand your options.

### A. PREPARING TO CHOOSE

#### WHAT IS THE DIFFERENCE BETWEEN LOCKED-IN AND NON-LOCKED-IN FUNDS?

Your CSS pension account contains either locked-in funds or non-locked-in funds, or both. Please refer to your most recent annual statement to determine your position. For most retiring members, the bulk of the funds in their CSS pension account will be locked-in.

**Locked-in** funds are employee and employer contributions that are locked-in by pension legislation. Pension legislation states that locked-in funds must be used to provide a "lifetime" retirement income. Some of the options for your locked-in funds at retirement ensure that you (and your spouse) will receive a lifetime income, while others do not.

**Non-locked-in** funds are employee contributions that are not locked-in by pension legislation. All employee additional voluntary contributions are non-locked-in.

### **WHAT ARE THE OPTIONS FOR MY LOCKED-IN FUNDS?**

There are different types of retirement income options. For Manitoba members<sup>1</sup> they are as follows:

1. A monthly pension from the CSS Pension Plan. This option ensures a lifetime retirement income.
2. A Life Annuity, available from a life insurance company. This option also ensures a lifetime retirement income.
3. Variable Benefit (VB) payments from the CSS Pension Plan.
4. A Life Income Fund (LIF) from a financial institution of your choice.
5. A combination of the above options.

### **WHAT ARE THE OPTIONS FOR MY NON-LOCKED-IN FUNDS?**

1. Combine them with locked-in funds to set up a monthly pension from the CSS Pension Plan.
2. Combine them with locked-in funds to set up a Life Annuity from a life insurance company.
3. Combine them with locked-in funds to set up Variable Benefit (VB) payments from the CSS Pension Plan.
4. Transfer to a Registered Retirement Savings Plan (RRSP) from a financial institution of your choice.
5. Transfer to a Registered Retirement Income Fund (RRIF) from a financial institution of your choice.
6. A cash withdrawal, subject to income tax. The income tax withholding rates for cash withdrawals are:

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<sup>1</sup> A Manitoba member is someone who is currently working or last worked for an Employer of the CSS Pension Plan in Manitoba, and whose pension funds are therefore subject to the Manitoba pension legislation.

10% for amounts up to and including \$5,000;  
20% for \$5,000.01 up to and including \$15,000; and  
30% for amounts over \$15,000.

7. A combination of the above options.

### **WHEN MUST I DECIDE?**

Canada Revenue Agency (CRA) requires that you convert your funds in the CSS Pension Plan into retirement income (as outlined above) no later than December of the year you turn Age 71. Until then, you can choose when to set up a retirement income with your funds in the Plan.

When you terminate employment, if you don't need retirement income right away, your pension funds can remain invested in one or more of the Plan's four investment Funds. You'll receive the rate of return generated by each Fund, just the same as other members of the Plan.

### **WHAT IS PHASED RETIREMENT?**

The Income Tax Act regulations now permit Phased Retirement, which means that you no longer have to terminate employment<sup>2</sup> to start receiving a retirement income from the CSS Pension Plan. In other words, you can now "semi-retire".

There are some rules however. Whether you want to take a CSS pension (see page 6) or Variable Benefit (VB) payments (see page 11) you must be at least age 55. There is no limit on the amount of your pension funds that can be converted into a monthly pension or VB payments.

If you wish to apply for Phased Retirement, your employer must be in agreement, and your employer may require that you reduce your hours of work. You must also have your

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<sup>2</sup> Termination of employment means you are no longer working for an Employer Member of the CSS Pension Plan.

spouse's consent (if applicable). Also, as long as you are working for an employer member of the Plan, you and your employer must still contribute to the Plan, even though you are receiving a retirement income. Or, should you return to work for an employer member after starting retirement income, then you and your employer must make pension contributions again.

### **MUST I DECIDE ALL AT ONCE?**

If you wish to withdraw or transfer non-locked-in funds from the CSS Pension Plan, then all of your non-locked-in funds must be withdrawn and/or transferred at the same time.

In the case of locked-in funds, you may set up a CSS pension on a portion, or transfer out a portion to a Life Annuity or LIF and leave your remaining funds in the Plan. However, each subsequent transfer will be subject to an administration fee.

## **B. RETIREMENT INCOME OPTIONS**

### **WHAT ARE THE DIFFERENT CSS PENSION OPTIONS?**

There are three basic types of pensions offered by the CSS Pension Plan: the Prescribed Pension, the Single Life Pension and the Joint & Last Survivor Pension.

All of these pensions provide a pension to you for as long as you live, that is, a lifetime pension. In the case of the Prescribed Pension and the Joint & Last Survivor Pension, upon your death, your surviving spouse will receive a pension for the rest of his/her lifetime as well.

When we refer to "spouse", we mean spouse as defined by the pension legislation for the province/territory where you last worked for an Employer of the CSS Pension Plan (see page 34). This includes common-law relationships in certain circumstances.

### *What is the Prescribed Pension?*

If you have a spouse, Manitoba pension legislation requires you to choose the Prescribed Pension. Therefore, if you have a spouse you must consider this type of pension. You may choose a different pension only if the applicable Waiver form is completed.

The Prescribed Pension will provide a lifetime pension to you. Upon your death the amount of pension paid to your spouse drops immediately to the 60% level and will continue for the rest of his/her lifetime. Once both you and your spouse have died, there are no more pension payments. This holds true even if only a short time has passed since you started pension.

**If you wish to take any pension other than the Prescribed Pension, the applicable Waiver form must be completed.**

### *What is a Single Life Pension?*

A Single Life Pension will provide a lifetime pension to you. After your death, if you have a surviving spouse, it does not provide a lifetime pension to him/her.

Single Life Pensions can have guarantee periods of 0 years (i.e., no guarantee), 10 years and 15 years. The longer the guarantee period, the lower your monthly pension.

A Single Life Pension, guaranteed 0 years (i.e., no guarantee), will provide a lifetime pension to you for as long as you live. Once you pass away, the pension stops. In other words, the pension dies with you.

A Single Life Pension guaranteed 10 years, or 15 years will provide a lifetime pension to you for as long as you live, and it is guaranteed to be paid for at least 10 or 15 years **(depending upon your choice)**. If you pass away before

the guarantee period expires, your pension will continue to be paid to your beneficiaries or estate for the balance of the guarantee period. If you outlive the guarantee period, there would be no payments to your beneficiaries or estate upon your death.

Assume, for example, that you select a Single Life pension with a 15-year guarantee period. You would receive your monthly pension for as long as you live. If you were to pass away 7 years after your pension starts, your monthly pension would continue to be paid to your beneficiaries or estate for 8 years, and then the pension would stop.

If a member with a spouse chooses a Single Life pension, they usually name their spouse as beneficiary.

### *What is a Joint & Last Survivor Pension?*

A Joint & Last Survivor Pension will provide a lifetime pension to you, and after your death, your surviving spouse will receive a lifetime pension as well. Joint pensions pay less than Single Life pensions, because they cover two lives, yours and your spouse's.

Joint & Last Survivor pensions can be guaranteed for 10 years or 15 years. If both you and your spouse die before your selected guarantee period expires, the pension will continue to be paid to your beneficiaries or estate for the balance of the guarantee period.

The longer the guarantee period, the lower the monthly pension.

Suppose, for example, that you select a 15-year guarantee period, and both you and your spouse pass away 6 years after your pension starts. In that case, the full monthly pension would continue to your beneficiaries or estate for 9 years, then the pension would stop.

With a Joint & Last Survivor Pension, there are also different Spousal Benefit percentages to choose from (i.e., the amount of the pension that your surviving spouse receives after the guarantee period is over). The Spousal Benefit percentages are 60%, 75% and 100%.

For example, assume that you and your spouse select a Joint & Last Survivor Pension, guaranteed 15 years, with a 75% Spousal Benefit level. You will receive the full amount of the pension for the rest of your life.

If you die before the 15-year guarantee period is over, your surviving spouse would receive the full pension for the balance of the 15-year guarantee period, and then he/she would receive 75% of the pension for the rest of his/her life. If you die after the 15-year guarantee period is over, your surviving spouse would immediately receive 75% of the pension for the rest of his/her lifetime.

Once the guarantee is over and both you and your spouse have passed away, the pension stops.

Note that, if you and your spouse select the 100% Spousal Benefit level, your spouse will receive 100% of the pension for the rest of his/her lifetime, regardless of when the guarantee period ends.

*If I decide to take a CSS monthly pension, which one should I take?*

Everyone's situation is different, so the CSS monthly pension you (and your spouse) choose should be based on your personal circumstances. Below are examples of certain basic situations and appropriate pension selections:

- Spouse requires lifetime coverage from the pension:  
Joint & Last Survivor Pension, guaranteed 10 or 15 years, with 60%, 75% or 100% Spousal Benefit level.

- ❑ Spouse requires lifetime coverage from the pension, and there are dependent children: Joint & Last Survivor Pension, guaranteed 10 or 15 years, with 75% or 100% Spousal Benefit level.
- ❑ No Spouse, but there are dependents: Single Life Pension with 10 or 15-year guarantee and dependents designated as beneficiaries.
- ❑ No spouse or dependents: Single Life Pension with 0, 10 or 15-year guarantee.
- ❑ Spouse does not require lifetime coverage from the pension: Single Life Pension with 10 or 15-year guarantee, and spouse designated as beneficiary.

**PLEASE NOTE:** Once you have applied for a CSS monthly pension, and the payments have started, you CANNOT change your pension or stop the payments. Please choose carefully!

*What are some important points to keep in mind about CSS monthly pensions?*

- ❑ A CSS monthly pension provides a fixed amount of monthly income for the rest of your life, and also to your surviving spouse in the case of the Prescribed Pension or a Joint & Last Survivor Pension. Your income will not vary as interest rates and investment returns fluctuate.
- ❑ However, for this certainty of income, you give up flexibility and control of your pension funds.
- ❑ A CSS monthly pension is not indexed for inflation.
- ❑ Your beneficiaries/estate will not receive any survivor benefits if you (or your spouse in the case of a Joint and Last Survivor pension) outlive the guarantee period.
- ❑ A CSS monthly pension is worry-free and requires no further action or decisions on your part.

## **WHAT IS A LIFE ANNUITY?**

Life Annuities are very similar to the monthly pension options available from the CSS Pension Plan. A Life Annuity provides a fixed monthly payment to you for as long as you live. In the case of a joint life annuity, upon your death, a fixed monthly payment is also provided to your spouse.

Life Annuities are available from life insurance companies. If you decide to use your pension funds for a Life Annuity, you must transfer your funds from the CSS Pension Plan to your chosen life insurance company.

Once you transfer your funds out of the CSS Pension Plan to a Life Annuity, you cannot transfer them back.

## **WHAT ARE VARIABLE BENEFIT PAYMENTS?**

Variable Benefit (VB) payments are quite different from a monthly pension. A pension guarantees you a fixed monthly income for life. VB payments are simply periodic withdrawals from your CSS account. VB payments give you flexibility in setting the amount of your withdrawals. However, VB payments may not provide enough income for you (or your spouse) in your later years.

Beginning in the calendar year you turn 72 years old, there is an annual minimum amount that you must withdraw.

As a Manitoba member<sup>3</sup>, there is an annual maximum limit on the amount that you can withdraw from the locked-in funds in your CSS account. There is no annual maximum limit on the amount that you can withdraw from the non-locked-in funds

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<sup>3</sup> A Manitoba member is someone who is currently working or last worked for an Employer of the CSS Pension Plan in Manitoba, and whose pension funds are therefore subject to the Manitoba pension legislation.

VB payments are taxable income<sup>4</sup>.

*When can I start VB payments?*

You must have reached your early retirement age (please refer to your most recent Annual Statement) before starting VB payments. For most members, early retirement is age 50. Your spouse must sign a waiver and a consent form before you can set up VB payments on your locked-in funds.

*Can VB payments be stopped?*

Yes. Once you start VB payments you can stop them if you are not yet 72 years old. Beginning the year in which you turn 72, there is a minimum amount that must be withdrawn each year.

*What is the minimum annual requirement for VB payments?*

The minimum annual requirement is the amount you must withdraw each year in accordance with the *Income Tax Act*.

The minimum for VB payments is the same as the RRIF minimum (see chart on page 21). The minimum can be based on your age, or if you have a spouse (as defined under the *Income Tax Act*) it can be based on his/her age. However, until the year you reach age 72 the minimum annual VB payment is zero.

*Is there a maximum annual limit for VB payments?*

Under Manitoba pension legislation, there is a maximum annual limit if you are receiving VB payments from your locked-in funds, but not for your non-locked-in funds.

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<sup>4</sup> At age 65, VB payments qualify for the pension income amount when calculating your non-refundable tax credits and for the pension income splitting provision.

The maximum annual limit is the greater of the previous year's investment earnings, or the Life Income Fund (LIF) Maximum Withdrawal Percentage as indicated in the table on page 19. If you withdraw the maximum annual limit each and every year, your locked-in funds may not provide enough income in your later years.

You can also take lump sum withdrawals as long as the total combined withdrawals in any one-year from the locked-in funds do not exceed the maximum annual limit for that year. There is no maximum for lump sum withdrawals from the non-locked-in funds. You are entitled to one free lump sum withdrawal per calendar year, any subsequent lump sum withdrawals within the same calendar year will be subject to a nominal cost recovery administration fee.

*Can I receive VB payments monthly?*

You can set up your VB payments so that you receive income monthly or annually.

As indicated above, subject to the required minimum which starts the year you turn 72, and the annual maximum that applies to your locked-in funds, you can set your VB payment withdrawals to be any amount within the minimum and maximum.

**It is very important to remember that the higher your VB payments, the faster you will use up the funds in your CSS account, and greater the likelihood you may not have enough income in your later years.**

Regardless of how much you set up your VB payments to be, you will be able to change the amount once per calendar year for free, any subsequent changes within the same calendar year will be subject to a nominal cost recovery administration fee.

### *What happens to the VB payments when I die?*

Your surviving spouse is automatically entitled to receive your funds upon your death.

If you name your spouse as the “specified beneficiary” he/she will continue with the VB payments, or may also transfer out any remaining funds if he/she prefers.

If you don't have a surviving spouse, upon your death the balance of the VB payments are paid as a taxable lump sum to your estate or named beneficiary(ies).

### *What are the investment options for VB payments?*

When you are receiving VB payments the investment options available to you are same as they are now. In other words, when you are receiving VB payments, the funds in your CSS account stay invested in the Pension Plan's Balanced, Money Market, Bond and/or Equity Funds according to your investment instructions.

**The Balanced Fund is the Plan's default option. Therefore, unless you instruct, or have instructed the Plan otherwise, all of the funds are invested in the Balanced Fund.**

The Balanced Fund is a broadly diversified portfolio of about 60% stocks and 40% bonds. It is a moderate risk portfolio designed to produce moderate growth over the long-term, and is expected to have periodic short-term losses.

The Money Market Fund invests entirely in short-term money market instruments. It's therefore a low risk – low return investment option, and is unlikely to have a negative return.

The Bond Fund invests mainly in Canadian bonds (federal, provincial, municipal, and corporate bonds). It's a modest

risk – modest return portfolio over the long-term. The Bond Fund can suffer occasional short-term losses.

The Equity Fund invests entirely in Canadian and foreign stocks (about 1/3 Canadian and 2/3 non-Canadian). It's a high risk – high return portfolio over the long-term, and is expected to suffer fairly frequent short-term losses.

The Bond Fund and Equity Fund allow members to set the amount of their pension funds allocated between bonds and stocks, if they wish an allocation different than the Balanced Fund.

*If I start VB payments should I consider changing how the funds in my CSS account are invested?*

When you are saving for retirement the investment strategy is to provide long-term growth. However, when you are retired, you may be more interested in capital preservation and a regular income with some protection from inflation. In retirement you may feel comfortable keeping all of your funds invested in the Balanced Fund or some combination of the Bond Fund and Equity Fund. By investing a significant percentage of your funds in stocks/equities, you could expect to reduce the impact of inflation. However, stocks/equities are expected to have occasional short-term losses, which could affect your retirement income, or how long your funds will last.

On the other hand, investing all of your funds in the Money Market Fund, for example, will stabilize your expected return, but this strategy may be too conservative. Also, the expected return of the Money Market Fund would be too low to protect against inflation, and could affect how long your funds will last.

As a retiree receiving VB payments, you might consider investing some of your funds in the Balanced Fund or some

combination of the Bond Fund and Equity Fund, along with investing some in the Money Market Fund. By investing some of your funds in stocks and bonds, you can expect to earn higher long-term average returns, and also reduce the impacts of inflation. And, by investing some of your funds in the Money Market Fund you can expect to reduce your risk.

It is your responsibility to instruct<sup>5</sup> the Plan on the percentage of your funds that you want invested in each of the four investment Funds. These percentages will depend upon your risk and return comfort level, as well as any other investments, savings, or sources of income you might have.

Or for example, you might consider starting with 3 years worth of VB payments invested in the Money Market Fund and the remainder of your funds invested in the Balanced Fund or some combination of the Bond Fund and Equity Fund. You would then withdraw your VB payments from the Money Market Fund. Then every so often (i.e., annually for example) you would replenish the amount withdrawn from the Money Market Fund with a transfer from the Balanced Fund, or Bond Fund and Equity Fund. However, if the bond and/or equity markets were down when it came time to replenish the Money Market Fund, you could wait until these markets recovered because you would still have 2 years worth of VB payments left in the Money Market Fund. More information on this strategy can be found in the CSS Pension Plan's Investment Choice booklet.

Allocating your funds between the Balanced Fund or some combination of the Bond Fund and Equity Fund, along with allocating some in the Money Market Fund is a matter of personal choice that will depend upon your overall financial and personal circumstances. As a result, the CSS Pension

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<sup>5</sup> By submitting a properly completed Investment Instructions form to the CSS Pension Plan, along with the required processing fee, members can adjust the amount of their funds invested in each of the four Funds.

Plan suggests that you get advice from a qualified financial planner to assist with your decision.

If you want your funds to provide VB payments for your lifetime (and your spouse's), it is strongly recommended that you regularly review the investment performance of your funds as well as your VB payment amount. It may be necessary to reduce the amount of your VB payments if the investment performance is less than you expected.

*What are some important points to keep in mind about VB payments?*

- ❑ VB payments may not provide enough income for you (or your spouse) in your later years.
- ❑ VB payments offer flexibility. Subject to the required minimum payment and the maximum annual limit, you may choose your payment plan. You can also make lump sum withdrawals.
- ❑ You must instruct the Plan on the investment of your funds between the four investment Funds.
- ❑ If your rate of return is higher than expected, your payments may be higher than anticipated. However, the opposite holds true if your rate of return is lower than expected.
- ❑ Once you pass away, any remaining funds will roll over to your spouse, or be paid as a taxable lump sum to your estate or named beneficiary(ies).
- ❑ You can convert some or all of your funds into a CSS pension, a Life Annuity, or transfer them out of the Plan into a LIF for example.
- ❑ If your retirement plan requires that your VB payments provide for a certain level of income for a certain length of time or for your lifetime (and your spouse's), **you must monitor your rate of return and control your withdrawals.**

## **WHAT ARE LIFs?**

A Life Income Funds (LIF) is for your locked-in pension funds. In addition to a minimum annual withdrawal limit, the LIF has a maximum annual withdrawal limit. Withdrawals from a LIF are taxable as income<sup>6</sup>.

### *What is the minimum annual withdrawal for a LIF?*

The minimum annual requirement is the amount you must withdraw each year in accordance with the *Income Tax Act*.

The minimum for LIF payments is the same as the RRIF minimum (see chart on page 20). The minimum can be based on your age, or if you have a spouse (as defined under the *Income Tax Act*) it can be based on his/her age. However, the minimum for the first year of your LIF is zero.

### *What is the maximum annual withdrawal for the LIF?*

Under Manitoba pension legislation the maximum annual limit is greater of: the previous year's investment earnings; or the Life Income Fund (LIF) Maximum Withdrawal Percentage (based on your age and balance in your LIF at the start of the year). If you withdraw the maximum annual limit each and every year, your LIF may not provide enough income in your later years.

You can also take lump sum withdrawals as long as the total withdrawals in any one-year from the LIF do not exceed the maximum annual limit for that year.

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<sup>6</sup> Starting at age 65 LIF withdrawals qualify for the pension income amount when calculating your non-refundable tax credits, and for the pension income splitting provision.

### *2018 VB & LIF Maximum Withdrawal Percentage*

<i>Age</i>	<i>%</i>	<i>Age</i>	<i>%</i>	<i>Age</i>	<i>%</i>	<i>Age</i>	<i>%</i>
< 55	6.1	64	7.1	74	8.8	84	14.8
55	6.4	65	7.2	75	9.1	85	16.0
56	6.5	66	7.3	76	9.4	86	17.3
57	6.5	67	7.4	77	9.8	87	18.9
58	6.6	68	7.6	78	10.3	88+	20.0
59	6.7	69	7.7	79	10.8		
60	6.7	70	7.9	80	11.5		
61	6.8	71	8.1	81	12.1		
62	6.9	72	8.3	82	12.9		
63	7.0	73	8.5	83	13.8		

#### *Can I withdraw less than the maximum?*

Yes, you can withdraw the minimum for the year, the maximum for the year or any amount between the minimum and maximum. Each year you will need to advise the issuing financial institution how much you want to withdraw from the LIF for the year.

#### *Can the payments from a LIF be stopped?*

Yes, until you are age 71 and after you have withdrawn at least the minimum for the year, you can convert your LIF to a Locked-In Retirement Account (LIRA), which is like an RRSP for locked-in pension funds. You can then leave the funds "parked" in the LIRA to grow. You may convert these funds to a Life Annuity or LIF at a later date, but no later than the end of the year you turn 71.

#### *What happens to the money in my LIF when I die?*

Your surviving spouse is automatically entitled to your LIF upon your death.

If you don't have a surviving spouse then upon your death the balance of the LIF is paid as a taxable lump sum to your estate or named beneficiary(ies).

*What are some important points to keep in mind about LIFs?*

- ❑ LIFs may not provide enough income for you (or your spouse) in your later years.
- ❑ LIFs offer flexible income subject to the annual minimum and annual maximum withdrawal amounts.
- ❑ You direct and control the investment of your funds.
- ❑ If the investments for your LIF do well, your payments may be higher than anticipated. However, the opposite holds true if your investments do poorly.
- ❑ Once you pass away, the funds remaining in your LIF would roll over to your spouse, or be paid as a taxable lump sum to your estate or named beneficiary(ies).
- ❑ At any time you can convert some or all of the funds in your LIF to, and vice-versa, or Life Annuity.
- ❑ If your retirement plan requires that your LIF provide for a certain level of income for a certain length of time or for your lifetime (and your spouse's), **you must monitor the performance of your investments and control your withdrawals.**

### **WHAT IS A REGISTERED RETIREMENT INCOME FUND?**

A Registered Retirement Income Fund (RRIF) is similar to a LIF, except it's for your non-locked-in funds. There is no maximum annual withdrawal limit for a RRIF. RRIFs are available from financial institutions.

If you have any Registered Retirement Savings Plans (RRSP), you may also transfer these funds into a RRIF.

Withdrawals from a RRIF are taxable as income<sup>7</sup>.

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<sup>7</sup> Starting at age 65 RRIF withdrawals qualify for the pension income amount when calculating your non-refundable tax credits, and for the pension income splitting provision.

### RRIF MINIMUM ANNUAL WITHDRAWAL PERCENTAGES

(No withdrawal is required in the year you set up a RRIF)

(The minimum for age 94 is 18.79% & 20% each year thereafter)

Age	%	Age	%	Age	%	Age	%
50	2.50	61	3.45	72	5.40	83	7.71
51	2.56	62	3.57	73	5.53	84	8.08
52	2.63	63	3.70	74	5.67	85	8.51
53	2.70	64	3.85	75	5.82	86	8.99
54	2.78	65	4.00	76	5.98	87	9.55
55	2.86	66	4.17	77	6.17	88	10.21
56	2.94	67	4.35	78	6.36	89	10.99
57	3.03	68	4.55	79	6.58	90	11.92
58	3.13	69	4.76	80	6.82	91	13.06
59	3.23	70	5.00	81	7.08	92	14.49
60	3.33	71	5.28	82	7.38	93	16.34

**NOTE: THE MINIMUM ANNUAL WITHDRAWAL FORMULA FOR THE RRIF IS ALSO USED TO CALCULATE THE MINIMUM ANNUAL WITHDRAWAL FOR A LIF, PRRIF AND VB PAYMENTS AFTER AGE 71.**

#### *Is there a minimum annual withdrawal for the RRIF?*

The Income Tax Act sets the minimum annual withdrawal for the RRIF (see chart above). You don't have to withdraw money in the calendar year in which you open the RRIF, but after that you must withdraw at least the minimum, which can be based on your age or your spouse's age.

#### *How much income will I receive from my RRIF each year?*

As long as you take out at least the minimum each year, you can set up your RRIF to pay you whatever amount you want. However, once your money in the RRIF is used up, that's it!

#### *Can I make lump sum withdrawals from a RRIF?*

Yes, subject to any investment restrictions imposed by the issuing financial institution.

### *Can the payments from a RRIF be stopped?*

Yes, until you are age 71 and after you have withdrawn at least the required minimum for the year, you can convert your RRIF to an RRSP.

### *What happens to the money in my RRIF when I die?*

If you have a surviving spouse at the time of your death, and if he/she is named as the beneficiary of your RRIF, the RRIF rolls over to your spouse. If you do not name your spouse as beneficiary (or if your spouse has pre-deceased you) the RRIF is paid as a taxable lump sum to your estate or named beneficiary(ies).

### *What are some important points to keep in mind about RRIFs?*

- ❑ A RRIF may not provide lifetime income for you (or your spouse).
- ❑ The RRIF offers flexibility. Other than withdrawing at least the “annual minimum payment” each year, you may choose your payment plan. You can also make lump sum withdrawals.
- ❑ You direct and control the investment of your funds.
- ❑ If the investments in your RRIF do well, your payments may be higher or last longer than anticipated. However, the opposite holds true if your investments do poorly.
- ❑ Once you pass away, the funds remaining in your RRIF would roll over to your spouse, or be paid as a taxable lump sum to your estate or named beneficiary(ies).
- ❑ If your retirement plan requires that your RRIF provide for a certain level of income for a certain length of time or last for your lifetime (and your spouse's), **you must monitor the performance of your investments and control your withdrawals.**

### **C. ONE-TIME 50% UNLOCKING OPTION**

As a Manitoba member, you have a one-time option to transfer up to 50% of your locked-in pension funds into a Prescribed RRIF (PRRIF). The PRRIF option will give you more flexibility and control over this portion of your pension funds, as there is no maximum annual withdrawal limit. Thus, as long you withdraw the RRIF minimum each year, you can withdraw whatever amount you like from your PRRIF.

To qualify for this option, you must be at least age 55 and your spouse (if applicable) must sign the appropriate consent form. This option is available for the funds that you have in a LIF and/or your locked-in funds in the CSS Pension Plan. In other words, you have a one-time option to “unlock” 50% of the funds you have in a LIF and your locked-in funds in the Pension Plan.

To “unlock” up to 50% of your locked-in funds in the Pension Plan, in addition to being at least age 55, you must no longer be contributing to the Plan.

When “unlocking” up to 50% of your locked-in funds in the Pension Plan, the “unlocked” funds must be transferred out to a PRRIF with a financial institution. If you wish, these “unlocked” funds in the PRRIF could be transferred back to the Plan for VB payments (not subject to a maximum annual spending limit).

## **D. CHOOSING**

The choices you make will depend on your objectives, your personal situation, and the economic environment.

The decision on how to use the funds in your CSS pension account is a far-reaching one, which concerns others besides yourself. Below you will find some basic factors to consider. Not all of them may apply to your situation.

**What is your objective for the pension funds?** If having a stable income for the rest of your life is important to you, then a pension from the CSS Pension Plan would be an appropriate choice. Also, if you don't want the worry of managing your pension funds, a pension from the CSS Pension Plan would free you from that responsibility. If leaving your unused pension funds to your heirs is very important to you, then VB payments, or a LIF/PRRIF/RRIF may be the best option for you. However, you must be willing to manage your pension funds, and accept fluctuations in your income.

If you would like a stable income and also like to leave some money to your heirs, then a combination of a CSS pension along with VB payments or a LIF/PRRIF/RRIF may be the way to go.

**What is your tolerance for risk?** With a monthly pension from the CSS Pension Plan, you receive the same amount of monthly income for the rest of your life regardless of what happens to investment rates.

If you choose a CSS pension, be aware that the long-term interest rate environment on your starting date has a direct effect on the amount of your monthly payment.

Once you start your CSS pension, your payment will not increase if long-term interest rates increase in the future.

Neither will your payment decrease if long-term interest rates decrease.

A LIF/PRRIF/RRIF can also provide a relatively stable income if the investment is a guaranteed fixed rate type of investment, such as a 5-year GIC/Term Deposit. Under this type of investment, your interest rate (i.e., investment return) is guaranteed for 5 years, so your income will be relatively stable for this period of time.

However, when this investment matures in 5 years, you have to re-invest the money at the interest rates in effect at that time. Also, because GICs are low-risk, they do not pay a very high interest rate.

**With VB payments or a LIF/PRRIF/RRIF you bear the investment risk.** If the investments do poorly, your income will fall or the payments may not last as long as anticipated. However, on the other side of the coin, you will benefit from good investment returns.

Taking on investment risk could allow you to protect some or all of the purchasing power of your retirement income. History suggests that, over the long-term, investing in equities (i.e., stocks) can be a good strategy to hedge against inflation. VB payments and LIF/PRRIF/RRIF will allow you to invest in equities. Inflation will gradually erode the purchasing power of a CSS pension.

With VB payments or a LIF/PRRIF/RRIF there is the risk you (and your spouse) may not have enough income in your later years. Making sure the pension funds provide enough income for your life (and your spouse's) will require lots of self-discipline, careful planning, and monitoring. Current statistics say that approximately one out of every four Canadians will live to age 90!

**If you think that long-term interest rates are low now and predict they will increase in the future<sup>8</sup>**, you may not want to set up CSS pension or an annuity now. However, you may need to convert your pension funds to a retirement income. VB payments or a LIF/PRRIF/RRIF would allow you to delay converting your pension funds to a CSS pension or a Life Annuity while still receiving a retirement income.

**What if you are not fully or permanently retiring?** If you will have employment income and a pension, you may be concerned that you may have more income than you need. With VB payments or a LIF/PRRIF/RRIF, you can adjust your income, as long as you take at least the required minimum amount. As mentioned earlier, you may also stop VB payments or a LIF/PRRIF/RRIF altogether if you are less than 71.

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<sup>8</sup> Generally, if inflation is stable there will be little or no change in interest rates. However, if inflation increases substantially interest rates will usually increase too (the opposite is usually true if inflation decreases).

## **E. FORMS**

### **TO START A CSS PENSION:**

About three months before you want your pension to start, you should contact the CSS Pension Plan for a set of Pension Projections and the necessary forms for completion and return.

### **TO START VB PAYMENTS:**

About three months before you want to start VB payments, you should contact the CSS Pension Plan for the necessary forms for completion and return.

### **TO TRANSFER FUNDS TO A LIFE ANNUITY, LIF, RRSP OR RRIF:**

Please contact the CSS Pension Plan for the necessary forms for completion and return.

### **TO EXERCISE THE ONE-TIME 50% UNLOCKING OPTION:**

The forms to transfer up to 50% of your locked-in funds in the CSS Pension Plan into a PRRIF are available from the Pension Plan.

*If you will be transferring funds out of the CSS Pension Plan, please note the following:*

*Upon receipt of all properly completed documents, the CSS Pension Plan will send your pension funds (by regular mail) to the financial institution issuing your Life Annuity, LIF, RRSP or RRIF. If you and/or the financial institution want to have your pension funds sent by courier, at your/their expense, prior arrangements must be made with the Pension Plan.*

## F. ILLUSTRATIONS

The Charts below are designed to illustrate some of your options. Your actual CSS pension payments, VB payments, and/or LIF/RRIF payments will vary from the amounts indicated here. Your retirement income will depend on the amount of your pension funds, your personal situation, and the rates of return.

### **Chart 1: Examples of CSS Monthly Pensions**

The chart below is based on \$100,000 of pension funds, and a pension conversion/annuity rate (long-term interest rate factor) of 3.0%. (The CSS Pension Plan's 4-year average pension conversion rate at December 2017 was 3.0%)

<b>AMOUNT OF MONTHLY PENSION STARTING AT VARIOUS AGES (\$100,000 OF PENSION FUNDS)*</b>			
<b>Pension Type</b>	<b>Age 55</b>	<b>Age 60</b>	<b>Age 65</b>
Single Life, 10 Year Guarantee	\$437.06	\$482.27	\$540.39
Single Life, 15 Year Guarantee	\$431.89	\$471.62	\$519.80
Joint & Last Survivor, 75% Spousal Benefit, 10 Yr Guarantee	\$402.24	\$438.47	\$486.87
Joint & Last Survivor, 75% Spousal Benefit, 15 Yr Guarantee	\$400.91	\$435.452	\$480.20
Joint & Last Survivor, 100% Spousal Benefit, 10 Yr Guarantee	\$391.84	\$425.59	\$471.31
Joint & Last Survivor, 100% Spousal Benefit, 15 Yr Guarantee	\$391.54	\$424.59	\$468.31

\*This chart is for illustrative purposes only. Your actual monthly pension starting at age 55, 60 or 65 will be different than the amounts shown in the chart. The Joint & Last Survivor amounts assume that the pensioner and spouse are the same age.

Observations:

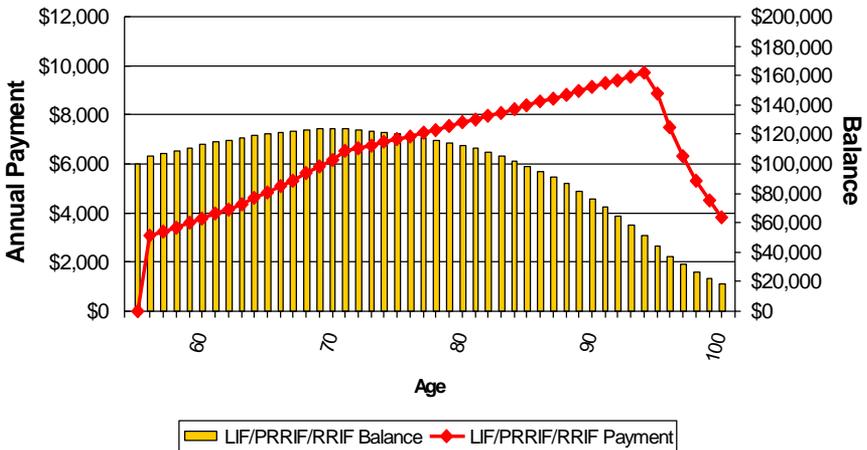
- ❑ A Single Life pension pays a higher monthly amount than a Joint & Last Survivor pension.
- ❑ The longer the guarantee period, the lower the monthly pension.
- ❑ The higher the Spousal Benefit coverage for the spouse, the lower the monthly pension.
- ❑ All other factors being equal, the older you (and your spouse) are when you start your pension, the higher will be your monthly pension.

## Chart 2: LIF/PRRIF/RRIF Minimum

The chart below illustrates the LIF/PRRIF/RRIF minimum annual withdrawal and also the balance in the

# Minimum Annual Withdrawal

(Based on \$100,000 and 5% rate of return)



LIF/PRRIF/RRIF at the start of each year. It is based on a deposit of \$100,000 at Age 55 and a rate of return of 5%, (for December 2017 the 5-year GIC rate is about 2.5%). This illustration assumes that the 5% rate of return continues for the duration.

### Observations:

- No payment is required in the first year.
- For many years, the minimum annual withdrawal increases each year as the LIF/PRRIF/RRIF owner gets older, then it eventually starts to decrease slightly until age 95 when it starts to drastically decrease.

- The balance in the LIF/PRRIF/RRIF actually increases for a number of years, provided that only the minimum annual amount is withdrawn.
- The LIF/PRRIF/RRIF continues for the lifetime of the owner, even if the owner lives beyond Age 100.

### Chart 3: VB Minimum-Specified-Maximum

The charts below illustrate the monthly VB minimum, maximum for MB members, a specified payment of \$500.00 monthly, as well as the estimated funds remaining in the VB account for each payment illustration. It is based on an account balance of \$100,000 at Age 60 and a rate of return of 5%, (for December 2017 the 5-year GIC rate is about 2.50%). This illustration assumes that the 5% rate of return continues for the duration.

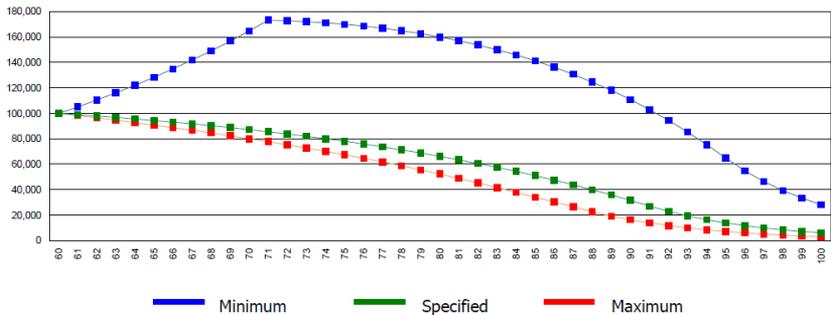
Note that the VB minimum does not start until age 71. This is different than the LIF/PRIF/RRIF minimum which starts the second year (see Chart 2 on previous page). The maximum for VB payments and LIFs are the same.

#### Estimated Monthly VB Payments Starting January 2018 .

Age	Date	Minimum		Specified		Maximum	
		Payment	Balance	Payment	Balance	Payment	Balance
60	January 2018	\$0	\$100,000	\$500	\$100,000	\$558	\$100,000
61	January 2019	\$0	\$105,117	\$500	\$98,988	\$556	\$98,277
65	January 2023	\$0	\$128,356	\$500	\$94,411	\$544	\$90,756
70	January 2028	\$0	\$164,753	\$500	\$87,238	\$527	\$80,078
71*	January 2029	\$763	\$173,207	\$500	\$85,586	\$524	\$77,727
75	January 2033	\$825	\$169,963	\$500	\$78,044	\$511	\$67,471
80	January 2038	\$910	\$160,020	\$500	\$66,228	\$501	\$52,301
85	January 2043	\$1,003	\$141,295	\$500	\$51,062	\$455	\$34,136
90	January 2048	\$1,101	\$110,795	\$500	\$31,598	\$272	\$16,334
95	January 2053	\$1,081	\$64,848	\$232	\$13,950	\$118	\$7,139
100	January 2058	\$471	\$28,237	\$101	\$6,105	\$52	\$3,146

\* First year in which the minimum payment must be taken

#### Estimated Funds Remaining by Age



### Observations:

- ❑ No payment is required until after turning age 71.
- ❑ For many years, the minimum annual withdrawal increases each year as the member gets older, then it eventually starts to decrease slightly until age 95 when it starts to drastically decrease.
- ❑ The balance in the VB account actually increases for a number of years, provided that only the minimum annual amount is withdrawn.
- ❑ If the maximum monthly payment is taken each year, the payments are drastically reduced by age 90.
- ❑ As shown in the Specified column, if you want the funds to not drastically reduce by age 90, you must withdraw less than the maximum each year.

## G. DEFINITIONS

### SPOUSE

#### Manitoba

"common-law partner" of a member or former member means: (a) a person who, with the member or former member, registered a common-law relationship under section 13.1 of The Vital Statistics Act, or (b) a person who, not being married to the member or former member, cohabited with him or her in a conjugal relationship (i) for a period of at least three years, if either of them is married, or (ii) for a period of at least one year, if neither of them is married;

"spouse" of a person means the individual who is married to that person.

### LOCKED-IN RETIREMENT ACCOUNT (LIRA)

It is sometimes referred to as a "locked-in" RRSP, which is a "special" RRSP for locked-in pension funds.

### MUTUAL FUND

Is a pool of money from a large number of individuals, to be invested on their behalf by professional money managers, into specific types of investments, such as common shares (i.e., equities), mortgages, bonds or money market instruments, or invest in a combination of investments such as common shares and bonds (balanced mutual funds).

*If you have any questions or want more information about your options, please do not hesitate to contact the Pension Plan's office. Or, you can set up a personal visit to discuss your options (please call in advance to arrange an appointment).*

The information in this booklet is designed to give members a better understanding of the retirement income options for their funds in the CSS Pension Plan. This booklet is not intended to replace the official Bylaws, Rules & Regulations of the CSS Pension Plan, nor provincial and federal legislation governing funds in registered pension plans. The CSS Pension Plan does not intend the information in the booklet to be relied upon as professional advice, and expressly disclaim any liability for its contents. You may wish to consult professional advisors to help determine the consequences of the retirement income options available for your pension funds (some of which are not reversible).

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