
PEPP *Talk* . . .

on Annuities From SPAF

This issue of PEPP Talk provides members of the Public Employees Pension Plan (PEPP) with information on annuities from the Saskatchewan Pension Annuity Fund (SPAF). SPAF is a fund established to underwrite annuities for PEPP members.

Introduction

PEPP is a defined contribution (money purchase) pension plan. When you retire, you use your PEPP account to provide retirement income by purchasing one or more of the following retirement income products:

- a Variable Pension Benefit (VPB) from PEPP;
- a life annuity from the Saskatchewan Pension Annuity Fund (SPAF);
- a life annuity from an insurance company; or
- a prescribed Registered Retirement Income Fund (pRRIF) from a financial institution as prescribed under *The Pension Benefits Act, 1992*.

SPAF annuities provide a consistent stream of income. You don't have to worry about *outliving* your money as the monthly income is guaranteed for your lifetime and your spouse's lifetime (if you purchase a joint life annuity). Annuities provide stable income because the issuer of the annuity assumes all of the investment risk. Your income remains fixed regardless of how investments are doing.

When you purchase an annuity, you enter into a binding annuity contract. The contract will state the options you have selected. These options *cannot* be modified by you or SPAF. You cannot change your mind or alter the terms of the contract.

The amount of your monthly annuity payment is determined by:

- the type of annuity you purchase (single or a joint life annuity);
- the guarantee period you choose (life-only, 5, 10 or 15-year guarantee);
- the survivor benefits you choose (100%, 75%, 66 2/3% or 60%) – the greater the benefit you leave to your spouse in the event of your death, the lower your payment will be;
- the amount used to purchase the annuity – the more money you use to purchase the annuity, the higher your payment will be;

- your age (and the age of your spouse if you purchase a joint life annuity) at the time you purchase the annuity – the older you and your spouse are at the time the annuity begins, the higher your payment will be; and
- the current market and interest rate environment – the higher the interest rate environment, generally, the higher your payment will be.

All income from a pension is taxable.

You may transfer all or part of your PEPP account to SPAF. SPAF will then make payments to you at the end of every month based on the terms of your contract. You will receive these monthly payments for your lifetime, no matter how long you live.

Beneficiaries

When you purchase an annuity with a guarantee period you may designate a beneficiary(ies) to receive any remaining benefits in the event of your death and your spouse's death (joint life annuity only). If you do not designate a beneficiary(ies), benefits will be paid to your estate.

If you have a spouse at the time you purchase an annuity, that person will receive the survivor benefit unless your spouse waives the right to survivor benefits and you have chosen a single life annuity. If your spouse waives the right to survivor benefits, you may name anyone you wish as your beneficiary. PEPP must be confident that your spouse is fully aware of the rights he/she is waiving. Your spouse must complete the *Spouse's Consent and Waiver of Post-Retirement Survivor Benefits* form. This form must be signed outside the immediate presence of the member and witnessed by a Notary Public or Commissioner for Oaths in and for Saskatchewan. Contact PEPP to request an issue of PEPP *Talk* on *Waiver of Spousal Benefits* or visit our website at pepp.peba.ca to download a copy.

If you do not have a spouse at the time you purchase an annuity, you may purchase a single life annuity with or without a guarantee period. You may designate one or more beneficiaries to receive survivor benefits in the event of your death. If you enter into a spousal relationship after purchasing an annuity you *cannot convert* the single life annuity contract to a joint life annuity contract.

Definition of 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 immediately resumes being your spouse if you resume living together in a conjugal relationship.

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

Survivor Benefits

Annuities provide survivor benefit options in the event of your death. The amount is calculated as a percentage of the monthly pension you were receiving. You can choose from 100%, 75%, 66 2/3% or 60%. These benefits are paid after your death to your spouse.

Guarantee Period Options

Annuities offer guarantee period options. This benefit is stated as a minimum number of equal payments.

Annuities from SPAF offer a life-only, a 5-year, 10-year, or a 15-year guarantee option.

Life-only Guarantee once the member and spouse (if applicable) are deceased, no further payments are made.

Single Life	the member will receive monthly payments for his/her lifetime. Once the member dies all payments stop and no further benefits are paid.
Joint Life	the member will be paid for his/her lifetime. When the member dies the surviving spouse will be paid at the survivor rate chosen until his/her death. Once both member and spouse are deceased all payments stop and no further benefits are paid.

5-year Guarantee

Guarantees that at least 60 monthly payments (12 monthly payments over 5 years) will be made.

In the event of the member's death:

Single Life	Payments will continue to your estate or beneficiary until all 60 payments have been made. An estate may make an application for a lump-sum payment equal to the present value of the remaining guarantee period payments.
Joint Life	Payments to your surviving spouse continue at 100% of your monthly annuity payment for the remainder of the guarantee period. After the 5-year guarantee period, your spouse receives the lifetime survivor benefit payments regardless of how long he/she lives (based on the survivor benefit chosen). If your spouse also happens to die during the guarantee period, payments continue to your beneficiary until all 60 payments have been made. If the beneficiary is an estate, and you die during the guarantee period an application may be made by the estate for a lump-sum payment equal to the present value of the remaining payments.

10-year Guarantee

Guarantees that at least 120 monthly payments (12 monthly payments over 10 years) will be made.

In the event of the member's death:

Single Life	Payments will continue to your estate or beneficiary until all 120 payments have been made. An estate may make an application for a lump-sum payment equal to the present value of the remaining guarantee period payments.
Joint Life	Payments to your surviving spouse continue at 100% of your monthly annuity payment for the remainder of the guarantee period. After the 10-year guarantee period, your spouse receives the lifetime survivor benefit payments regardless of how long he/she lives (based on the survivor benefit chosen). If your spouse also happens to die during the guarantee period, payments continue to your beneficiary until all 120 payments have been made. If the beneficiary is an estate, and you die during the guarantee period an application may be made by the estate for a lump-sum payment equal to the present value of the remaining payments.

15-Year Guarantee

Guarantees that at least 180 monthly payments (12 monthly payments over 15 years) will be made.

In the event of the member's death:

Single Life	Payments will continue to your estate or beneficiary until all 180 payments have been made. An estate may make an application for a lump-sum payment equal to the present value of the remaining guarantee period payments.
Joint Life	Payments to your surviving spouse continue at 100% of your monthly annuity payment for the remainder of the guarantee period. After the 15-year guarantee period, your spouse receives the lifetime survivor benefit payments regardless of how long he/she lives (based on the survivor benefit chosen). If your spouse also happens to die during the guarantee period, payments continue to your beneficiary until all 180 payments have been made. If the beneficiary is an estate, and you die during the guarantee period an application may be made by the estate for a lump-sum payment equal to the present value of the remaining payments.

All survivor/death benefits paid are taxable on receipt.

SPAF Options

Single Life Annuity

A single life annuity provides monthly annuity payments for your lifetime.

In the event of your death:

- a single life annuity with a life-only guarantee period option - all payments stop.
- a single life annuity plus a 5, 10 or 15-year guarantee period provides a benefit to your beneficiary(ies) equal to a monthly payment for the remainder of the guarantee period.

When you purchase an annuity, you enter into a contract that cannot be altered. If you do not have a spouse at the time you purchase an annuity or if your spouse waives the right to the survivor benefits, you may purchase a single life annuity. If you enter into a spousal relationship after purchasing an annuity, you cannot convert your single life annuity to a joint life annuity. However, you may amend your beneficiary(ies) at any time.

Single life annuity example:

Carol has no spouse and purchases a single life annuity with \$500,000 from her PEPP account. Carol has named her son, Jack, as her beneficiary.

Guarantee Period Options	Carol's Monthly Benefit for Life	Jack's Benefit (in the event of Carol's death)		How the Single Life Annuity Works ...
		During Guarantee Period	After Guarantee Period has Lapsed	
life-only	\$2,509	n/a	n/a	Carol chose the 15-year guarantee period. Carol would receive \$2,319/month for her lifetime. In the event of her death before the 15-year guarantee period lapses, Jack would receive \$2,319/month for the remainder of the guarantee period. After the guarantee period has lapsed, Jack would receive no further payments. If Carol had chosen the life-only guarantee there would be no further payments after her death.
5-year	\$2,495	\$2,495	No further payment made	
10-year	\$2,429	\$2,429	No further payment made	
15-year	\$2,319	\$2,319	No further payment made	

Joint Life Annuity (two lives)

A joint life annuity provides monthly annuity payments for your lifetime; if you pass away, payments will begin for your spouse and continue for his/her lifetime.

Pension Legislation requires that if you have a spouse and wish to purchase an annuity you must purchase a joint life annuity with at least a 60% survivor benefit unless your spouse signs a *Spouse's Consent and Waiver of Post-Retirement Survivor Benefits* form.

When you purchase a joint life annuity from SPAF you have the option to leave your spouse a survivor benefit equal to:

- 100% of your annuity payment;
- 75% of your annuity payment;
- 66 2/3% of your annuity payment; or
- 60% of your annuity payment.

The survivor benefit you choose will have a direct impact on the amount that you will receive as a monthly benefit.

You also have the option to add a guarantee period - life-only, 5, 10 or 15-year guarantee period. In the event of your death:

- with a life-only guarantee period option - your spouse receives a lifetime survivor benefit based on the joint life annuity option stated in your contract (100%, 75%, 66 2/3% or 60%). Payments stop entirely after your spouse dies.

- with a 5, 10 or 15-year guarantee period option if you die during the guarantee period, your surviving spouse continues to receive 100% of your monthly annuity payment for the remainder of the guarantee period. After the guarantee period has lapsed, payments change to the lifetime survivor benefit rate stated in your contract. *When you purchase an annuity, you enter into a contract that cannot be altered.* Survivor benefits are only payable to the spouse you have on the purchase date of the annuity contract. If you enter into a new spousal relationship after the annuity is purchased, the survivor benefits do not extend to your new spouse. If you dissolve your spousal relationship after the annuity is purchased, the survivor benefits remain payable to your former spouse.

Joint life annuity example:

John retires and purchases a joint life annuity from SPAF with \$500,000 from his PEPP account. John has a spouse named Marsha.

Guarantee Period Options	Monthly Benefit Paid to	Joint Life Annuity Options				How the Joint Life Annuity Works ...
		100%	75%	66 2/3%	60%	
life-only	John (for life)	\$2,087	\$2,179	\$2,211	\$2,237	John chose the 10-year guarantee period and a 75% survivor benefit option. John would receive \$2,162 month for his lifetime. In the event of his death before the 10-year guarantee period lapses, Marsha would receive \$2,162/month for the remainder of the guarantee period. Then Marsha would receive \$1,622/month for her lifetime. In the event of John's death after the guarantee period lapses, Marsha would receive \$1,622/month for her lifetime. If John had chosen the life-only guarantee there would be no further payments after both John and Marsha's death.
	Marsha (in the event of John's death)	\$2,087	\$1,634	\$1,474	\$1,343	
5-year	John (for life)	\$2,091	\$2,179	\$2,210	\$2,235	
	Marsha (in the event of John's death and after the 5-year guarantee period lapses)	\$2,091	\$1,634	\$1,473	\$1,341	
10-year	John (for life)	\$2,085	\$2,162	\$2,189	\$2,210	
	Marsha (in the event of John's death and after the 10-year guarantee period lapses)	\$2,085	\$1,622	\$1,459	\$1,326	
15-year	John (for life)	\$2,069	\$2,126	\$2,145	\$2,162	
	Marsha (in the event of John's death and after the 15-year guarantee period lapses)	\$2,069	\$1,595	\$1,431	\$1,297	

Which Annuity Option is Best For Me?

Many factors enter into your retirement planning decisions, including which retirement option is best for you. Annuities have many options and each option provides different income levels and different benefits. You also have the option to purchase annuities from outside financial institutions. We encourage you to get an annuity estimate from SPAF for comparative purposes.

It is your responsibility to seek financial advice prior to making any retirement decision. If you would like to discuss annuity options and features please call PEPP to speak to a pension information officer. We also have Certified Financial Planner professionals on staff who can help you evaluate your personal situation so you can decide which retirement option is best for you.

Other PEPP Talks that may interest you:

- **Waiver of Spousal Benefits**
provides general information on waiving the spousal entitlement to benefits
- **Breakdown of Spousal Relationships**
provides beneficiary and benefit information pertaining to the breakdown of a spousal relationship
- **Designation of Beneficiary**
provides information on naming/changing your beneficiary(ies) and the different types of beneficiary(ies).

PEPP Talks are available on our website.

Questions

For further information regarding annuities from SPAF, contact:
Public Employees Pension Plan (PEPP)
c/o Public Employees Benefits Agency (PEBA)
110 – 1801 Hamilton Street
Regina SK S4P 4W3

Phone: 306-787-5442 in Regina or toll-free at 1-877-275-7377
FAX: 306-787-0244
Email: pepp@peba.gov.sk.ca

The information contained in this issue of PEPP Talk does not replace or supersede *The Public Employees Pension 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 home page pepp.peba.ca

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