

## New feature

# Variable Benefits from RRTAP

**The Retirement Committee is pleased to announce the implementation of a benefits disbursement system built into RRTAP that allows eligible members to receive variable annual benefits from their account associated with the prior defined contribution component or from their voluntary contribution account, as applicable.**

This allows you to leave all pension entitlements accumulated in these RRTAP pension fund accounts and receive retirement income, while your investments continue to grow by remaining invested, in compliance with the plan's investment policy. This retirement income is paid in a single lump sum payment each year, until the balances are exhausted, based on terms and conditions that are similar to a life income fund (LIF) for a locked-in plan or a registered retirement income fund (RRIF) if your entitlements are not locked-in. The main benefits of this system are as follows: access to professional investment management (Caisse de dépôt et placement du Québec) and reduced management fees, compared to other similar disbursement products for individuals. The terms and conditions for variable benefits from RRTAP follow:

- 1 This option is available to members who have reached the age of 50 and who have non-active member status, as they are no longer active members as defined under RRTAP provisions.
- 2 You will receive one payment per year. For the year in which you enrol in the disbursement system, payment is made within 60 days of receiving your duly completed documents. Payments for subsequent years are made in June. Once started, payments cannot be interrupted for a specific year, except under certain conditions to allow members to renew their enrolment in RRTAP following a return to work.
- 3 If the balance in your account associated with the defined contribution component is locked-in at the time of your termination in the plan, the RRTAP must apply the rules of the Income Tax Act, which sets a minimum withdrawal amount, and the Supplemental Pension Plans Act, which sets a maximum withdrawal amount. These amounts are determined annually based on your age, the balance in your variable benefits account and a factor set out in each of the laws.
- 4 If the balance in your account associated with the defined contribution component is not locked-in at the time of your termination in the plan or if the balance is held in your voluntary contributions account, the RRTAP must apply the rules of the Income Tax Act, which sets a minimum withdrawal amount. This amount is determined annually based on your age, the balance in your variable benefits account and a factor set out in this same law. No maximum is applicable in this situation.

5 For the minimums set out in points 3 and 4, you can use your spouse's age if he or she is younger than you to reduce the minimum amount of your annual withdrawal. **This option is only available at the time of enrolment in the payment system** and it remains in effect as long as your variable benefits account is active. You must indicate this option on the payment system enrolment form.

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6 The assets in your variable benefits account will be maintained in the RRTAP fund and invested based on the parameters set out in the investment policy. This document is available on the RRTAP website.

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7 At the time of your retirement and in each subsequent year, we will send you a statement and a form to specify the amount you wish to receive for the year in question. This amount cannot be less than the minimum or greater than the prescribed maximum. These limits will be identified in the statement.

**The amounts shown in the statement sent in the year in which you retire are estimated amounts. The actual amounts will be calculated on the date your variable benefits account is opened.** As such, if you select the maximum amount allowed, the amount paid to you could be slightly less than the amount shown on the statement.

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8 Only one payment can be made each year from your variable benefits account, and **no retroactive amounts** can be paid for a previous year. This means that, to receive your first payment in the year in which you retire, we must receive all duly completed and signed documents by November 30 of the current year to ensure you receive a first payment before the end of the year. If this time period is exceeded, you will receive your first payment at the beginning of the following year, and no further payments will be made in that year.

For example, let's use November 1, 2019, as a retirement date. If you wish to receive your first payment in 2019, we must receive all documents by the latest November 30, 2019, even if you have 90 days to send your selection back to us. Otherwise, you will receive your first payment in 2020 and this will be the only payment made to you in 2020. If you retire on December 1 this year, your first payment will be for the following year.

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9 If the amount you withdraw is greater than the minimum amount identified in points 3 and 4, taxes will be withheld at source on the portion exceeding the minimum amount only. This means that if you choose to withdraw only the minimum amount, taxes will not be withheld at source. However, each annual payment is taxable and is added to your income for the year. As a result, the withholding tax rate may be higher or lower than the effective tax rate that will apply to your income for the year. The correct amount of tax payable will be determined when filing the tax return for the year the payment is made.

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10 You can terminate your participation in the payment plan at any time and transfer the balance of your variable benefits accounts to your preferred financial institution. If at the time of the transfer your annual payment has already been made, you need to inform your financial institution so they can advise you of the implications.

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# FREQUENTLY ASKED QUESTIONS

## **Can I change the annual withdrawal amount from year to year?**

Yes. Each year, you will receive a statement in which you can indicate the amount you wish to receive for the current year. This amount must comply with the prescribed minimum and maximum amounts.

## **What happens if I don't send the documents setting my amount for the year within the time limit?**

If we do not receive a response from you within the time limit, you will be considered to have opted to receive the same amount as the year before. However, -it may have to be adjusted to meet the minimum and maximum values applicable for the current year. You will have to wait until next year to change the amount you wish to receive in the future.

## **Can I use my spouse's age to determine the minimum withdrawal amount if I have already started receiving benefits?**

No. You can only choose this option at the time of your enrolment in the disbursement system. No subsequent changes can be made.

## **Can I receive monthly payments instead of annual payments?**

Monthly payments or other payment frequencies are not available, only annual payments can be made.

## **Can I withdraw the balance of my variable benefits account if I want to transfer my assets to another financial institution?**

Yes. If the RRTAP payment option no longer meets your needs, you can request to transfer out of the plan.

## **Why doesn't the amount deposited in my account match the annual payment amount I requested?**

There are two reasons to explain this situation.

On one hand, if this is your first payment and you elected to receive the maximum amount allowed, since your statement shows an estimate of the maximum amount you can withdraw (see point 7 above), the maximum amount must be reassessed at the time of payment. If the maximum estimated on this date is less than the amount shown on your retirement statement, you will receive less than the amount shown on your statement.

On the other, whether for your first payment or any subsequent payment, if the amount you requested exceeds the minimum withdrawal, the excess amount is subject to withholding taxes, and the amount deposited to your account is therefore less than the amount you requested.

## **When will I receive my statement to determine my annual withdrawal for the year?**

Your statement will be sent by March 31 of the current year. This statement shows the balance in your variable benefits account and the minimum and maximum withdrawal amounts to help you determine the amount you wish to withdraw for the year.

## **Can I transfer funds from an RRSP or RRIF to my RRTAP account?**

No. Additional amounts from outside the RRTAP cannot be transferred to your variable benefits account.

## **What happens if I die?**

If you have an eligible spouse who has not waived his or her rights under this plan, the balance is payable to your spouse as a death benefit. If there is no spouse or if your spouse has waived his or her rights, the balance is payable to your designated beneficiary or, in the absence of a designated beneficiary, to your estate.

### **Questions?**

For more information, please contact our Client Contact Centre at 1 866 874-4069, from 8:30 a.m. to 5:00 p.m., Monday to Friday. We will be happy to answer any questions you may have.

