# Purchasing additional pension

caat PENSION PLAN | DBplus

## Is this pamphlet for you?

This pamphlet is for you if you are earning a pension under DBplus, or considering joining DBplus.

*A detailed legal description of the provisions of the Plan can be found in the Plan Text, which can be downloaded from our website. Should the information in this booklet, on our website, or any other source differ from the Plan Text, the Plan Text will govern.*

***Effective January 1, 2020***

In DBplus, members who worked for an employer with a Canadian registered pension plan, including a defined contribution plan, can purchase additional pension in DBplus.

Purchasing additional pension is optional and the decision is a personal one.

Take this booklet to your financial adviser to see if a purchase is right for you.

# Secure defined benefits you can count on

With a DBplus defined benefit pension from the CAAT Pension Plan, you can rely on a lifetime pension when you retire, without having to worry about complex investments, market downturns, or outliving your savings. With DBplus, you will enjoy the defined benefit pension features Canadians want.

- **A pension that grows while you work** – You're earning a pension that's based on your annual contributions (which your employer matches dollar for dollar). Plus, while you're working, the pension you have earned grows each year with conditional increases based on the average industrial wage (AIW), which reflects general wage growth.

- **The option to retire when the time is right for you** – Your DBplus pension includes the option to retire as early as age 50, or as late as age 71. So long as you are working and contributing, your pension continues to grow.

- **Inflation protection in retirement** – When you retire, your DBplus pension, including any pension you have purchased, continues to grow annually with conditional inflation protection increases to help offset the impact of inflation.

- **A lifetime survivor pension for your spouse** – Survivor benefits are provided at no additional cost – and they include inflation protection increases. In the rare case of a death before retirement, more options are available (see page 12 for details).

In addition to these valuable features, you also have the option to purchase additional pension using funds you may already have in your registered retirement savings accounts. Read on to learn how.

# Bringing more to a valuable benefit

Under DBplus, you can purchase additional pension for periods of employment during which you were a member of a registered pension plan or contributed to a registered retirement savings account.

Purchasing additional pension helps you maximize your retirement income, and increase your monthly pension payments. It also allows you to consolidate your past retirement accounts, so you can collect your monthly pension payments from one secure source.

Any pension you purchase while contributing to DBplus is treated as a DBplus pension, and becomes part of your total lifetime pension. That means it grows throughout your membership as it receives conditional AIW enhancement increases each year while you work, and receives conditional inflation protection increases when you retire.

And, whether you are working or retired, your DBplus pension, including the purchased pension, always includes a survivor benefit at no additional cost.

Best of all, with your purchase, you receive a larger pension from one secure source in retirement.

# How much pension will you get?

In DBplus, purchases are treated like contributions. You make a lump sum contribution for the period you are purchasing. Unlike regular contributions to DBplus, your employer does not contribute for your purchase.

The CAAT Plan calculates the amount of pension you would receive as a result of the purchase, using the DBplus pension formula and the purchase adjustment factor.

**Annual purchased pension** = **8.5%* Pension adjustment factor** x **Purchase contributions (up to a maximum)** x **Purchase adjustment factor**

**Subject to the Plan's Funding Policy*

**The purchase adjustment factor** depends on the number of years you are away from normal retirement (the end of the month you reach age 65) at the date of the purchase. Specifically:

If you make your purchase when you are more than 25 years away from your normal retirement date, the purchase adjustment factor is 100%.
If you are less than 25 years from your normal retirement date, the 100% purchase adjustment factor is decreased by 1.4% per year, calculated on a day-by-day basis.

This means, the closer you are to your normal retirement date, the less pension your purchase can buy. For example, if you make a purchase when you are 20 years from normal retirement, the purchase adjustment factor will be 93% (100% - (5 years x 1.4%)). See the example on the next page.

# Is a purchase worth it?

Amanda is 40 years old and contributed to her employer's defined contribution plan for several years before joining the CAAT Plan and earning a defined bene- fit pension under DBplus.

She is excited to have the chance to build a lifetime defined benefit pension for her retirement years, and wonders if it's worth consolidating her retire- ment savings into DBplus with a purchase.

Making a pension purchase will mean a larger DBplus pension for Amanda when she retires.

## Amanda’s purchase options

Amanda has $40,000 available in her defined contribution account, which she can use to purchase additional pension in DBplus.

If Amanda makes the purchase at age 40, she would see an increase of $3,400 to her annual pension. By the time she retires at age 65, that purchased pension amount would have grown to $5,858 a year through AIW increases.

By the time Amanda reaches age 90, she would have received a total of $176,100 in additional pension payments during her 25 years in retirement, as a result of her pension purchase. This is on top of her guaranteed annual pension amount; a good return for her initial investment of $40,000.

If Amanda waits to make the purchase, she will still get great value, but she will receive a lower purchased pension as a result of waiting. In addition, there will be less time for her pension to grow with AIW increases.

This chart illustrates Amanda’s purchased pension if she were to make the purchase at age 40, age 50, and age 60.

| Age | Contribution for purchase | Purchase adjustment factor | Annual purchased pension on the date of the purchase | Annual purchased pension at age 65 | Total purchased pension payout in retirement * |
|---|---|---|---|---|---|
| **40** | $40,000 | 100% | $3,400 | $5,858 | $176,100 |
| **50** | $40,000 | 86% | $2,924 | $4,053 | $121,800 |
| **60** | $40,000 | 72% | $2,448 | $2,729 | $82,000 |

**Assumptions: DBplus Pension factor: 8.5%; AIW increases: 2.2% / year; inflation protection increases: 1.5% / year; average life expectancy of age 90*

## Amanda has choices

There's a lot for Amanda to consider before making her purchase decision.

Since the money for the purchase is already in a registered retirement savings account, she could leave it there to grow. She'll be responsible for investing the money, paying the fees and any ongoing costs. Her savings will fluctuate with the stock or financial markets – if the markets are low when she retires, her retirement income will be impacted.

However, if she uses the money to purchase additional pension in DBplus, she will be increasing her already guaranteed stream of lifetime pension payments. While she is working, Amanda's purchased pension will continue to grow each year (along with the rest of her pension) with average industrial wage increases. In retirement, her DBplus pension will receive valuable conditional inflation protection increases, and it includes survivor benefits at no extra cost to Amanda. This would provide peace of mind to both Amanda and her spouse.

Amanda won't have to worry about what markets are doing when she retires, or pay additional fees – there are no fees associated with the CAAT Plan. She can plan her retirement with confidence.

Amanda's purchase is a safe, secure way to ensure higher income at retirement, and may mean she is comfortable retiring sooner than she had originally planned.

# Things to think about before you make a purchase

Before you make your purchase, you should take some time to carefully consider if it's the right decision for you.

### You might prefer to manage your own funds if:

- You are comfortable managing your own investments and like making investment decisions.
- You enjoy researching stocks and investments, and are confident you can ensure an adequate amount for retirement.
- You anticipate having a lot of variable expenses in retirement, and need more flexibility with your income.
- You have other investments or pension plan entitlements that will supply you with enough retirement income.
- You don't need, or already have survivor benefits covered for your spouse.

## You might prefer a DBplus purchase if:

- You are uncomfortable with the risks of managing your lump sum savings yourself and don't want to have to worry about investing.
- You are concerned about having a secure retirement and would prefer the certainty of a guaranteed lifetime pension.
- Your expenses in retirement will be fairly predictable and manageable, and a regular, secure stream of income will work best for you.
- You would like to consolidate your pension plan accounts under one, secure pension plan.
- You want to ensure a survivor pension for your spouse at no additional cost.
- You want a retirement income that helps you keep up with the cost of living.

# A closer look at valuable survivor benefits

Your DBplus pension includes survivor benefits for your spouse at no additional cost to you.

### A lifetime survivor pension for your spouse

If you die while you are retired, your eligible spouse receives a lifetime pension equal to 60% of your pension or more, depending on the option you chose at retirement. Like your pension, the survivor pension continues grow with conditional inflation protection increases.

In the event that you die within the first 60 months after you retire, and you have no eligible spouse or children, your pension will be paid to your designated beneficiary for the remainder of a 60 month guarantee period beginning on the date of retirement. This ensures you and your beneficiary receive the value of your contributions.

### If you die before you retire

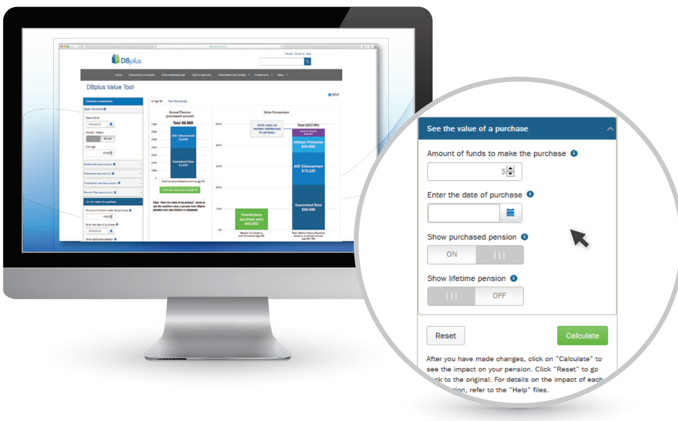
If you die before you retire, your eligible spouse is entitled to a payment equal to the commuted value of the pension you have earned. The commuted value is the amount of money that would have to be invested today, based on current interest rates, to be equivalent in today's dollars to your future pension stream.

Your spouse can take this amount as a lump sum payment. However, your spouse can also opt to either immediately start collecting the lifetime survivor pension, or defer it and start collecting it at age 65.

If you do not have an eligible spouse, there are additional survivor benefits that are payable depending on your province of employment.

# See what a purchase would mean to you

Visit dbplus.ca/join and use the DBplus Value Tool to get an estimate of the pension you could earn as a member of DBplus. Once you have that estimate, you can see the value of adding a purchase to your pension with a few simple inputs.




It may be worth it for you to consider a purchase as soon as possible. Remember, the further you are from your normal retirement date, the more pension you can purchase.

### Take note!

The maximum amount you can contribute for a purchase is limited by the *Income Tax Act*. The funds for your purchase must come from a registered retirement saving account such as an RRSP.

# Notes

Making a pension purchase in the CAAT Pension Plan could be an important step in your retirement planning.

Moving funds from your defined contribution account, for example, into DBplus is an important decision that you should take some time to make.

*We suggest you seek independent financial advice, particularly around the tax implications of any purchase.*

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