

THE ALBERTA SCHOOL BOARDS ASSOCIATION



SUPPLEMENTAL INTEGRATED PENSION PLAN (SiPP)

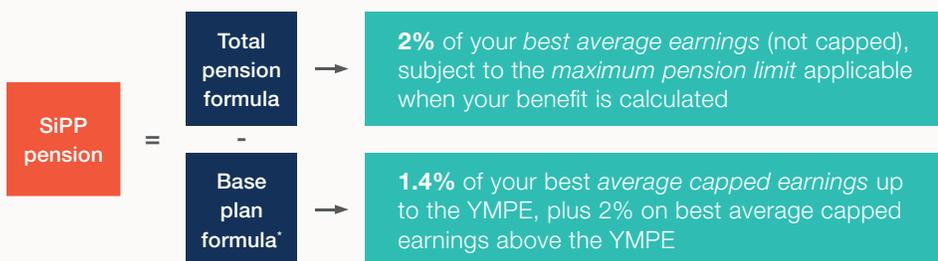
DO YOU KNOW THE BENEFITS?

Your school district is committed to providing you with a valuable and competitive pension benefit. Part of this commitment is the SiPP – a professionally managed plan that provides you with an additional income when you retire.

READ ON FOR A SUMMARY OF HOW THE SiPP WORKS AND HOW IT BENEFITS YOU!

HOW DOES THE SiPP WORK?

The SiPP tops up the pension you receive from your base plan, either the Alberta Teachers' Retirement Fund (ATRF) or the Local Authorities Pension Plan (LAPP). Like your base plan, the SiPP is a defined benefit (or "DB") pension plan – you get a guaranteed pension based on your eligible service and earnings. Your school district contributes all the money to the SiPP on your behalf. When you retire, you will get two pension payments each month: one from your base plan, and one from the SiPP. For eligible service, your SiPP pension is equal to:



CHECK YOUR STATEMENT that you receive once a year to see your latest SiPP benefit estimate. You can also request a retirement projection once a year to help you plan for retirement.

A TAX-EFFICIENT RETIREMENT PROGRAM

The SiPP has been set up to help you save for retirement in the most tax-effective way possible.

The contributions your school district makes to the SiPP on your behalf are not considered taxable income and you only pay tax when the pension is paid.

Another bonus is that there's either no or only little impact on your RRSP room – flip the page for further details!

On top of this tax-efficiency, the SiPP provides you with a secure and predictable retirement income for life, protecting you against the risk of outliving your savings.

The SiPP gives you an opportunity to boost your financial security tax-efficiently for retirement, at no cost you!

HOW MUCH COULD YOU RECEIVE?



MEET JOE

Joe has worked at his school district for 25 years, and joined the SiPP when he became eligible 8 years ago.

Joe retires in 2017 at age 60, when his best average earnings are \$200,000 a year and begins receiving his enhanced annual pension of \$3,000 from the SiPP.

This additional \$3,000 is paid for life and increases each year to keep up with increases to the cost of living.

JOE'S ANNUAL PENSION INCREASED BY \$3,000 thanks to participating in the SiPP. He will benefit from this increase for his lifetime!

***For the purpose of determining the SiPP benefit, the provisions of the base plan have been simplified, and is calculated based on the formula shown here. The Alberta School Boards Association (ASBA) has no involvement in the base plans, so there may be some differences between the actual base plan pension payable and that assumed to calculate your SiPP benefit.**

Best average earnings:

The average of your five highest consecutive years of earnings during which you earn pensionable service. If you have fewer than five consecutive years of pensionable service, your earnings are averaged over your actual period of continuous service.

Maximum pension limit:

A value set by the Income Tax Act that limits the amount of pension that can be paid from a registered plan per year of post-1991 service. To find the latest limit, please visit the Canada Revenue Agency website at <http://www.cra-arc.gc.ca>.

Year's maximum pensionable earnings (YMPE):

The maximum amount of earnings on which you can make Canada Pension Plan contributions. To find the latest YMPE limit, please visit the Canada Revenue Agency website at <http://www.cra-arc.gc.ca>.



WHEN CAN YOU RETIRE?

85 points:	You can retire with an unreduced pension when your age plus service in the base plan equals 85.
Age 65:	Your normal retirement age to receive a full pension benefit.
Age 55:	Early retirement. Your pension will be reduced if you have less than 85 points—this is because you would receive pension payments for a longer period.
Age 71:	You must start receiving your pension by December 31 of the year in which you turn 71.



DOES THE SiPP IMPACT YOUR RRSP ROOM?

Contributions to a registered pension plan (like the SiPP) normally result in a *Pension Adjustment*, which reduces the contributions you can make to your RRSP in the following year.

However, if your earnings are above the earnings cap applied in your base plan, you are already receiving the maximum *Pension Adjustment* from the base plan. In this case, participating in the SiPP doesn't impact your RRSP room – this is one of the great benefits of the SiPP! You benefit from additional tax-efficient pension savings, without impacting the amount you can contribute to an RRSP.

WHAT HAPPENS IF YOU...

Stop working for your school district before age 55	→	You're entitled to a monthly pension from the SiPP when you retire, or you may also transfer the lump sum value to another registered savings vehicle before age 55.
Stop working for your school district after age 55	→	You're entitled to start your monthly pension from the SiPP anytime. You must start receiving your pension by age 71.
Die before retiring	→	A lump sum value, or equivalent pension, is paid to your pension partner or beneficiary.

SiPP – WHAT ELSE IS IN IT FOR YOU?

- Contributions:** You pay nothing! Your school district makes all required contributions.
- Benefit formula:** You get more for each dollar. 2% of best average earnings, plus, there's no earnings cap (subject to the maximum pension limit).
- Service cap:** There isn't one! You will earn a SiPP benefit for each year that you participate in the plan; there is no limit!
- Indexing:** Your SiPP pension increases each year after you retire. 70% of the increase in the Alberta Consumer Price Index.
- Death benefits:** More for your pension partner or beneficiary.

If you have a pension partner when you retire, he/she will receive 66.67% of your SiPP pension after you pass away, with a 60-month guarantee.

If you do not have a pension partner, your beneficiary or estate will receive the lump sum value of any remaining payments in a 120-month guarantee period.

HAVE QUESTIONS ABOUT THE SiPP?

Visit <http://www.asba.ab.ca/services/programs/pension/> or contact your school district's human resources department

