

Normal and Optional Forms of Pension at Retirement

Employees' Retirement Plan



Retirement Planning - Key Decisions

As you approach retirement there are some important decisions that factor into good retirement planning

- Have a post retirement financial plan
 - Estimate of your post retirement expenses
 - Estimate of your post retirement income
- Determine your optimal retirement date
 - Early, normal or postponed
- Know your options for pension continuation after your death
 - Spousal or dependent needs, Estate planning



Survivorship Planning

- Your eligible spouse or designated beneficiary(s) may need survivor benefits to help them maintain financial security after you die
- Survivor benefits can form part of your estate planning
- Survivor benefits can have a significant value and should be an important consideration when planning your future finances



Survivorship Planning

Considerations when choosing survivor benefits

- Do I have an eligible spouse?
- Am I (and my spouse) in good health?
- Do I wish to provide for dependent children, or other beneficiaries if I have no spouse?
- What level of financial security will I need in retirement?
- What level of financial security do my eligible spouse or other beneficiaries need when I die?
- What other assets will I leave upon my death?
- What is the cost to provide for my survivors?



Spousal Rights

If you have an eligible spouse at the time of your retirement, they have pension rights

- Under the Family Law Act of Ontario, pensions are family property and can be divided along with other family assets in the event of marriage breakdown.
- Ontario Pension Benefits Act definition of Spouse (amended 1/1/2017)
Married, provided the Member is not living separate and apart from the person; not married, but the Member and the person are and have been living together continuously in a conjugal relationship for a period of not less than three (3) years; or not married, but the Member and the person are living together in a conjugal relationship of some permanence and are the parents of a child, as set out in Section 4 of the *Children's Law Reform Act* (Ontario)
- University of Windsor Employee Plan definition of Spouse
Married to each other, provided member is not living separate and apart from that person; or cohabitating continuously in a conjugal relationship with the Member **for at least one year**; or in a relationship of some permanence, if natural or adoptive parents of a child, both as defined in the family law act.



Spousal Rights

- Must not have been living separate and apart on date pension commences, and intending to terminate your relationship
 - No longer sharing a spousal relationship
 - 7 factors indicative to a conjugal relationship
 - Shelter
 - Personal and sexual conduct
 - Services
 - Social
 - Societal
 - Support (economic)
 - Children
- Includes legally married or living in a common-law relationship
- Can be living separate and apart without a formal separation agreement and/or in the same residence
- If in doubt, always consult an independent advisor such as a family law attorney or specialist



Spousal Rights

- If you have a spouse at the time your pension commences, and you are not living separate and apart, you must take your pension in a Joint and Survivor 60% form at a minimum, unless your spouse agrees to another arrangement. (*Section 44 of the Pension Benefits Act of Ontario*)
- Upon your death, the J&S 60% provides a lifetime pension payable to your spouse (if living) of at least 60% of the amount you were receiving at the time of your death
- Your spouse can waive their right to a J&S 60% pension
- You can elect an alternate J&S option that provides more
- FSRA Form 3 - Waiver of Joint and Survivor Pension must be fully completed by both parties within the twelve months preceding pension commencement. (*subsection 46(2) of the Pension Benefits Act*)



Non Spousal Considerations

If no legal spouse at date pension commences, or with a spousal waiver, you may elect a lifetime pension OR with a guarantee form that could provide a benefit upon your death to:

- a person(s) of your choosing
- your Estate
- charitable or religious organizations (legacy giving)

If electing a minor beneficiary(s) (under age 18) you must appoint a Trustee (over age 18) to receive any proceeds that have been designated to the minor beneficiary. The trustee appointed would be responsible to make decisions on behalf of the minor, therefore if there is a concern about how the money will be used, a 'trust' should be set up through a lawyer to address specific concerns regarding the funds (i.e. education, etc.)



Other Important Considerations

- Per Pension Regulations as regulated by the Financial Services Regulatory Authority of Ontario, your survivorship election crystalizes on the date of your first pension payment, and cannot be undone
- If you separate or divorce after receiving your first pension payment, your spouse remains eligible to receive the survivor pension chosen, unless you and your spouse filed a Form 3 – Waiver of Joint and Survivor Pension prior to receipt of the first pension payment, or unless you and your spouse waive the survivor pension as part of your settlement agreement
- If you enter into a marriage or common-law relationship after receiving your first pension payment, your new spouse is not entitled to a joint and survivor pension benefit
- Beneficiary(s) designated under a non spousal life guarantee form can be changed after pension commences and prior to the expiration of the guarantee period or your death, whichever comes first



Forms of Pension

- The *normal form* of pension is the default method of payment that is applied to a pension plan. It is the resulting amount when the pension benefit formula is applied and calculated
- In the Employees' Plan, the *normal form* is Single Life - Guaranteed 5 Years. This is the payment method illustrated in your annual pension statement
- The optional forms of pension are actuarially equivalent to the *normal form* of pension. An actuarially equivalent benefit is one that has been adjusted by an actuarial calculation – most often reduced - to reflect that the benefit will likely continue beyond the member's death. In the case of a Life Only pension, the benefit is actuarially increased
- The *normal form* of pension will be reduced to pay for the J&S options and any guarantee options because these forms of pension are more valuable than the normal form or the Life Only form



How Your Pension Will Be Paid

Regardless of the survivor option chosen your pension is always payable without reduction, for your lifetime

- **For you**
 - Lifetime always
- **For you and your spouse (no other beneficiaries)**
 - Joint & Survivor 60%
 - Joint & Survivor 75%
 - Joint & Survivor 100%
- **Guaranteed forms of pension**
 - 5 years (the *normal form* as shown on your pension statement)
 - OR 10 years
 - OR 15 years



Employees' Plan – 7 Survivor Options

- Your monthly pension payment will vary depending on the form of pension that you choose
- Your spouse's age relative to your age affects the actuarial equivalent Joint and Survivor Options
 - Two members with identical birthdates, earnings, contributions and service records will have different J&S pension amounts if the spousal birthdates are different
- Single Life Only pensions are increased from the *normal form* as there is no guarantee period attached
- All other survivor options are reduced from the *normal form* as the pension may be payable beyond your own lifetime



Employees' Plan – 7 Survivor Options

- Survivor pensions are paid on a monthly basis to spousal and all other living beneficiaries.
- If your Estate is designated any balance owing is paid via lump sum (taxable) to the Estate
- If an organization or foundation is designated through a legacy gift, any balance owing is paid via lump sum

Create a retirement quote with the Pension Estimator to project your pension amounts under each applicable form of pension!



Employees' Plan – 4 Single Life Options

(Where there is no spouse, or spouse has waived their rights to a 60%)

Single Life Pension (L0)

- Payable for your lifetime. Ceases upon your death. No beneficiary. Actuarially increased from the *normal form* (Life 5)

Single Life Pension – Guaranteed Five Years (L5) (Normal Form)

- Payable for your lifetime. If you should die prior to receiving 60 months of pension, 100% of the monthly pension amount is paid to your beneficiary for the balance of the remaining period

Single Life Pension – Guaranteed Ten Years (L10)

- Payable for your lifetime. If you should die prior to receiving 120 months of pension, 100% of the monthly pension amount is paid to your beneficiary for the balance of the remaining period. Actuarially decreased from *normal form*

Single Life Pension – Guaranteed Fifteen Years (L15)

- Payable for your lifetime. If you should die prior to receiving 180 months of pension, 100% of the monthly pension amount is paid to your beneficiary for the balance of the remaining period. Actuarially decreased from *normal form*



Employees' Plan – Single Life Options

Example: Single Life Pension – Guaranteed Ten Years (L10) (120 months)
(Where there is no spouse, or spouse has waived their rights with Form 3)

- A) Bob retires on July 1, 2023
- guarantee expiry date June 30, 2033
 - passes away on June 15, 2026
 - 36 months of pension paid at date of death
 - 84 remaining months of pension continue at 100% to beneficiary*
 - beneficiary pension ceases June 30, 2033
- B) Bob retires on July 1, 2023
- guarantee expiry date June 30, 2033
 - passes away on August 15, 2033
 - No beneficiary pension payable. Pension ceases with August 2033 payment

* If no named beneficiary (spouse or other), Estate receives 100% of the monthly pension X 84 months as a lump sum cash payment (taxable)



Employees' Plan – Spousal Options

For Members with a Spouse

- All Joint and Survivor pensions are paid for you & your spouses lifetime.
- Upon your death, your spouse – **if living** – receives a monthly pension for his/her lifetime based on the option chosen at retirement
- If your spouse pre-deceases you the pension continues for your lifetime. The pension is not restored to the normal form upon spousal death
- Joint and Survivor pensions ensure both persons will receive lifetime pensions, which could span many years
- If both persons die together, the pension promise is fulfilled and pension ceases. Even if the deaths happen within the first year of retirement
- If your spouse is older than you, the actuarial reduction is lower as it is likely your spouse may pre-decease you
- If your spouse is younger than you, the actuarial reduction is higher as it is likely the pension will be in pay for longer than your lifetime



Employees' Plan – Spousal Options

Joint and Survivor Pension reducing to 60% (J&S 60%)

- Payable for your lifetime. After your death, your spouse, if living, receives 60% of the monthly pension in pay at the time of your death for his/her lifetime

A) Bob retires on July 1, 2023

- passes away on June 15, 2026
- effective July 1, 2026 60% monthly pension paid to spouse for life

B) Bob retires on July 1, 2023

- spouse passes away on June 15, 2026
- Bob's pension continues unchanged, at the current amount for his lifetime



Employees' Plan – Spousal Options

Joint and Survivor Pension reducing to 75% (J&S 75%)

- Payable for your lifetime. After your death, your spouse, if living, receives 75% of the monthly pension in pay at the time of your death for his/her lifetime

A) Bob retires on July 1, 2023

- passes away on June 15, 2026
- effective July 1, 2026 75% monthly pension paid to spouse for life

B) Bob retires on July 1, 2023

- spouse passes away on June 15, 2026
- Bob's pension continues unchanged, at the current amount for his lifetime



Employees' Plan – Spousal Options

Joint and Survivor Pension 100% (J&S 100%)

- Payable for your lifetime. After your death, your spouse, if living, receives 100% of the monthly pension in pay at the time of your death for his/her lifetime

A) Bob retires on July 1, 2023

- passes away on June 15, 2026
- effective July 1, 2026 100% monthly pension paid to spouse for life

B) Bob retires on July 1, 2023

- spouse passes away on June 15, 2026
- Bob's pension continues unchanged, at the current amount for his lifetime

This option has the greatest actuarial reduction as it insures two lives at 100%



Employees' Plan – Spousal Options

MONTHLY PENSION SUMMARY OPTIONS

Form	Joint & 60% Survivor *	Joint & 75% Survivor	Joint & 100% Survivor	Life Only	Life & Guaranteed 5 year (Normal Form)	Life & Guaranteed 10 year	Life & Guaranteed 15 year
BASIC PENSION	\$2,477.06	\$2,438.91	\$2,377.86	\$2,642.41	\$2,617.55	\$2,552.84	\$2,461.67
PENSION	\$2,477.06	\$2,438.91	\$2,377.86	\$2,642.41	\$2,617.55	\$2,552.84	\$2,461.67



What Will the Future Hold?



Be Ready

- Choosing the survivor option, also known as the pension form, for your pension is one of the most important decisions you will make
- Human Resources will meet with you several months prior to your actual retirement to provide you with a pension estimate and to review all the survivor options with you
- We encourage you to bring your spouse/partner as you both must agree on the pension form chosen
- We encourage you to seek independent advice
- Options can be changed up until your first pension deposit date (typically the first of each month)



Questions?



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