

University of Victoria
Combination Pension Plan

Description of the
Variable Benefit Option

November 2019

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ELIGIBILITY

- x A variable benefit is available if you have terminated employment and attained the minimum age of 55. It is similar to a life income fund (LIF) so spousal consent¹ is required in order to select this option with any locked-in funds².
- x A variable benefit is also available if you are the surviving spouse of a member who had not commenced a benefit as at the date of death, or who died while in receipt of a variable benefit pension. There is no minimum age for a surviving spouse.
- x The remainder of the brochure is written from the perspective of a member selecting a variable benefit. In the case of a surviving spouse, the names of some forms may differ; however other information, such as the calculation of minima and maxima, would apply equally.

¹spousal consent entails a spouse (legal, common law or same sex) completing and signing a prescribed form outside the member's presence.

²locked:

SETTING UP A VARIABLE BENEFIT

- x A variable benefit is selected on a Notice of Selection of Retirement Benefit form and Variable Benefit Payment Election form.

LIMITS ON WITHDRAWAL

MAXIMUM WITHDRAWAL

year. If you wish to maximize your withdrawal you must do so before making the transfer.

EXAMPLE OF THE APPLICATION OF SLIMIT

You turned 65 in 2019 and you elected the variable benefit starting 1 July 2020, with payments of \$2,100 per month, \$800 from the non locked-in portion and \$1,300 from the locked-in portion of the account. Assuming future plan returns of 0.5% per month (6% annual), the limits in this example would be as follows:

<u>Year</u>	<u>Non locked-in portion of VBA</u>	<u>Locked-in portion of VBA</u>	<u>TOTAL</u>
2020: (part year)	Opening Balance: \$300,000 minimum: nil (under age 72) maximum: n/a selection: \$800 per mo	Opening Balance: \$200,000 minimum: nil (under age 72) maximum: \$14,760 (7.38% at age 65) selection: \$1,300 per mo	



ANNUAL MEMBER STATEMENT AND PAYMENT DIRECTIONS

- x In February of each year, you will receive a statement showing the changes in the non locked-in and locked-in portions of your VBA in the prior calendar year due to withdrawals and net investment returns.
- x The statement will include your withdrawal limits for the current year for each portion of your account, compare the limits to current withdrawal amounts, and report required changes (if any) to comply with the revised limits. Required changes take effect with the May 1 payment.
- x A Variable Benefit Payment Election form will be included with your statement. You will have 30 days from receipt of your annual statement to complete a payment (w)6 (ia)TJ 0k)5.9 (t66 ())-6 (4 (and

ADDITIONS TO VARIABLE BENEFIT ACCOUNT

x Funds may be added to your VBA, subject to the following conditions:

(a)

TERMINATION OF A VARIABLE BENEFIT

3. Registered Retirement Income Fund (RRIF, for non locked-in funds) and/or Life Income Fund (LIF, for locked-in funds)
 4. Registered Retirement Savings Plan if you will be under age 72 at the end of the calendar year (locked-in funds are transferred on a locked-in basis).
 5. Cash (non locked-in funds only).
- x If you transfer monies from a VBA to a LIF, either directly or via a locked-in RRSP, Pension Standards do not permit any withdrawals from that LIF until the next calendar year. Any required minimum withdrawal must be satisfied prior to the transfer; similarly, if you wish to maximize your withdrawal you must do so before making the transfer.
 - x With the approval of the Board of Pension Trustees, you may opt to apply just a portion of your VBA to one of the above options (rather than your whole account), and continue variable benefits with the remainder of your VBA. In that case, the amount remaining in your VBA must be at least twice the Year's Maximum Pensionable Earnings according to Canada Pension Plan (in 2020, this amount is $\$58,700 \times 2 = \$117,400$) and your withdrawal limits may be recalculated. Furthermore, if locked-in funds are divided among more than one option, Pension Standards mandates that the amount allocated to each option must be at least 40% of the Year's Maximum Pensionable Earnings.

COMPARISON BETWEEN VARIABLE BENEFIT AND LIFE ANNUITY

Variable Benefit	Life Annuity
<ul style="list-style-type: none"> x You retain ownership of your account and pay yourself a monthly income. x When you die, the full account balance remaining is paid to your spouse or other named beneficiary. x Spousal consent is required in order to select this option with any locked in funds. 	<ul style="list-style-type: none"> x You exchange your funds in return for the promise of a lifetime monthly income. You no longer own the funds. x When you die, the amount (if any) that is paid to another person after your death depends on the annuity option you selected. x Possible annuity options are joint life where payment continues in full or in part to a surviving spouse; or a guarantee where payment continues to a beneficiary until expiry of a guarantee period (5, 10 or 15 years from the start of the original annuity). x Spousal consent is required to select an option that does not provide at least a 60% survivor benefit to the spouse.

AGEBASED TABLE OF MINIMUM AND MAXIMUM WITHDRAWALS

Age reached in year by member (or spouse, if valid election on file)	Minimum % (not applicable)
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Age reached in year
by member (or
spouse, if valid
election on file)

Minimum %

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