



INTRODUCTION

Retirement. It's just around the corner—and as you approach this new stage in life, you're probably excited about the new opportunities that await you. Will you travel, take up new hobbies or begin a new career? Perhaps you're also a little apprehensive about what this new phase will look like. You need to be sure you can finance this next step. In particular, you need to be sure your money will last until the end of your life and, if necessary, beyond.

This booklet is best read in conjunction with your *Member's Benefit Statement* or a pension estimate. You can request a pension estimate from the Pension Plan, or you can do your own estimate on the Plan's website with the Personalized Pension Estimator. This information is available at mpp.pensionsbc.ca.

You get your basic guaranteed pension for your life regardless of any other decisions you make about it. Pension options are meant to protect others—your spouse or other loved ones.

Which pension option you choose is one of the most important decisions you'll have to make. This decision will affect your lifestyle for the rest of your life. While you will receive your pension until you die, the option you choose will make a difference in the amount paid to you each month, and it will make a difference in the amount paid to your spouse, beneficiary or estate after your death.

We have written this booklet to help you work through the options available to you. You should also speak to a financial advisor before making your decision, because once your pension benefit payment has been finalized, you have only 60 days in which to notify the Pension Plan, in writing, if you want to change your option. After that period, your choice is irrevocable.

DID YOU KNOW?

Can I change the pension option I originally selected?

You have 60 days from when your pension is granted to change your pension option. After that time your selection is final.

If you have a spouse, your ability to change your pension option may be limited. This is because your spouse has, under provincial pension legislation, certain entitlements to your pension.

Your spouse can waive all or a portion of these entitlements before your pension starts. Once the pension starts, your spouse's legal entitlement is fixed and cannot be waived or reduced.

If your spouse dies within 60 days of your pension being granted, you can change to any pension option because there is no longer a need to protect your spouse's entitlement to your pension. If your spouse dies after the 60 days, you cannot change your pension option.

The decisions you make before you retire are important—they will be with you, and possibly your spouse, for the rest of your lives.

Only you (and your spouse) can decide which pension option is right for you. Here are some things to consider:

- your age and your spouse’s age
- your health and your spouse’s health and life expectancy
- dependants
- family and financial situation other than your pension
- income needs and future plans
- other factors that may apply to your personal situation



A number of elements make up your Municipal Pension. There is the guaranteed lifetime pension payment, the bridge benefit and, if you choose it, a temporary annuity.

THE LIFETIME PENSION PAYMENT

The lifetime pension payment is just that—an amount of money the Pension Plan pays you every month for the rest of your life. You get your pension payment for your lifetime regardless of any other options you choose. When you choose to protect your spouse or dependant with a pension—either for a period of time, such as with a single life guaranteed 10 years option, or for their lifetime, such as with a joint life 100 per cent option—it reduces your lifetime pension payment for your lifetime.

Protecting your spouse or dependant with a pension option will reduce your monthly lifetime pension payment—almost like buying life insurance. The pension payment is reduced to reflect the likelihood that the pension will be paid for a longer period of time.

THE BRIDGE BENEFIT

The bridge benefit is a temporary payment to age 65 or your death, whichever comes first, at which time it stops. You are eligible for the bridge benefit if you are under age 65 when you retire. There are no choices to be made as it is an automatic benefit.

TEMPORARY ANNUITY

A temporary annuity is also a temporary payment to age 65 or your death, whichever comes first, at which time the payment stops. You can buy a temporary initial higher pension in the form of a temporary annuity, **but your lifetime pension is permanently reduced to pay for this.**

The younger you are at retirement, the more the temporary annuity costs you. The temporary annuity is roughly equal to the amount of Old Age Security you will receive at age 65. You may consider selecting a temporary annuity if you know you will have higher cash needs before age 65 that you won't have later on. Do not forget to consider the possibility of needing expensive long-term care in your later years.

DID YOU KNOW?

Cost-of-living adjustments

The Board of Trustees considers relevant factors to determine if an annual cost-of-living adjustment will be provided. If granted, you begin to receive the additional amount in January each year, and it becomes part of your regular guaranteed pension payment.

Traditionally, indexing has been for the full Consumer Price Index (CPI) increase each year, but there is always potential for a less-than-full CPI increase.



The first question to consider in choosing a pension option is, do you have a spouse? And, if you do, do they require any of your income after your death?

If you can answer no to both questions, go to [Part 1](#), which deals with single life options.

If you answer yes to these questions, go to [Part 2](#), which deals with joint life options.

[Part 3](#) addresses temporary annuities.

DID YOU KNOW?

Who is a “spouse” for pension purposes?

In this pension plan, “spouse” means either the person you are legally married to and, for the two-year period immediately before the relevant time (e.g., retirement or death), you were not living separate and apart from, or the person of the same or opposite sex who has lived with you in a marriage-like relationship for the two-year period immediately before the relevant time.*

**There may be situations where you and your spouse did not intend to live separate and apart from each other. These types of situations could include where you are living apart for purposes of work or as a result of illness/health reasons. In these circumstances you would not be considered living separate and apart from each other for the purposes of the definition of spouse.*

The law requires that, if you have a spouse, you must choose a joint life pension option that leaves your spouse at least 60 per cent of your monthly pension payments if you die first. For more information on this, go to [Part 2](#).



You are single, or your spouse has waived entitlement to your pension. With the below options, your spouse or beneficiary may have continued access to the Plan's extended health and dental coverage after your death, for the remaining guarantee period.

Your single life options are:

1. Single life pension, 5-, 10-, or 15-year guarantee
2. Single life pension, no guarantee

Let's say you want to protect someone else with your pension. If you choose a single life option with a time guarantee, you can choose any individual or your estate as your beneficiary, subject to a current or former spouse's entitlement. Remember, if you have a spouse, you can only choose a single life option if your spouse signs a waiver stating that they understand they are waiving entitlement to all or part of a pension income.

1. SINGLE LIFE PENSION, 5-, 10- OR 15-YEAR GUARANTEE

If you die before the guarantee period expires, the monthly pension will continue to your beneficiary for the remainder of the guarantee period only. If you live beyond the guarantee period, you will continue to receive your monthly pension, but there will be no pension paid to your spouse, beneficiary or estate when you die.

Why might I choose this option?

If you should die within the guarantee period, this option leaves a time-limited income to your beneficiary (e.g., dependant child). This option often appeals to single members with dependants. For example:

- If you have an 11-year-old child when you retire, you may wish to select a 15-year guarantee to ensure some income for that child until they are grown, if you die before they are 26 (in this example).
- If your spouse has RRSPs but wants to defer cashing them in until age 71, you may want to support your spouse until they can access that other income by selecting a 5-, 10-, or 15-year guarantee, depending upon their age.
- If your family history suggests you will have a shorter life expectancy, when you retire, you may want to choose a guarantee to leave a lump sum for your estate.

What should I be aware of before choosing this option?

- Choosing a longer guarantee period provides you with a somewhat smaller monthly pension.
- No income will be provided to your spouse or beneficiary if you outlive the guarantee period.
- If you have a spouse, you can elect this option only if your spouse waives entitlement to a portion of your pension.
- You cannot change your decision after 60 days from your pension effective date.

DID YOU KNOW?

If you nominate someone under 19 years old and that beneficiary is still a minor when you die, their pension entitlement will be paid to the public guardian and trustee in trust for the minor.

If you have a former spouse with whom you have a separation agreement or court order, the agreement or order may require that you provide some of your pension to them. If you have a former spouse with such a right, contact us.

2. SINGLE LIFE PENSION, NO GUARANTEE

You will receive somewhat more than the previous pension option example for your monthly lifetime pension because your pension payment is not guaranteed for a specific period of time. You will receive the basic lifetime pension amount until you die, with no continuing pension to your spouse, beneficiary or estate. This is the largest amount of pension available, but it provides no income or protection to anyone other than you. All the other options provide less income because they have guarantees and/or cover two lives.

Why might I choose this option?

- If you are single with no dependants, this option pays the highest monthly pension amount for the rest of your life.
- If you have a spouse who is financially secure, this option offers the highest amount of pension.
- If you are significantly younger than your spouse and you believe it is likely your spouse will pre-decease you, there may not be a need for your pension to continue after your death.

What should I be aware of before choosing this option?

- No pension income will be provided to your spouse or dependants after your death.
- If you have a spouse, you can only elect this option if your spouse waives entitlement.
- Your spouse or dependant will not have access to group health benefits after your death.
- You cannot change your decision after 60 days from your pension effective date. Depending on the option you choose, you may or may not be able to change it before 60 days.



A joint life pension is one that is paid for both your and your spouse's lifetimes. The cost for selecting this option is greater than a single life option.

By law, if you have a spouse, you must choose the option in which at least 60 per cent of your pension continues to your spouse in the event of your death. Your spouse can sign a waiver giving up their right to this, allowing you to select less or no pension protection for your spouse.

Choosing a joint life pension is more complicated than selecting the single life options, because you need to do some financial planning to figure out how much income your spouse will need and how long they need it for.

Your joint life pension options are:

1. Joint life 100 per cent
2. Joint life 60 per cent (or another specified percentage) with a 5-, 10- or 15-year guarantee (you can also choose no guarantee period)

1. JOINT LIFE 100 PER CENT

This option ensures that the full amount of your lifetime pension continues to your spouse. It results in less income than the single life options. This is because the pension is guaranteed for two lives.

Why might I choose this option?

- This option leaves your full monthly lifetime pension to your spouse to take care of dependants or financial commitments after you die. This is important if your spouse has no other significant income.

DID YOU KNOW?

If your spouse is much younger than you, there is a large cost for the joint life option. This is because the pension can be expected to continue for much longer than if it were being paid only to you.

You can only nominate your spouse (or a former spouse, where a court order or written agreement provides them an entitlement) for a joint life option.

2. JOINT LIFE 60 PER CENT

Joint life 60 per cent (or another specified percentage) with a 5-, 10- or 15-year guarantee. With this type of option, you can specify any percentage on a joint life basis and one of the three guarantee periods.

With these options, you will receive more income than the joint life 100 per cent option during your lifetime. However, less of your pension continues to your spouse after your death. The guarantee period is to protect your spouse after your death for a small period of time by keeping the pension at the 100 per cent level until the guarantee has expired. After the guarantee expires, the pension to your spouse will decrease to 60 per cent (or the specified percentage) of your pension amount. If you die after the guarantee expires, your spouse will receive only the smaller percentage that you elected.


As with all options, you will, regardless of the guarantee period, receive your full basic guaranteed pension for your lifetime.

Why might I choose a joint life that is less than 100 per cent?

- It provides a larger income during your lifetime than the 100 per cent joint life option.
- All joint life options leave a continuing monthly lifetime pension to your spouse after you die. This is important if your spouse needs the income. However, the lower the joint life percentage chosen, the less your surviving spouse will receive.
- If you and your spouse die before the guarantee period expires, a lump-sum amount, representing the remaining lifetime pension for the remainder of the applicable guarantee period, will be paid to the estate of the last survivor.

What should I be aware of before choosing this option?

- Only 60 per cent (or other specified percentage) of the pension will continue to your spouse if you die after the guarantee period expires.
- You cannot change your decision after 60 days from your pension effective date. Depending on the option you choose, you may or may not be able to change it before 60 days.



PART 3: TEMPORARY ANNUITY

You can buy a higher initial pension with a temporary annuity, but **your lifetime pension is permanently reduced to pay for this**. A temporary annuity supplements your pension and is payable until the earlier of age 65 or death. It is not a stand-alone option—it must be combined with one of the other types of options.

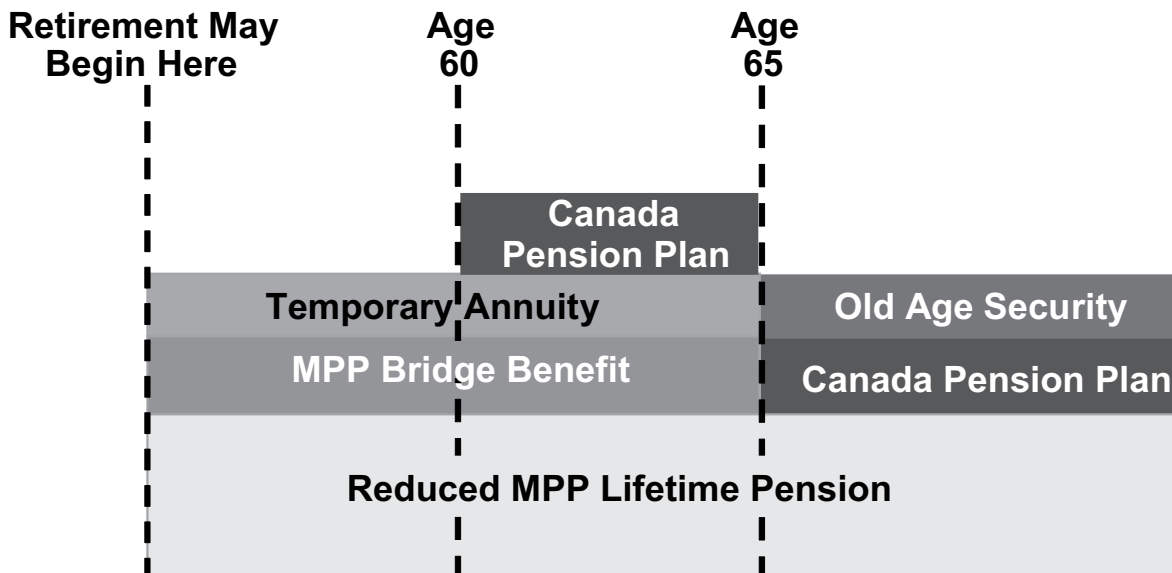
Why might I choose this option?

- This option might help you meet the initial expenses of retirement, such as a mortgage you expect to pay off before you turn 65. Therefore, when your pension income drops, so do your expenses.
- If you have significant taxable assets (in RRSPs, for example) that will replace your income, and you wish to minimize the tax you will pay in the future, a temporary annuity can lower your income after age 65 and therefore reduce tax on income when drawn.

What should I be aware of before choosing this option?

You need to have clearly considered how the drop in your pension income at age 65 will be managed. With current longevity expectations, don't forget the likelihood of needing expensive long-term care in your or your spouse's final years.

Retirement income by age with temporary annuity





Here are sample comparisons of the different option amounts, based on a hypothetical typical plan member. To get a better idea of how pension amounts may vary for you, by option, you can look at your own *Member's Benefit Statement*, use the online pension estimator or request a pension estimate from the Plan.

The Municipal Pension Plan offers a range of pension options. If you are interested in your options beyond what is available from the online pension estimator, please contact the Plan.

These amounts are based on a hypothetical typical member, Jane. Here are Jane's details:

- Both Jane and her spouse are 60 when she retires.
- She has participated continuously in the Municipal Pension Plan for 17 years.
- Her five-year highest average salary is \$4,250 per month.
- Her pension is \$1,028 monthly on a single life, no guarantee period basis; with an additional bridge benefit of \$417 monthly until age 65.

Plan option	At retirement		After death of member
	To member to age 65 or death (\$/month)	To member after age 65 (\$/month)	To beneficiary or spouse (\$/month)
Single life, no guarantee	\$1,445	\$1,028	\$0
Single life, 10-year guarantee	\$1,426	\$1,009	\$1,009 until guarantee period ends, then \$0
Joint life 100 per cent	\$1,283	\$866	\$866 until death
Joint life 60 per cent with a 10-year guarantee	\$1,341	\$924	\$924 until guarantee period ends, then \$554 until death
Joint life 60 per cent with no guarantee	\$1,344	\$927	\$556 until death



For more information about your pension and opportunities to maximize your benefit, please see these publications on the website:

Publications

[*PensionFacts—Claiming credit for child-rearing*](#)

[*PensionFacts—Purchasing arrears*](#)

[*PensionFacts—Purchasing non-contributory service*](#)

[*PensionFacts—Transferring service*](#)

[*Retirement Health Benefit Premiums*](#)

[*Retirement Health Benefits Booklet*](#)

Municipal Pension Plan

PO Box 9460

Victoria, BC V8W 9V8

MPP@pensionsbc.ca

Victoria: 250 953-3000

Toll-free: (BC) 1 800 668-6335

Fax: 250 953-0421