

CHOOSING

YOUR

PENSION

OPTION

I N F O R M A T I O N

R E T I R E M E N T

B E N E F I T S

O P T I O N S



**Alberta Teachers'
Retirement Fund Board**

TABLE OF CONTENTS

INTRODUCTION	1
WHAT IS A PENSION OPTION?	1
Normal Form	1
CHOOSING A PENSION OPTION	2
Factors to Consider	2
IF YOU HAVE A SPOUSE / PENSION PARTNER	2
Eligible Spouse / Pension Partner	2
Spouse / Pension Partner Waiver	2
OPTIONAL FORMS	3
Seven Pension Options	3
Single Life Pension Options	3
Four Single Life Options	3
Joint and Survivor Pension Options	3
Three Joint and Survivor Options	4
If You Don't Choose an Option	4
Changing Your Pension Option	4
ATRF ADVANCE AND REDUCTION	4
Optional Loan	4
Repayment	5
Amount	5
Example	6
If You Take the ATRF Advance and CPP At Age 60	6
Cost-of-Living Adjustments (COLA)	7
Deductions	7
Contact Canada Pension Plan	7
Changing Your ATRF Advance	7
FOR MORE INFORMATION	8
Website	8
Your Employer	8
ATRF	8
Information Kits Available	8

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This information kit is a summary of some of the provisions of the Plan. If there is any discrepancy between this information kit and the Plan, the provisions of the Teachers' Pension Plan Act and applicable legislation will determine the entitlements and options available.

INTRODUCTION

These information kits provide detailed information about retirement, pensions, and other benefits for ATRF Plan Members. They were designed to assist you with retirement and pension decisions and strategies. Information kits available on other topics are listed on page eight of this kit.

ATRF Plan Members are made up of two groups: **teachers** who work a **200 day school year**, and **administrators** who work a **260 day school year**. Both groups contribute to ATRF if they are actively employed under contract with an ATRF employer. Since Plan Members may work different school years, their resignation dates and retirement strategies will be different.

WHAT IS A PENSION OPTION?

“FORM” OF PENSION

There are seven Pension Options: four Single Life pensions, and three Joint and Survivor pensions. You will have to choose one Pension Option.

Each Pension Option provides a different survivor benefit. The Option you choose at retirement will affect the amount of monthly pension you will receive. Generally, the greater the survivor benefit provided to your beneficiary on your death after retirement, the smaller your monthly pension payment will be. The Pension Option is often referred to as the “form” of pension.

NORMAL FORM

The monthly pension calculated by the pension formula under the plan is referred to as the “normal form” of pension. The normal form is payable monthly for your lifetime but with the guarantee that, should you die before receiving 60 monthly payments (5 years of payments), the remainder of the 60 payments will be paid to your beneficiary or estate. The survivor benefit associated with the normal form is often referred to as Single Life, 5-Year Guarantee.

CHOOSING A PENSION OPTION

FACTORS TO CONSIDER

ATRF calculates the pension payable for each available Pension Option. Only you can decide which Pension Option is the right one for you. You should consider factors such as:

- your age
- spouse / pension partner's age
- health
- dependants
- difference in pension amounts after tax is deducted
- family and financial situation
- lifestyle
- income needs
- other sources of income
- future plans

IF YOU HAVE A SPOUSE / PENSION PARTNER

ELIGIBLE SPOUSE / PENSION PARTNER

For the purposes of the Plan, your eligible spouse / pension partner is a person who, at the relevant time, is married to you, providing you have not been living separate and apart for three or more consecutive years.

If there is no such person, then your eligible spouse / pension partner is a person who, as at and up to the relevant time, has lived with you in a conjugal relationship for a continuous period of at least three years and was, during that period, held out by you in the community in which you lived as being in that conjugal relationship.

If you have an eligible spouse / pension partner at retirement, you must choose one of the Joint and Survivor Pension Options and name your spouse / pension partner as your nominee.

SPOUSE / PENSION PARTNER WAIVER

If your spouse / pension partner waives the right to the Joint and Survivor pension, by completing a statutory declaration, you can choose a Single Life Pension Option or name a dependent under tax rules as your nominee for a Joint and Survivor pension. The statutory declaration may not be signed more than 90 days before the effective date of your pension.

OPTIONAL FORMS

SEVEN PENSION OPTIONS

Factors are applied to the normal form of pension to determine the monthly pension amounts for the other Pension Options. Although the monthly pension amounts for the other Pension Options are different, they have the same present actuarial value as the pension payable in the normal form.

SINGLE LIFE PENSION OPTIONS

Single life pensions are payable for your lifetime or to the end of the guarantee period, whichever is longer. The guarantee period starts from the effective date of the pension.

If you die before the end of the guarantee period, the pension will continue in the same amount to your named beneficiary until the end of the guarantee period. You may change beneficiaries at any time until the end of the guarantee period unless there is a Matrimonial Property Order on file that prevents you from making a change. In the event of your death, your beneficiary will be asked to name a secondary beneficiary in the event of your beneficiary's death before the end of the guarantee period.

FOUR SINGLE LIFE OPTIONS

Single Life, No Guarantee (payments cease on your death regardless of the number of monthly payments that have been made)

Single Life, 5-Year Guarantee (the normal form of pension)

Single Life, 10-Year Guarantee

Single Life, 15-Year Guarantee

JOINT AND SURVIVOR PENSION OPTIONS

Joint and Survivor pensions are calculated on the basis of two lives – yours and your nominee's. The nominee may not be changed once the pension begins. If the nominee is your spouse / pension partner, a pension is paid for your lifetime and, after your death, for your spouse / pension partner's lifetime. If the nominee is a dependant under the tax rules, the pension is paid for your lifetime and, after your death, only for as long as the nominee remains a dependant. The amount of pension that continues to your nominee after your death depends on the Pension Option choice.

All the Joint and Survivor Pension Options have a 5-year guarantee period. If both you and your nominee die before receiving 60 monthly pension payments (5 years of payments), the remainder of the 60 payments will be made to your beneficiary or estate.

THREE JOINT AND SURVIVOR OPTIONS

Joint Equal

If you die first, the payments stay the same and continue to your nominee for life. If your nominee dies first, the payments also stay the same and continue to you for your lifetime.

Joint Reduced by One-Third

If you die first, the payments reduce by one-third and two-thirds of the pension continues to your nominee for life. If your nominee dies first, the payments also reduce by one-third and two-thirds of the pension continues to you for life.

Joint 100/60

If you die first, 60% of the pension continues to your nominee for life. If your nominee dies first, you continue to receive 100 percent for your lifetime.

IF YOU DON'T CHOOSE AN OPTION

If you don't choose a Pension Option within 60 days after the Pension Option information has been sent to you, you will receive the default Pension Option, which is:

- Single Life, 5-Year Guarantee, if you don't have a spouse / pension partner, OR
- Joint 100/60, 5-Year Guarantee, if you have a spouse / pension partner.

If you cannot meet the 60-day deadline and do not want the default Pension Option, you may withdraw your pension application by writing to ATRF anytime within the 60 days. You may reapply for a pension at a later date and the pension will be retroactive to the first eligible date.

CHANGING YOUR PENSION OPTION

If you change your mind about which Pension Option you want, you may make a change by completing a new Pension Election form and ensuring that it is received by ATRF no later than 30 days after the end of the month in which your first pension payment is made.

ATRF ADVANCE AND REDUCTION

OPTIONAL LOAN

If you retire before age 64, you may choose to receive the optional ATRF Advance with your monthly ATRF pension that may help to level out your pension income before and after age 65.

The Advance is a loan from the Plan that must be repaid with interest. It is additional income and will be taxed accordingly. The amount of the Advance is based on what ATRF estimates

your Canada Pension Plan (CPP) pension will be at age 65 (using only the pensionable service you have under ATRF). This amount may differ from the actual amount of CPP pension. If you retire early but delay receiving your CPP pension until age 65, your pension income before and after age 65 will be relatively level. The Advance is paid for your lifetime as a supplement to your ATRF monthly pension. Cost-of-living adjustments (COLA) are applied to the Advance. This means your Advance will increase each year for life.

REPAYMENT

The repayment begins at age 65 and takes the form of a reduction to your total monthly pension payment from ATRF. The ATRF Reduction continues for your lifetime regardless of when you choose to begin receiving your CPP pension, or whether the federal government changes the eligibility requirements, benefits available, or tax rules. COLA is applied to the Reduction amount after age 65. This means that the Reduction amount will increase each year for life.

You may choose the Advance and Reduction feature regardless of when you choose to begin receiving your CPP pension. If you want the Advance and Reduction feature, you must choose it when you choose your Pension Option.

AMOUNT

The Advance, and any responsibility for repayment, stops at your death. Therefore, your beneficiary or survivor will not receive the Advance or be required to repay it.

The following table shows the amount of monthly ATRF Advance at various ages for each \$100 of monthly CPP pension payable at age 65 as estimated by ATRF based only on the service you have under ATRF. The amount of the Reduction beginning at age 65 is equal to the amount of the CPP pension estimated by ATRF.

AGE AT RETIREMENT	ATRF ADVANCE FOR EACH \$100 OF CPP PENSION (AND \$100 OF REDUCTION)
55	\$39.13
56	\$42.75
57	\$46.75
58	\$51.18
59	\$56.09
60	\$61.54
61	\$67.62
62	\$74.40
63	\$81.97
64	\$90.46

EXAMPLE

For example, a member with an estimated CPP pension at age 65 of \$600 per month and a retirement age of 55 could receive an estimated Advance of \$235 ($\$39.13 \div \$100 \times \600). A member with an estimated CPP pension at age 65 of \$700 per month and a retirement age of 57 could receive an estimated Advance of \$327 ($\$46.75 \div \$100 \times \700).

A Plan member retiring at age 55 chooses a Pension Option which results in a monthly ATRF pension of \$2,165. The member decides to take the Advance and Reduction feature. The estimated CPP pension at age 65 is \$600.

Pension payable from age 55 to age 65

ATRF Pension	\$2,165
plus ATRF Advance	235
Total monthly pension from ATRF	<u>\$2,400</u>

Pension payable from age 65

ATRF Pension	\$2,165
plus ATRF Advance	235
minus ATRF Reduction	(600)
plus expected CPP pension	600
Total monthly pension from ATRF and CPP	<u>\$2,400</u>

IF YOU TAKE THE ATRF ADVANCE AND CPP AT AGE 60

Application can be made to have the Canada Pension start from age 60 or at any time until age 69. If you decide to take the Advance and Reduction feature and apply to have your Canada Pension start before you are 65 years of age, you may experience a drop in overall income at age 65. The following example shows the impact of retiring at age 55, choosing to take the Advance and Reduction feature, and taking CPP at age 60.

Pension payable from age 55 to 60:

ATRF Pension	\$2,165
plus ATRF Advance	235
Total monthly pension from ATRF	<u>\$2,400</u>

Pension payable from age 60 to 65:

ATRF Pension	\$2,165
plus ATRF Advance	235
plus CPP pension	550
Total monthly pension from ATRF & CPP	<u>\$2,950</u>

Pension payable from age 65:

ATRF Pension	\$2,165
plus ATRF Advance	235
minus ATRF Reduction	(600)
plus CPP pension	550
Total monthly pension from ATRF & CPP	<u>\$2,350</u>

COST-OF-LIVING ADJUSTMENTS (COLA)

Cost-of-living adjustments (COLA) are applied each January to your ATRF pension before income tax is deducted.

If you take the Advance and Reduction option:

- before age 65, the COLA will be based on your ATRF pension including the Advance, and
- at age 65 and older, the COLA will be based on your ATRF pension including the Advance and the Reduction.

The COLA is based on the following formula:

60% of annual increase
in the Alberta Consumer Price Index
times
pension payable on Pensionable Service before 1993

PLUS

70% of annual increase
in the Alberta Consumer Price Index
times
pension payable on Pensionable Service after 1992

DEDUCTIONS

Income tax is the only deduction made from your pension payment. The tax deducted is determined from the information you provide on the TD1 federal and provincial tax forms in your final pension package. You can instruct ATRF to deduct more income tax from your pension payment.

CONTACT CANADA PENSION PLAN

You can contact Human Resources Canada for estimates of the amount you would receive from the Canada Pension Plan. The telephone number is (800) 277-9914.

CHANGING YOUR ATRF ADVANCE

If you change your mind about taking the ATRF Advance, you may make a change by completing a new Pension Election form and ensuring that it is received by ATRF no later than 30 days after the end of the month in which your first pension payment is made.

FOR MORE INFORMATION

WEBSITE

Visit our web site at www.atrf.com to download information kits, forms or the Plan Member Guide, and to register for On-Line Services.

YOUR EMPLOYER

Contact your employer to obtain information kits, or request a copy of the Plan Member Guide which contains detailed information about your pension plan.

ATRF

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INFORMATION KITS AVAILABLE

- *Choosing Your Retirement Date*
- *Benefits at Termination*
- *Choosing Your Pension Option*
- *Accruing Pensionable Service While Disabled*
- *Starting Your Pension*
- *Purchasing Service*

