



# Member Pension Plan Overview

The following is a summary of information to assist you in understanding your different sources of retirement income to help you plan for your retirement. Please note that your total retirement income will consist of sum of the following: 1) Your Canada Pension Plan entitlement; plus 2) Your Old Age Security entitlement; plus 3) Your entitlement from the Manitoba Home Care Employees Pension Plan (which is the monthly amount that can be provided from your accumulated account balance); and, depending on your level of income, 4) Guaranteed Income Supplement.

## Manitoba Home Care Employees Pension Plan (“HCE PP”)

Your HCE PP is a defined contribution pension plan. The provisions are governed by both the plan documents and government pension legislation. Your benefit upon retirement is your accumulated account balance (i.e. employer plus member contributions accumulated with investment income).

You have 2 main options at retirement:

1. Transfer your account balance to a Locked-In Retirement Account/Locked-In Retirement Income Fund and manage the investments either on your own or with an investment manager where you continue to be exposed to investment and longevity risk.
2. Use your account balance to purchase a life annuity which provides a guaranteed monthly amount for your lifetime and may provide for your spouse’s lifetime, if applicable. You are no longer exposed to investment or longevity risk.

There is no one correct choice. Your choice should reflect your unique personal circumstances. Also, you could partition your assets and do some of each.

HCE PP benefits payments are taxable to recipients.

For more information please go to the following website: [www.grsaccess.com](http://www.grsaccess.com)

## Canada Pension Plan (“CPP”)

If you worked in Canada, you have been contributing to the CPP. CPP was designed to provide an annual (paid monthly at 1/12<sup>th</sup> the annual amount) indexed (annually to 100% of the CPI) pension upon your retirement.

The maximum monthly CPP benefit in 2018 is \$1,134.17 (note the average CPP monthly pension for all recipients in January 2018 was \$691.93 per month). The normal retirement age for CPP benefits is age 65. The earliest you may start receiving your CPP retirement pension is the month following your 60<sup>th</sup> birthday.

If you start receiving your CPP retirement pension before the age of 65, CPP will reduce your monthly pension by .6% for each month you receive it before the age of 65 (7.2% per year).

If you start receiving your CPP retirement pension after age 65, your monthly pension is increased by .7% for each month after age 65 that you delay receiving it, up to the age of 70 (8.4% per year).

In summary, a CPP pension that starts at age 60 would be **reduced** by 36% of what you would be entitled to at age 65, while a pension that starts at age 70 would be **increased** by 42% of what you would be entitled to at age 65.

CPP benefits are taxable to recipients. You may collect your CPP retirement pension while you continue to work.

Your CPP pension is an important source your overall retirement income (along with HCE PP and OAS).

For more detailed information, please go to the Government of Canada website:

<https://www.canada.ca/en/services/benefits/publicpensions/cpp.html>

## **Old Age Security (“OAS”)**

OAS is available to individuals age 65 and over who meet legal and residency requirements. Individuals do not contribute towards OAS benefits as they are paid directly by the federal government. To obtain OAS you must have resided in Canada for at least 10 years since the age of 18. OAS benefits are indexed to inflation (i.e. 100% of CPI) on a quarterly basis. The maximum monthly OAS benefit is currently \$596.67 per month. OAS benefits are taxable to recipients. You do not need to retire in order to collect OAS pension.

Your OAS pension is an important source of your overall retirement income (along with the HCE PP and CPP).

For more detailed information, please go to Government of Canada website:

<https://www.canada.ca/en/services/benefits/publicpensions/cpp/old-age-security.html>

## **Guaranteed Income Supplement (“GIS”)**

GIS provides a monthly non-taxable benefit to OAS pension recipients that have low income. Your total income must be less than the low-income threshold in order to qualify. If you are married or common-law, your entitlement to GIS will be based on both your combined incomes.

For more detailed information, please go to Government of Canada website:

<https://www.canada.ca/en/services/benefits/publicpensions/cpp/old-age-security/guaranteed-income-supplement.html>

## **Tax Free Savings Accounts (“TFSA”)**

Each Canadian who is age 18 and over accumulates TFSA contribution room each year with no upper age limit. Any unused contributions are carried forward indefinitely. The annual contribution limit in 2018 is \$5,500. The advantage to you is that investment income earned inside a TFSA is tax-free. Contributions to a TFSA are not tax deductible from income. Withdrawals from a TFSA are permitted at any time and are not taxable. Any withdrawal amounts can be contributed back to the TFSA at a later date (with a 1-year lag). Thus, the TFSA provides individuals with flexibility throughout their lives.

## **Example, Source of Retirement Income**

The following is an example of member who has resided in Canada for 40 years, receives a CPP monthly pension of \$700 per month, retires in 2018 at the age of 65 with a HCE PP account balance of \$50,000 and chooses to annuitize the balance with a lifetime guaranteed for 15 years in any event pension.

<b>Source</b>	<b>Monthly Pension</b>
HCE PP	\$250
OAS	\$590
CPP	\$700
Total Monthly Pension	\$1,540
Total Annual Pension	\$18,480

The above is an example only, your monthly retirement amounts could be higher or lower depending on your specific circumstances.

*The above is intended to provide information in summary form only. There are many provisions within each of the above referenced programs that could have a material impact on your specific entitlement and amount of benefits received. You may consider seeking professional advice as it pertains to your own situation.*