



Variable Benefit (“VB”)

What is a Variable Benefit?

A Variable Benefit is a decumulation phase settlement option that allows members the option of receiving a life income type payment while remaining invested in the McGill University Pension Plan (“MUPP”). This avoids members having to transfer their holdings outside of the MUPP in order to receive a retirement income. The VB will also provide members continued access to the same investment line up and investment management fees of the MUPP. This option is an alternative to the McGill University Group Life Income Fund (LIF) or a personal Life Income Fund (LIF) with an external financial institution.

When will the VB be available to members of the MUPP?

The VB will be available to all members in September 2020 once the transition to Sun Life Financial is completed. For more information on the transition, please see: <https://www.mcgill.ca/hr/pensions/transition-sun-life-financial>.

Who is eligible for the Variable Benefit?

- inactive members of the MUPP who are 55 years or over;
- active and inactive members who must convert their pension holdings into a retirement income by the end of the year in which they turn age 71;
- former members (retired or terminated who are aged 55 years or more) who have recently settled their holdings with an external financial institution and whose funds continue to be administered under the *Quebec Supplemental Pension Plans Act*.

What are the payment and withdrawal options under the Variable Benefit?

The minimum and maximum annual withdrawal payment limits for the VB are the same as a Life Income Fund (LIF) except that they have the added flexibility that no minimum withdrawal is required until the year you turn age 72.

What are the payment options available for the Variable Benefit?

- You can schedule to receive monthly, quarterly, annual in addition to ad-hoc lump sum payments
- All cash withdrawals from your VB account are paid directly to your Canadian bank account through Electronic Fund Transfer (EFT).
- All or a portion of your money in the VB account can be transferred out (tax-deferred) at any time to another eligible registered retirement plan.

What other payment considerations should be taken into account?

- Scheduled payments are made directly to your bank mid-month.
- Payment instructions remain in effect until you notify Sun Life of any changes. To make changes to your payment schedule, contact Sun Life at their toll free number
- A \$20.00 fee is charged for unscheduled payment request
- Once the account is depleted to \$0.00, the account is closed.

What is the tax treatment of the VB?

Your VB account is tax-sheltered and tax-deferred until withdrawals/payments are made. Taxes are automatically withheld **on the full** amount. However, you can request that additional tax be withheld at source.

You will receive a tax slip reporting withdrawals and income tax paid for the calendar year. You assume any tax liability that will be determined when you file your personal income tax return.

What happens to the VB if I die?

The death benefit is your VB account balance, which will be payable to your eligible spouse, if you have one, unless they have waived their entitlement. Your eligible spouse may elect to:

- continue to receive scheduled payments in a new account using the eligible spouse's age;
- transfer part or all of the proceeds to another qualified plan; or,
- withdraw part or all of the proceeds as cash payment subject to tax withholding at source.

If you do not have an eligible spouse or the eligible spouse has waived their entitlement, the balance will be paid to your beneficiary or in the absence of a designated beneficiary, to your estate as a lump sum cash payment, subject to tax withholding at source.

Definition of "spouse"

Under Quebec Supplemental Pension Plans Act, your "spouse" is defined as the person who, on the day preceding your death:

1. is married to or in civil union with you, or
2. has been living in a conjugal relationship with you and you are neither married nor in a civil union, whether the person is of the opposite or the same sex, for a period of not less than three years, or for a period of not less than one year if
 - at least one child is born, or to be born, of your union;
 - you have adopted jointly at least one child while living together in a conjugal relationship, or;
 - one of you has adopted at least one child of the other, while living together in a conjugal relationship.

For the purpose of item (2), the birth or adoption of a child prior to a period of conjugal relationship existing on the day preceding your death may qualify a person as a spouse.

Members are strongly encouraged to consult their legal advisor with respect to any questions regarding their spousal status and beneficiary designation.

Application of the VB:

- Sam is retiring.
- Sam is 63 years old and a member of the MUPP.
- Sam's MUPP account balance at January 1st is \$400,000.

- At age 63, Sam can withdraw up to a maximum of 7% of his account balance:
 $\$400,000 * 7\% = \$28,000$.

- As a result, Sam's annual payment can be any amount between the minimum* of \$0 and maximum of \$28,000.

* Prior to age 72, there is no minimum required withdrawal. Maximum withdrawal limits apply, the same as they would for a LIF (locked-in money).

Disclaimer

This document is intended to inform you about the McGill Pension Plan and the importance of integrating pension investment decisions to your financial management. This is not financial advice and should not be taken as such. It is meant to alert you to the matters to look into. Your individual needs and circumstances may not be adequately addressed by the info contained in this document.