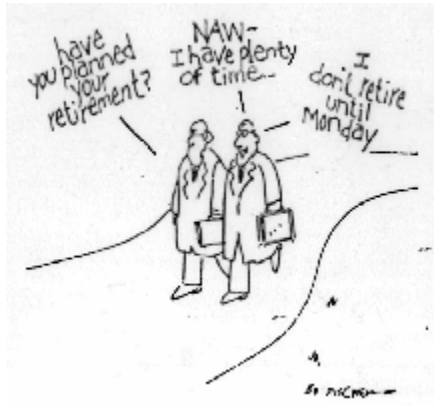


# McGill University Retirees Association (MURA) Decumulation/Payout Phase Session



# Learning Objectives

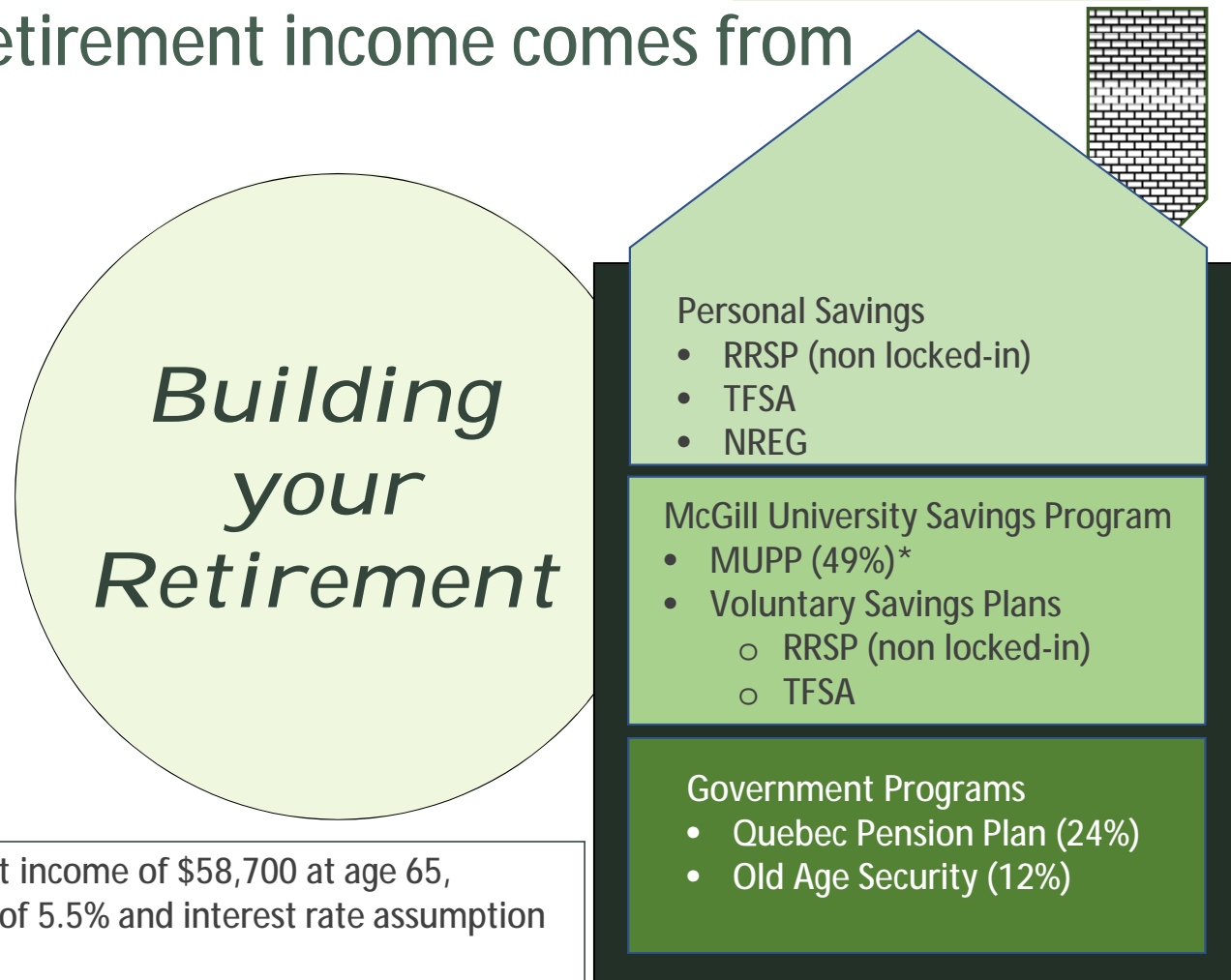


- Ø Understand retirement income sources
- Ø Understand the options available to you;
- Ø Understand the need to review your investment strategy; and
- Ø Learn where to get more information.

## What is a retirement income?

- ∅ Flexible income streams
  - Life Income Funds (LIF)
  - Registered Retirement Income Funds (RRIF)
  - Variable Benefit (VB)
  
- ∅ Pension income streams
  - QPP + other Gov't programs
  - Annuities
  - Defined benefit pensions (e.g. SRB)

## Where your retirement income comes from



\* based on a pre-retirement income of \$58,700 at age 65, annualized rate of return of 5.5% and interest rate assumption of 5.0% at settlement.

# Government Programs



# Government programs

2021	QPP Average	QPP Maximum	OAS Maximum	Average QPP & Maximum OAS Total	Maximum QPP & Maximum OAS Total
At age 60	\$441/month \$5,292/year	\$771/month \$9,252/year	---	---	---
At age 65	\$689/month \$8,268/year	\$1,204/month \$14,448/year	\$615/month \$7,380/year	\$1,304/month \$15,648/year	\$1,819/month \$21,828/year
At age 70	\$978/month \$11,736/year	\$1,710/month \$20,520/year	\$836/month \$10,032/year	\$1,814/month \$21,768/year	\$2,546/month \$30,552/year

QPP: Reduced monthly benefit of 0.6 percent for each month between the start of payment and your 65<sup>th</sup> birthday

QPP: Enhanced monthly benefit of 0.7 percent per month of deferral

OAS: Enhanced monthly benefit of 0.6 percent per month of deferral (available since July 2013)

A financial planner can help you choose the best time to begin receiving your pension, depending on your financial resources and overall needs.

This illustration is based on the maximum pension amounts for 2021 and adjusted based on the current reduction/increase .  
QPP average as at October 2020

# Settlement Options



## Which should I withdraw first?

- Ø Current vs future marginal tax rate
- Ø Locked-in vs non locked-in funds
- Ø Tax deferred vs after-tax holdings
  - Withdrawals from a RRSP, RRIF, LIF and VB, are subject to income tax
  - No withholding tax at source on minimum RRIF and LIF withdrawals
- Ø Income splitting considerations
- Ø Pension Income Tax Credit
- Ø What should you cash in first when you retire depends on your personal situation, for example when do you plan to start QPP. You may wish to speak to a professional to review your full picture

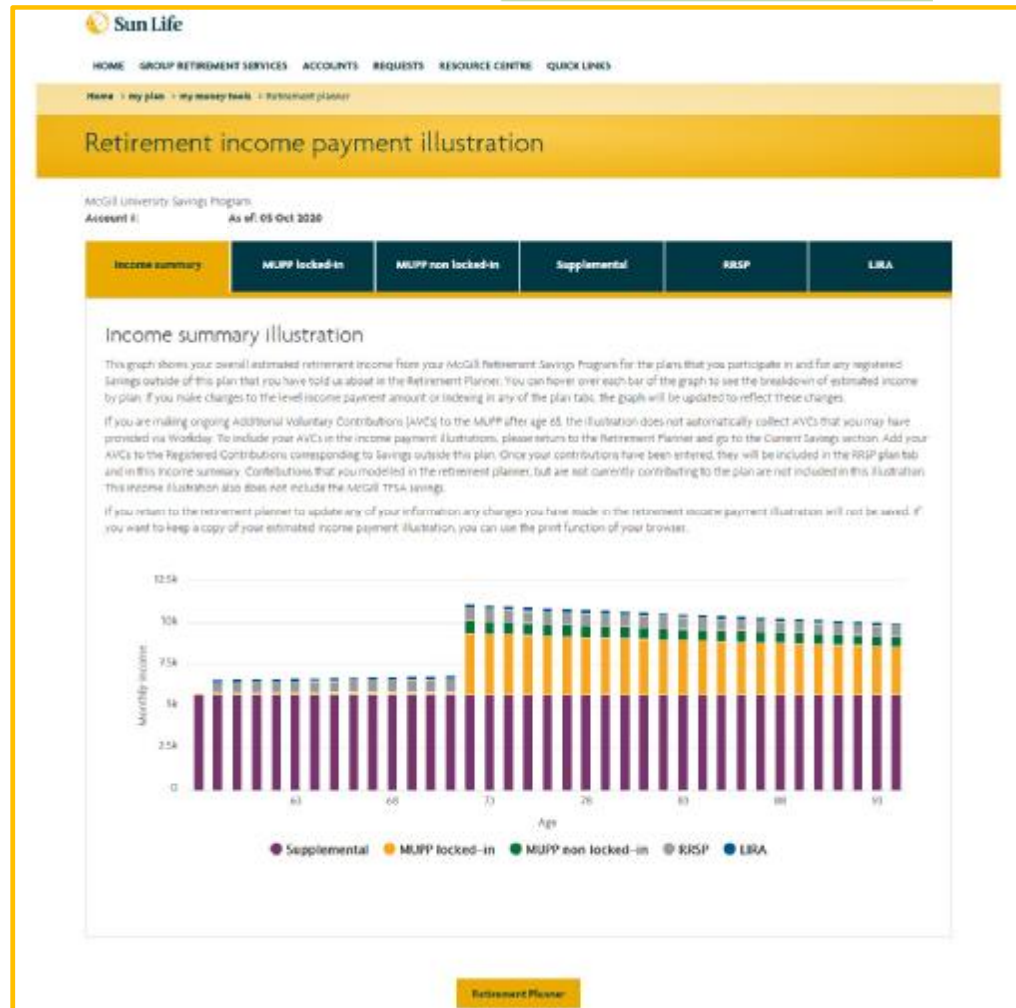
SRB pension and Annuities purchased with registered money are subject to income tax



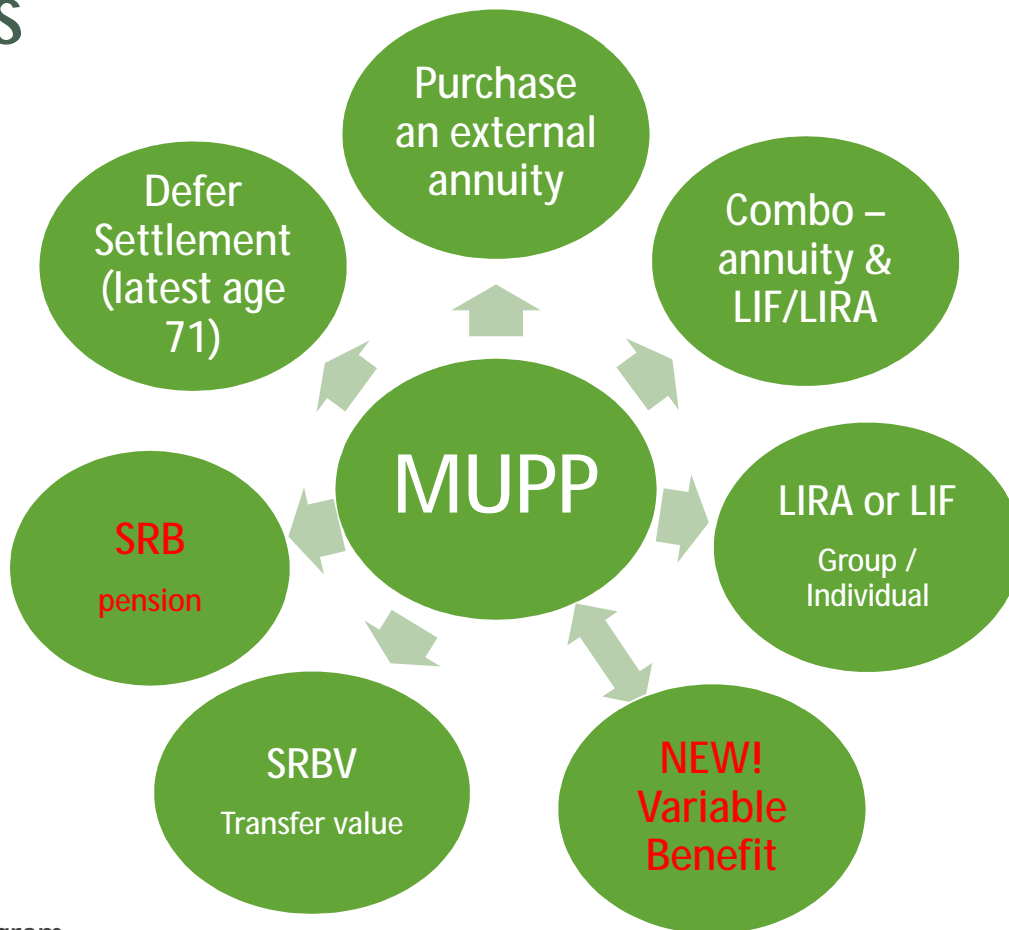
# Income Splitting

- Ø One spouse has a significantly higher income than the other
- Ø Can share taxation of up to 50% of eligible pension income with spouse
- Ø Conditions apply - for more information:
  - Canada Revenue Agency: [www.cra-arc.gc.ca/tx/ndvdl/tpcs/pnsn-splt/menu-eng.html](http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/pnsn-splt/menu-eng.html)
  - Revenu Quebec refer to line 123 in guide <https://www.revenuquebec.ca/documents/en/formulaires/tp/2020-12/TP-1.G-V%282020-12%29.pdf>

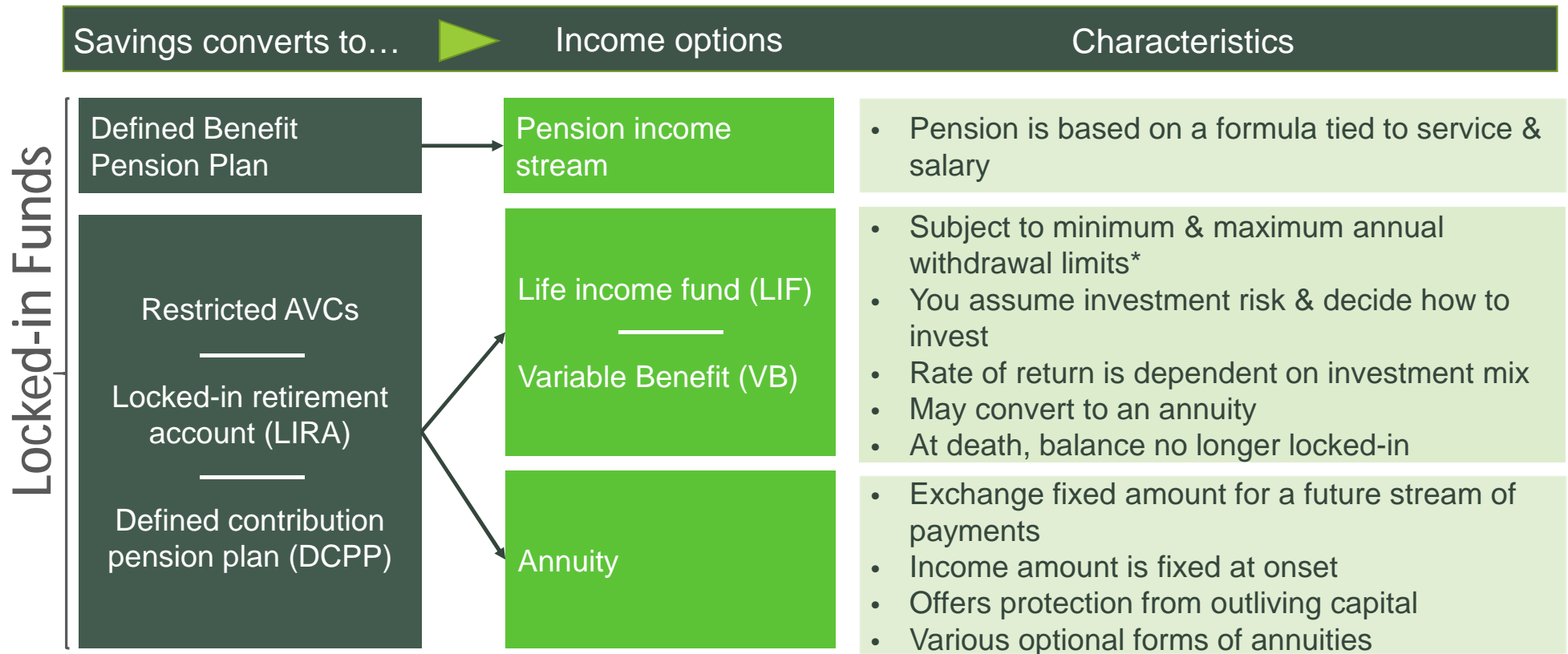
# Income summary



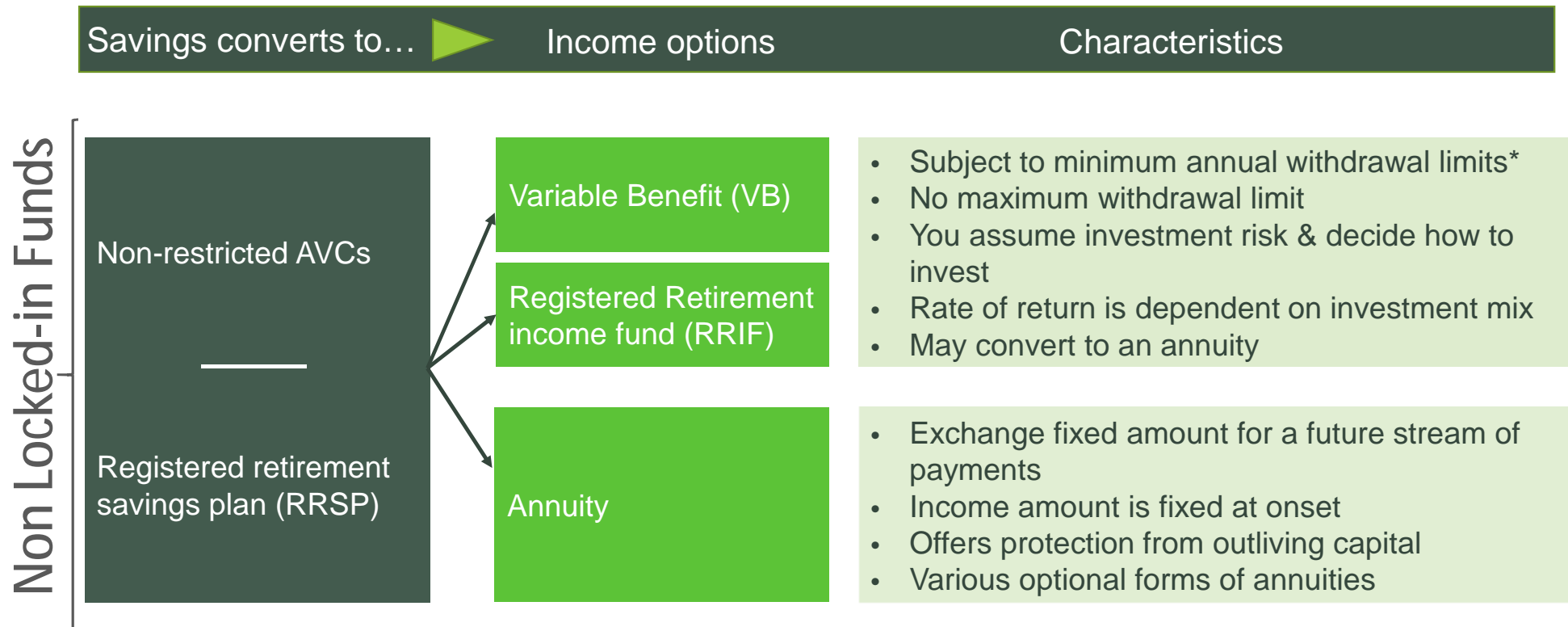
# Settlement Options



LIF = Life Income Fund  
 LIRA = Locked In Retirement Account  
 VB = Variable Benefit  
 SRBV = Supplemental Retirement Benefit Value  
 SRB = Supplemental Retirement Benefit  
 Group = McGill University Retirement Income Program

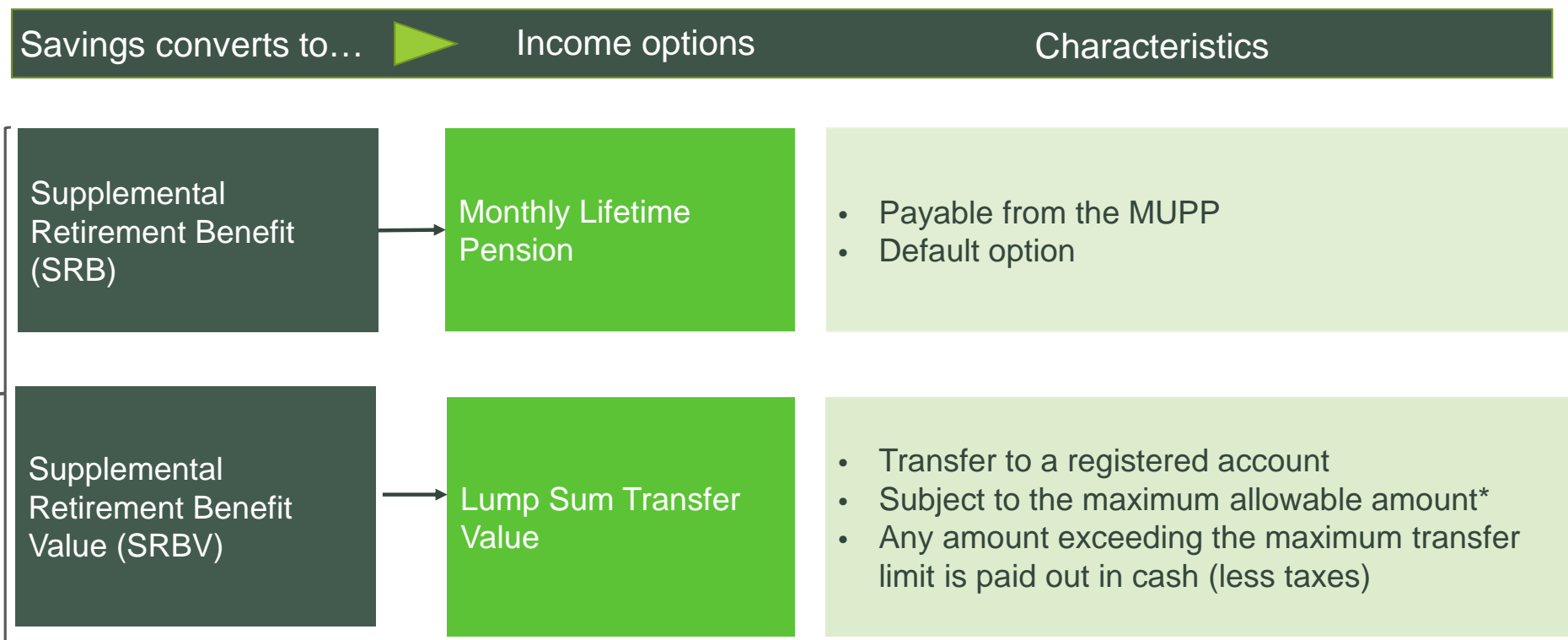


\* VB: No minimum withdrawal is required until the year you turn age 72



\* VB: No minimum withdrawal is required until the year you turn age 72

Supplemental Retirement Benefit



\*Allowable transfer value' refers to the maximum allowable amount as per the Income Tax Act (ITA) of Canada. For more information about the ITA, visit [Canada.ca](https://www.canada.ca/en/revenue-agency/services/tax/registered-plans-administrators/registered-plans-directorate-technical-manual-19.html#prscrbd)

# Annuities



## What is an annuity?

- Ø Exchange fixed amount of \$ for a future stream of payments
- Ø Income amount is fixed at onset
- Ø Offers protection from outliving capital
- Ø Annuities insured by Assuris up to \$2,000 per month or 85% of the promised Monthly Income benefit, whichever is higher



[www.assuris.ca](http://www.assuris.ca)



## Features of annuities

### Ø Single-Life Annuity

- Highest Payments
- Payments cease upon death

### Ø Joint & Last Survivor Annuity

- Payments continue to surviving spouse
- $\geq 60\%$  of payment to continue unless spouse waives entitlement

### Ø Guaranteed Period: 5-15 years

### Ø Indexation

# Life Income Funds (LIFs) Registered Retirement Income Fund (RRIF)



What is a Life Income Fund (LIF)?

What is a Registered Retirement Income Fund (RRIF)?

- Ø You assume the investment risk
- Ø You decide how account is to be invested
- Ø Rate of return is dependent on investment selection
- Ø May convert to an annuity
- Ø Subject to minimum and maximum annual withdrawal limits
- Ø LIF is subject to a maximum annual withdrawal limits

# Annual MIN/MAX withdrawal % - January 1, 2021

## 2021 Retirement Income Fund and Variable Benefit withdrawal percentages



Age as at Jan 1, 2021	RRIF/LIF and VB <sup>2</sup> Minimum withdrawal percentage	LIF and VB <sup>1</sup> Maximum withdrawal percentage		
		AB <sup>1</sup> , BC, NB, NL <sup>1</sup> and ON <sup>1</sup>	MB <sup>1</sup> , NS and QC	Federal (PBSA)
50	2.50%	6.27%	6.10%	3.92%
51	2.56%	6.31%	6.10%	3.95%
52	2.63%	6.35%	6.10%	3.99%
53	2.70%	6.40%	6.10%	4.03%
54	2.78%	6.45%	6.10%	4.07%
55	2.86%	6.51%	6.40%	4.11%
56	2.94%	6.57%	6.50%	4.16%
57	3.03%	6.63%	6.50%	4.21%
58	3.13%	6.70%	6.60%	4.27%
59	3.23%	6.77%	6.70%	4.33%
60	3.33%	6.85%	6.70%	4.40%
61	3.45%	6.94%	6.80%	4.47%
62	3.57%	7.04%	6.90%	4.55%
63	3.70%	7.14%	7.00%	4.64%
64	3.85%	7.26%	7.10%	4.74%
65	4.00%	7.38%	7.20%	4.85%
66	4.17%	7.52%	7.30%	4.97%
67	4.35%	7.67%	7.40%	5.11%
68	4.55%	7.83%	7.60%	5.26%
69	4.76%	8.02%	7.70%	5.44%
70	5.00%	8.22%	7.90%	5.63%
71	5.28%	8.45%	8.10%	5.85%
72	5.40%	8.71%	8.30%	6.11%
73	5.53%	9.00%	8.50%	6.41%
74	5.67%	9.34%	8.80%	6.76%
75	5.82%	9.71%	9.10%	7.17%
76	5.98%	10.15%	9.40%	7.64%
77	6.17%	10.66%	9.80%	8.19%
78	6.36%	11.25%	10.30%	8.83%
79	6.58%	11.96%	10.80%	9.58%
80	6.82%	12.82%	11.50%	10.48%
81	7.08%	13.87%	12.10%	11.59%
82	7.38%	15.19%	12.90%	12.97%
83	7.71%	16.90%	13.80%	14.74%
84	8.08%	19.19%	14.80%	17.11%
85	8.51%	22.40%	16.00%	20.42%

Registered Retirement Income Fund (RRIF) calculator:  
[mysunlife.ca](https://mysunlife.ca) > [my financial centre](#) > [resource centre](#) > [my money tools](#)

# McGill University Supplemental Retirement Benefit (SRB)



## What is a Supplemental Retirement Benefit (SRB\*)?

- Ø Settlement option if you are entitled to the SRBV arising from the defined benefit minimum provision
- Ø You may now select a monthly lifetime pension option, payable from the MUPP
- Ø Previously this additional amount was only payable at the time of settlement as a transfer to an authorized instrument
- Ø No action is needed until you are ready to settle

\* Only applicable to part A members who have not settled their supplemental retirement benefit value yet

# Variable Benefit (VB)



## What is a Variable Benefit?

- Ø A decumulation phase settlement option
- Ø Allows member to receive a life income type payment directly from the McGill University Pension Plan (MUPP)
- Ø Member retains access to:
  - The investment lineup of the MUPP
  - Lower investment management fees as compared to retail products



## Who is eligible for a Variable Benefit?

- Ø Inactive members of the MUPP who are 55 years or over;
- Ø Active & inactive members of the MUPP who are 71 and who must convert their holdings into a retirement income prior to year-end
- Ø Former members over age 55, who recently transferred out their holdings which continue to be administered under the *Quebec Supplemental Pension Plans Act*

## Summary of income options

	SRB	Annuity	LIF/VB
Potential to Grow or Lose Value			√
Fixed Income	√	√	
Flexible Payments			√
Convertibility			√
Control of Investments			√
Inflation Protection		√ if indexed	√
Estate Preservation	Limited to remaining guaranteed payments	Limited to remaining guaranteed payments	√
Remain in MUPP	√		VB: √

**McGill University**

**Group Life Income Fund (Group LIF)**

**Group Retirement Income Fund (Group RIF)**

**Variable Benefit (VB)**



## Group LIF/RRIF/VB

- For VB only: Retired and/or terminated members who recently transferred out to LIF/RRIF with a financial institution and whose funds continue to be administered under Quebec legislation can transfer back and open a VB

Ø Access to RRIF for non-locked-in holdings

Ø Access to LIF for locked-in holdings

Ø Same easy to use website as MUPP

Ø Ability to transfer in external RRIFs/LIFs

## Differences - VB & Group LIF

	Variable Benefit	Group Life Income Fund
Record Keeping Fees (including taxes)	\$157.52 annually (former Part A), charged monthly <sup>1</sup> \$97.73 annually (former Part B), charged monthly	\$60 annually (2020)
Total Fees	0.18% to 1.00%	0.21% to 0.36%
Investment Options	Same as the <u>MUPP</u> : <ul style="list-style-type: none"> <li>Balanced Account</li> <li>Fixed Income Pool</li> <li>Equity Pool</li> <li>Money Market Pool</li> <li>SRI Pool</li> <li>Multi-Risk Target Date</li> </ul>	<u>Sun Life Segregated Funds</u> : <ul style="list-style-type: none"> <li>TDAM Emerald Canadian Short Term Fund</li> <li>PH&amp;N Bond Fund</li> <li>TDAM Low Volatility Canadian Equity Fund</li> <li>TDAM US Market Index Fund</li> <li>TDAM International Equity Index Fund</li> <li>3 target risk profiles: Conservative, Moderate or Aggressive</li> </ul>
Withdrawal Options	Monthly, quarterly, semi-annual, annual <ul style="list-style-type: none"> <li>no minimum withdrawal is required until the year you turn age 72.</li> </ul>	Monthly, quarterly, semi-annual, annual <ul style="list-style-type: none"> <li>minimum withdrawal is required the year following the transfer</li> </ul>
Withdrawal Fees	No charge for scheduled withdrawals \$20 per <u>unscheduled</u> withdrawal (wiring fees apply for scheduled and unscheduled withdrawals)	No charge for scheduled withdrawals \$25 per <u>unscheduled</u> withdrawal (wiring fees apply for scheduled and unscheduled withdrawals)

<sup>1</sup>Until settlement of defined benefit entitlements, then Part B fees will apply.

## What happens upon death?

- Ø LIF & VB Balances are no longer locked in\*
  
- Ø You are considered to have received, immediately before your death, the value of the account unless your spouse or common law partner is successor owner
  
- Ø Your “spouse”, or your beneficiary if you do not have a spouse, will receive the funds
  - Ø In case of VB, option to continue income stream
  
- Ø “Qualified Beneficiary” may transfer funds to RRSP, RRIF, annuity subject to conditions
  
- Ø For annuities, settlement depends on form of annuity purchased

\*May vary based on provincial legislation

# Investment Options



# Know your investment personality



## Help me do it

Target risk (LIF/RRIF)  
Multi-Risk Target date (VB)



## Let me do it

Choose from the lineup  
of funds offered



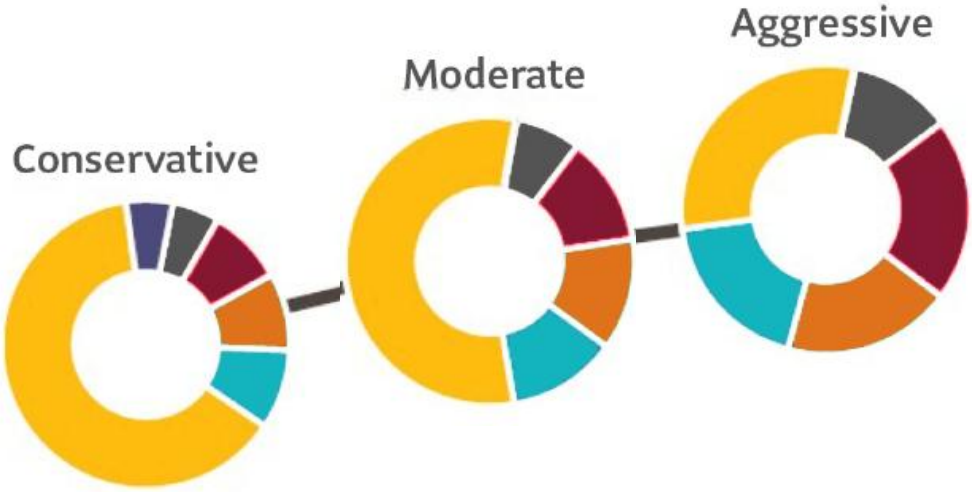
# Help me do it (LIF and RRIF)

Fund category	Fund name	FMF*
Target risk	McGill VSP Conservative Profile	0.30%
	McGill VSP Moderate Profile	0.29%
	McGill VSP Aggressive Profile	0.29%

\*Fund Management Fees as at April 30<sup>th</sup> , 2020

# Help me do it – LIF and RRIF

## Target risk funds



■ Cash ■ Fixed Income ■ Canadian Equity ■ U.S. Equity ■ International Equity ■ Others

Note: Portfolio mixes are for illustration purposes only, and do not represent actual allocation of funds.

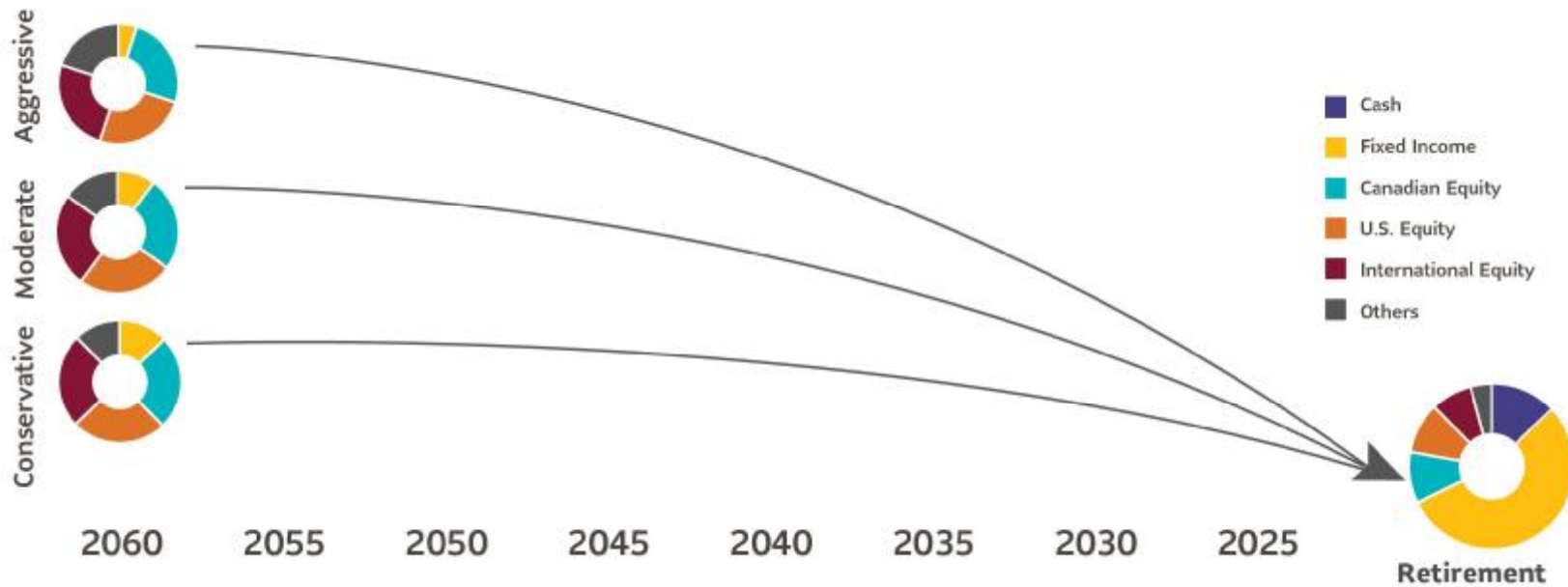
# Help me do it (VB)

Fund category	Fund name	FMF*
Multi-Risk Target risk	MUPP 2020 – 2065 Conservative Profile	0.72%-0.87%
	MUPP 2015 – 2065 Moderate Profile	0.72%-0.88%
	MUPP 2015 – 2065 Aggressive Profile	0.83%-0.88%

\*Fund Management Fees as at December 31<sup>st</sup>, 2020

# Help me do it - VB

## Multi-risk target date funds



Note: Portfolio mixes are for illustration purposes only, and do not represent actual allocation of funds.

# Let me do it (LIF & RRIF)

Fund category	Fund name	FMF*
Money market	TDAM Emerald Canadian Short Term Investment	0.33%
Bond (Fixed income)	PH&N Bond	0.31%
Canadian equity	TDAM Low Volatility Canadian Equity	0.36%
U.S. equity	TDAM U.S. Market Index	0.21%
International equity	TDAM International Equity Index	0.22%

\*Fund Management Fees as at December 31<sup>st</sup>, 2020

# Let me do it (VB)

Fund category	Fund name	FMF*
Balanced	McGill Balanced Account	1.00%
	McGill Socially-Responsible Investment (SRI) Pool	0.31%
Money market	McGill Money Market Pool	0.18%
Bond (Fixed income)	McGill Fixed Income Pool	0.50%
Equity/ Foreign equity	McGill Equity Pool	0.64%

\*Fund Management Fees as at December 31st , 2020

# Investment performance

- *Morningstar*® investment profile sheets
- my financial centre > Accounts > Investment performance
- Compare funds
- Get historical rates of return
- Learn about fund objectives



You'll need your sign-in ID and password



# How your fees compare

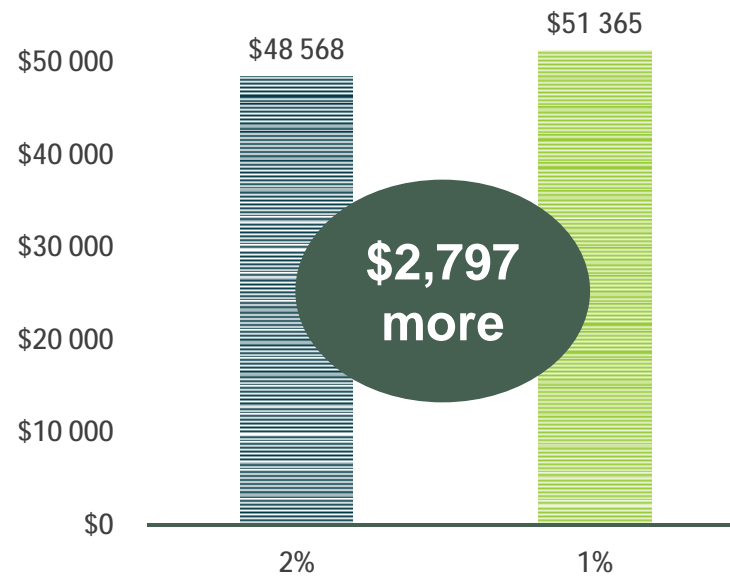
Fund category (domiciled)	Median retail fees <sup>1</sup>
Bond (Fixed income)	1.15%
Equity	2.23%
Allocation	2.02%

<sup>1</sup>Source: *Morningstar Global Fund Investor Experience Study: Oct. 3, 2017*, page 36.



# Less is more

Savings after 10 years  
(Total contributions \$40,000)



Assumptions: \$4,000 annual contribution | 5.5% total rate of return

## Your investment responsibility

- Ø Understand the decisions that you need to make and select investment option(s) which are right for you.
- Ø Review your investment portfolio & investment strategy
- Ø Seek independent investment tax advice

# Making changes is easy

Your investments	Your beneficiary
<p><a href="#">mysunlife.ca</a> &gt; my financial centre &gt; Requests &gt; Change investments</p> <p>OR</p> <p>Call the Sun Life CCC 1-888-444-2023</p>	<p><a href="#">mySunLife.ca</a> &gt; my financial centre &gt; Quick Links &gt; Beneficiary info</p> <p>OR</p> <p>Print, sign and return the form</p>

# Autorité des marchés financiers

## Publications for consumers

- Ø Reviewing your Personal Finances
- Ø Choosing Investments
- Ø Short investment glossary
- Ø Choosing an Investment Dealer/Representative
  - <http://www.lautorite.qc.ca/en/investment-publications-conso-conso.html>

## Where can I get more information?

- Ø Pension Plan Brochures (<http://www.mcgill.ca/hr/pensions/mupp>)
- Ø Annual Report and Financial Statements
- Ø McGill University Savings Programs Call Centre:
  - Web Site: <http://www.mcgill.ca/hr/pensions/mupp>
  - Phone: 1-855-687-2111
  - One-on-one: 688 Sherbrooke St. West
  - Suite 1420
- Ø Sun Life Customer Care Centre: 1-888-444-2023
- Ø Sun Life Retirement Consultant: 1-866-224-3906, Option 1  
(Registered as Financial Security Advisor in Quebec)
- Ø Independent investment advisor or financial planner

- The information provided is of a general nature and should not be construed as personal financial or legal advice. Neither Sun Life Financial or its affiliates guarantees the accuracy or completeness of any such information. The information should not be acted on without obtaining counsel from your professional advisors (registered as Financial Security Advisors in Quebec) applicable to your particular set of facts.
- Group Retirement Services are provided by Sun Life Assurance Company of Canada, a member of the Sun Life Financial group of companies.

