DBplus

Purchasing additional **DBplus pension**

A guide to purchasing extra lifetime pension in DBplus by transferring in funds from a registered account.

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PENSION PLAN

Is this booklet for you?

Yes, if these circumstances apply to you:

- you are a DBplus member or you will be joining DBplus in the coming months; and
- you are interested in learning how you can increase your pension with a purchase related to your employment and earnings.

Note: if you are a member of the CAAT Pension Plan and want to purchase statutory leaves of absence or other breaks in employment (such as pregnancy/parental leave) while a CAAT Plan member, please visit our website for more information, or call us.

Purchasing additional pension is optional and the decision is a personal one.

Take this booklet to your financial advisor to see if a purchase is right for you.

How to reach us

Local office: 416.673.9000
Toll-free: 1.866.350.2228
Email: member@caatpension.ca
www.caatpension.ca/members

Purchasing additional pension is a very individual choice and requires careful consideration. Prior to making any decision, you should seek the advice of a qualified financial advisor.

A detailed legal description of the provisions of the CAAT Plan can be found in the CAAT Plan Text, which can be downloaded from our website. Should the information in this booklet, on our website, or any other source differ from the CAAT Plan Text, the CAAT Plan Text will govern.

Effective November 2022

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Adding more value to your pension

Your defined benefit (DB) pension from the CAAT Pension Plan is a cornerstone of your retirement income. It will provide you with a lifetime of monthly pension payments after you retire.

In addition to building your pension through your regular contributions each pay, you may be able to transfer in funds to purchase additional pension.

Here are five reasons to consider purchasing additional pension in DBplus:

1 It can help maximize your retirement income

Purchasing additional pension increases your monthly pension payments from DBplus. Your total CAAT pension is payable for life; therefore, there is no risk of outliving your savings.

2 It can simplify your life

Consolidating your retirement savings through a purchase can simplify your life by sparing you the time, effort, and worry associated with investing your retirement savings. CAAT will provide you with predictable and secure monthly pension payments for as long as you live in retirement.

3 You will not be charged commissions or other fees

No fees means a purchase can provide an excellent return on your investment. You can rest assured knowing your pension is being managed by CAAT – a trusted and secure pension plan that is sustainable over the long term.

4 You might be able to retire sooner

You will be free to choose your retirement date without having to worry how investment markets perform. Also, purchasing additional pension may even allow you to retire sooner with a larger pension than you had previously planned.

5 Any additional pension purchased becomes part of your total lifetime pension

Your pension grows throughout your membership as it receives Average Industrial Wage (AIW) increases each year while you work, and inflation protection increases after you retire – both of which are conditional on the financial health of the Plan as determined under the Plan's Funding Policy. In addition, the same survivor benefits apply to your purchased pension as the rest of your DBplus pension.

Table of contents

6 | Eligibility for additional pension purchases

8 | Types of accounts used for purchases

9 | Calculating additional pension

11 | Making a purchase

13 | The power of Plus: Choosing DBplus

15 | Examples of members purchasing additional pension

21 | Glossary

Frequently asked questions about additional **pension purchases**

Eligibility for additional **pension purchases**

What periods of employment are eligible for pension purchases?

While there are some important restrictions to keep in mind, you may be able to make a purchase in DBplus if you have periods of employment with:

- your current employer, before joining the CAAT Plan;
- a prior employer that does not participate in the CAAT Plan where you belonged to its registered pension plan (RPP); or
- an employer that participates in the CAAT Plan where you transferred your termination benefit out and no longer have a defined benefit pension entitlement for that period.

What are the possible restrictions?

You can't have multiple pension benefits in multiple RPPs for the same period of employment. This means that if you previously participated in another RPP, your ability to purchase in DBplus, and the source of funds you can use for the purchase, will depend on the status of your benefit entitlement. This restriction comes from the Income Tax Act (Canada).

In addition, you can't make a DBplus purchase for these specific time periods:

1. a period of employment that occurred before January 1, 1991
2. any defined benefit pension you earned before January 1, 1992, while working for an employer that didn't participate in the CAAT Plan.

These periods are restricted from being purchased under the Income Tax Act (Canada) and CAAT Plan terms.

Making a purchase for periods of employment with your current employer before joining CAAT

Review the types of savings arrangements shown below to see what options may apply to you.

- **If you were a member of a Group Registered Retirement Savings Plan (Group RRSP) or had no retirement plan with your current employer:** You can make a purchase for a period of employment, provided it was not before 1990.
- **If you were a member of a defined contribution (DC) pension plan with your current employer:** You can't make a purchase for the period you participated in the DC plan if your funds remain in your employer's plan. You may be able to transfer your DC funds out of your employer's plan under specific circumstances. Your employer will tell you if this option applies to you.
- **If you were a member of a defined benefit (DB) pension plan with your current employer and the DB plan is merging with the CAAT Plan:** You do not need to make a purchase for the period you participated and earned a benefit in the DB plan because your DB entitlement will be transferred and replicated under the CAAT Plan.
- **If you are a member of a DB plan with your current employer and the DB plan is NOT merging with the CAAT Plan:** You may be able to transfer your DB benefit out of your employer's plan under specific circumstances. Your employer will tell you if this option applies to you.

Making a purchase for periods of employment when you participated in a prior employer's RPP (not including the CAAT Plan)

- **If you have a prior DB plan entitlement:** If your benefit is still held with the prior employer's plan, you can make a purchase. However, you must first transfer the value of the benefit to a registered retirement savings arrangement, such as an RRSP or locked-in retirement account (LIRA).
- **If you have a prior DC plan entitlement:** If you still have a DC entitlement from a prior employer's plan, you must either use all those funds to make a purchase, or you must first transfer those funds to a registered retirement savings arrangement, such as an RRSP or LIRA, before the period is eligible for purchase.
- Note that a Group RRSP, an employer-matched RRSP program, or a Deferred Profit-Sharing Plan (DPSP) do not qualify as an RPP. If your employer only offered a Group RRSP, an RRSP program or a DPSP, you can't make a DBplus purchase for the period of employment when you were contributing.

Types of accounts **used for purchases**

How do I pay for a purchase?

The funds for a pension purchase must come directly from a registered, tax-sheltered retirement plan, such as a Group or personal RRSP, a LIRA, a DPSP, or a DC plan.

My employer has a DC plan. Can I transfer the balance from it?

Maybe. In most cases your employer will be required to wind up the DC plan before you can transfer the benefit to CAAT.

I have a deferred pension with another DB pension plan. Can I transfer it for a DBplus purchase?

Yes, but before you make the purchase, you have to transfer the value of your other DB pension into a locked-in account.

Can I make a transfer from my Tax-Free Savings Account (TFSA)?

No, you cannot make contributions from non-registered accounts.

Can I contribute from my bank account?

No. However, if you have unused RRSP contribution room, you can contribute to your RRSP and then transfer the RRSP funds for the purchase.

Can I use multiple accounts to make a purchase?

Yes, your purchase amount can come from multiple accounts.

How much money am I allowed to transfer to make a purchase?

You can transfer an amount equal to whichever of the following is lower:

a. 18% of your cumulative T4 earnings for the period you are purchasing, or
b. the amount of funds in your registered retirement savings accounts.

If your registered retirement savings accounts have an amount equal to or more than the calculated maximum purchase amount, you can transfer up to the maximum purchase amount.

Calculating additional pension

How much pension will I get if I make a purchase?

The same pension formula applied to your DBplus contributions applies to any funds transferred in for a purchase; however, a purchase adjustment factor will apply if you are over the age of 40 at the time of the purchase, reducing the amount of pension the funds will purchase. The reason for this reduction is that CAAT has less time before you retire to invest and grow your transferred-in funds to provide you with guaranteed lifetime pension payments.

The purchase formula

Your purchased pension receives the same annual increases before retirement, and the same inflation protection increases in retirement as the rest of your DBplus pension.

Does it matter if I wait to make a purchase?

You can make a purchase at any time during your membership, but the sooner you make the purchase, the more valuable it is.

For each year that you are over age 40 when you make the purchase, the amount of pension your purchase will buy will be reduced by 1.4%.

Example: Purchasing after age 40 – the purchase adjustment factor

For example, if you have $40,000 to make a purchase at age 40, that will result in an additional annual pension amount of $3,400 and with Average Industrial Wage Index (AIW) could grow to $7,241 by the time you are age 65. The same purchase amount at age 50 would result in an additional annual pension of $2,924 and could grow to $4,545 with AIW.

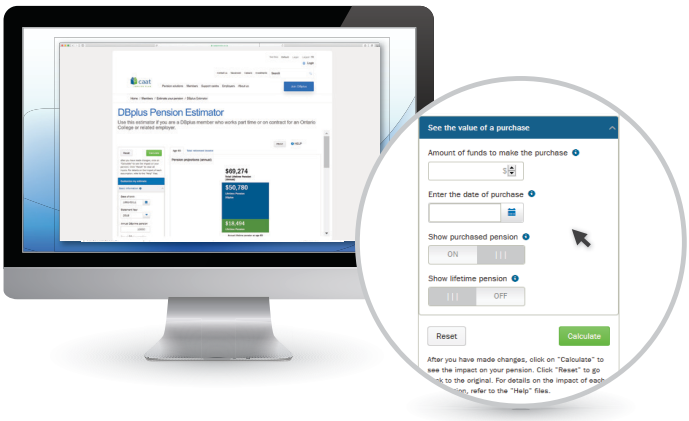
The table below shows examples of the impact of the purchase adjustment factor (in column 4) based on the age at the time of purchase. For illustration purposes the sample member's age at purchase is shown in 10-year increments.

Age	Transfer amount	Annual pension factor[1]	Purchase adjustment factor[1]	Annual purchased pension	Annual pension at age 65 (after AIW growth)[2]	Total retirement payout (age 65 - 90)[3]
30	$40,000	8.5%	100%	$3,400	$9,922	$336,800
40	$40,000	8.5%	100%	$3,400	$7,241	$245,800
50	$40,000	8.5%	86%	$2,924	$4,545	$154,300
60	$40,000	8.5%	72%	$2,448	$2,777	$94,200

[1]may be revised by the CAAT Board from time to time.
[2]assuming conditional AIW increases are granted equal to 3.2% each year.
[3]assuming the member retires at age 65, lives to age 90, and conditional inflation increases are granted equal to 1.65% each year.

How do I know if a pension purchase will be worth it?

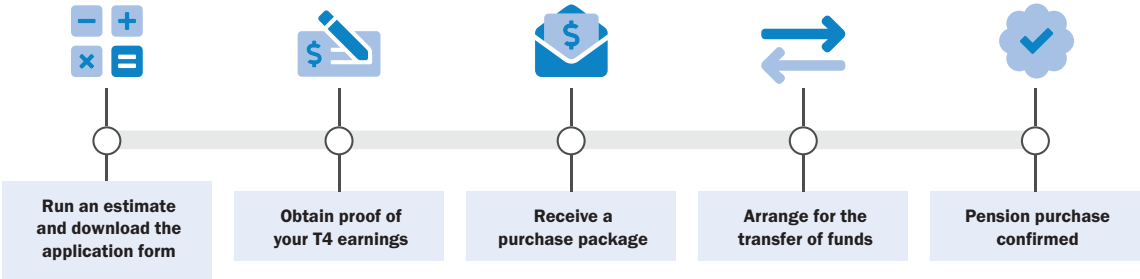
To see the value of your pension before and after a purchase, use the DBplus Estimator via caatpension.ca by selecting the situation that best applies to you. This simple tool illustrates the value of DBplus pension. With just a few pieces of information, you'll receive an estimate of the valuable lifetime retirement income you could earn in DBplus. You can then add your funds available for transfer to see how much extra pension you could purchase.



It may be worth it for you to consider a purchase as soon as possible. The earlier you make the purchase, the more pension you will get because your purchased pension will have more time to grow and your purchase adjustment factor may be better.

Making a purchase

Pension purchase steps



How do I make a pension purchase?

In order to make a pension purchase, you will need to complete the following steps:

1. Run an estimate and download the application form
After you have joined DBplus, visit the DBplus Estimator here and select the situation that best applies to you.

Select your employer, if applicable, click start, input your information, click calculate. Review the results including the Detailed Explanation and download the DBplus Purchase Application form(s) applicable to your situation.

2. Obtain proof of your T4 earnings
For periods of employment with your current employer prior to joining DBplus: complete section A of the applicable purchase application form and send it to your Human Resources department. They will need to enter your T4 earnings for each year of your employment.

For any periods of employment with a former employer: complete section A of the applicable purchase application form and send it to a representative of your previous employer or pension plan. They will need to complete the remainder of this form.

If your employer or former employer cannot provide the required information: you will need to provide satisfactory proof of eligibility and T4 earnings. You may be able to obtain proof of your T4 earnings from the Canada Revenue Agency or by making copies of your T4 slips, if you have kept them on file.

3. Receive a purchase package
Once we have received the completed form from you, we will check your eligibility, calculate the maximum amount you can transfer to make a purchase, and calculate the amount of pension the maximum transfer could purchase. We will mail this information as a purchase package to your home address.

4. Arrange for the transfer of funds
After you receive a purchase package, if you wish to proceed with the purchase you must arrange for the transfer of funds. You can use the form supplied by CAAT to instruct your financial institution to transfer the amount you wish (up to the maximum) from your DC, DPSP, LIRA, or RRSP.

5. Pension purchase confirmed
Once funds are received, CAAT will confirm your pension purchase and the extra pension will appear on your future annual statements from CAAT.

Will my employer contribute towards any pension purchase that I make?

Your employer does not contribute toward a pension purchase for a period of employment that is prior to joining the CAAT Plan.

The power of Plus: Choosing DBplus

DBplus is a top choice for both employers and employees across Canada. Here are five ways you can feel confident about choosing to purchase more pension in DBplus.

1 Your pension is secure

Your money is invested in our $18.2 billion professionally managed pension fund.

2 You don't have to be an investment expert

Our team of investment professionals manage the investments; you receive a guaranteed lifetime income in retirement.

3 Your DBplus pension is based on contributions

This means that for every additional dollar you contribute, you get a higher pension. Any pension you purchase while contributing to DBplus is treated as a DBplus pension and becomes part of your total lifetime pension. That means it grows throughout your membership as it receives conditional AIW enhancement increases each year while you work, and receives conditional inflation protection increases in retirement.

4 Financial stability

You will be free to choose your retirement date independent of how investment markets perform. Also, purchasing additional pension may even allow you to retire sooner with a larger pension than you had previously planned.

5 A secure, predictable lifetime pension

Your DBplus pension is paid to you for life, starting the month after you retire, and includes inflation protection and a 60% survivor pension for your spouse, at no extra cost to you.

The choice is **always yours**

Before you make your purchase, you should take some time to carefully consider if it's the right decision for you.

You might prefer a DBplus purchase if:

- You are uncomfortable with the risks of managing your retirement savings yourself and don't want to have to worry about investing.
- You are concerned about the financial security of your retirement and would prefer the certainty of a guaranteed lifetime pension.
- Your expenses in retirement will be predictable and manageable, and a regular, secure stream of income will work best for you.
- You would like to consolidate your pension plan accounts under one, secure pension plan.
- You want to ensure a survivor pension for your spouse at no additional cost.
- You want a retirement income that helps you keep up with the cost of living.

However, you might prefer to manage your own funds if:

- You are comfortable managing your own investments and like making investment decisions.
- You enjoy researching stocks and investments and are confident you can ensure an adequate amount for retirement.
- You anticipate having a lot of variable expenses in retirement and need more flexibility with your income.
- You have other investments or pension plan entitlements that will supply you with enough retirement income.
- You don't need, or already have survivor benefits covered for your spouse.

In addition to the considerations mentioned, there are many other factors you should consider when deciding on a purchase. Additional pension purchases are a very individual choice and require careful consideration. Prior to making your decision, you should seek the advice of a qualified financial advisor.

Examples: making an additional **pension purchase**

Purchasing additional pension example: **No workplace plan**

Paul has never had any type of workplace retirement savings plan

Paul worked 10 years with his current employer prior to joining DBplus, with cumulative earnings of $500,000. He has never had access to any type of retirement saving arrangement in the workplace but has been saving on his own in his personal RRSP and has a balance of $100,000. He is 38 years old.

Q: Is Paul eligible to purchase any additional pension?

A: Yes. Paul can make a transfer of up to $90,000 (18% X $500,000) from his RRSP.

If Paul transfers in the maximum $90,000 for the purchase, he will increase his annual lifetime base pension by $7,650 ($90,000 X 8.5%) before any conditional AIW and inflation adjustment increases are applied.

Purchasing additional pension example: **Group RRSP**

John participated in a Group RRSP with his current employer prior to joining DBplus

John is under the age of 40. His employer joined DBplus on January 1, 2020 and John has earned on average $50,000 each year for the five years before this, since starting work at his current employer.

Q. How much pension can he purchase?

A. First, we calculate that the maximum amount John can transfer for a purchase is $45,000. If he uses the full amount to make the purchase, he will immediately increase his annual lifetime pension by $3,825.

2019	$52,000
2018	$51,000
2017	$50,000
2016	$49,000
2015	$48,000
Cumulative T4 earnings	$250,000
Multiply by 18%	X 0.18
Maximum transfer amount for purchase	$45,000

$45,000 X 8.5% = $3,825 annual purchased pension before conditional AIW and inflation adjustment increases.

John can opt to purchase less than the maximum amount if that suits his needs, or if he has less than the maximum amount for purchase in his account.

The additional pension John purchased will be added to his total accrued pension, and he'll see it on his next annual pension statement. It will receive AIW increases while John is working and inflation adjustment increases after John retires, conditional on the funded status of the Plan.

Q: What happens if John waits and makes the purchase when he is age 50?

If John waits to age 50 to make the purchase, the purchase adjustment factor will be applied, which will reduce the amount of pension he can purchase to 86% of what he would have received at age 40, or $3,290.

$45,000 X 8.5% X 86% = $3,290 annual purchased pension before conditional AIW and inflation adjustment increases.

Note that if John doesn't have $45,000 in his registered retirement savings accounts, then he can only transfer in the amount in his accounts.

Q. If John also participated in a Group RRSP with a prior employer, can he make a purchase in respect of that period too?

A. No. However, he can use some or all of his Group RRSP account to make a purchase in respect of the five years with his current employer.

Purchasing additional pension example: **DC plan**

Joanne has a defined contribution (DC) plan with her current participating employer and has Group RRSP savings.

Joanne worked five years for her current employer prior to joining DBplus with cumulative earnings of $250,000. During this time, she was participating in her employer's DC plan. She may be able to make a purchase of up to 18% of $250,000, which is $45,000.

Joanne has a balance in her DC plan of $20,000. Based on legislation applicable to her DC plan, her membership in the DC plan will not be terminated unless her employer winds up the plan.

She was also contributing to a Group RRSP while working for a prior employer and has a balance of $100,000 in her RRSP.

Q: What are Joanne's options if her employer does not wind up the DC plan?

A: If Joanne's employer does not wind up the DC plan, Joanne's DC balance will stay in her employer's plan and she will not be eligible to make a purchase in DBplus for the period of time during which she was participating in her employer's DC plan.

However, if Joanne has a different eligible period of employment that she would like to purchase, then she can use funds from her Group RRSP to do so.

Q: What are Joanne's options if her employer winds up the DC plan?

A: If Joanne's employer winds up the DC plan, Joanne will have to transfer her DC account balance out of her employer's plan because her membership in the DC plan will be terminated. One of Joanne's options will be to transfer her DC account balance directly to the CAAT Plan to purchase additional pension in DBplus for the period she contributed to the DC plan. If Joanne transfers funds out of her DC account after the wind-up, she can use those funds and/or her RRSP (up to the maximum – in her case, $45,000) to purchase additional DBplus pension.

Q: Can Joanne also make a purchase in respect of the period she contributed to a Group RRSP while working with a prior employer that does not participate in the CAAT Plan?

A: No. A Group RRSP does not qualify as a registered pension plan. Joanne cannot purchase additional pension in respect of employment with a prior employer that does not participate in the CAAT Plan if she was not participating in a registered pension plan.

Purchasing additional pension example: **Deciding when to purchase**

Jamal's RRSP investments haven't performed well, and he is debating whether to do a purchase now or wait

Jamal is age 40 and his RRSPs are worth $40,000. His maximum transfer amount to make a purchase is $80,000. If he makes a purchase today, he will purchase a pension of $3,400 ($40,000 X 8.5% X 100%).

Q. Will Jamal be better off making a purchase today or waiting?

A. It depends on how much AIW enhancements in DBplus would be granted and how well his RRSP investments would do going forward.

Let's say he made the purchase today and conditional AIW enhancements grew the $3,400 to $4,514 at age 50. By comparison, if he waited until he was age 50 to do the purchase and his RRSP investments grew to $61,750, he would purchase a $4,514 pension ($61,750 X 8.5% X 86%). If Jamal thinks his investments will do better than this, he may wish to wait. If Jamal is investing conservatively or doesn't want to take the risk, he may wish to make the purchase now.

Glossary

Average Industrial Wage (AIW)

The Average Industrial Wage is measured nationally by Statistics Canada each month.

Deferred Profit-Sharing Plan (DPSP)

An employer sponsored profit-sharing plan that is registered with the Canada Revenue Agency to help workers save for retirement. Employer contributions are deposited into individual employee accounts and invested. Individuals are only taxed when funds are withdrawn.

Defined Benefit (DB) plan

A Defined Benefit pension plan provides eligible employees monthly pension income for life when they retire. The benefit is calculated based on a formula.

Defined Contribution (DC) plan

A Defined Contribution plan is a retirement savings plan in which the amount of contributions made by the employer (and sometimes the member) are defined and deposited into individual employee accounts. Contributions are invested and managed by the member while working, and later have to be converted into stream of income payments in retirement, either through an annuity purchase from an insurance company or through a registered retirement income fund (RRIF) or life income fund (LIF), where minimum annual withdrawals are required. The amount of benefit in retirement can be affected by market volatility, how funds are invested, and timing of retirement.

Group Registered Retirement Savings Plan (Group RRSP)

An employer-sponsored retirement savings plan, similar to an individual RRSP, but administered on a group basis by the employer. Contributions are made by payroll deduction on a pre-tax basis through a Group RRSP administrator.

Locked-In Retirement Account (LIRA)

An individual investment account designed specifically to tax shelter funds transferred out of a registered pension plan until the member reaches retirement age.

Registered Pension Plan (RPP)

A pension plan offered by your employer that can be a defined benefit plan, a defined contribution plan, or combination of the two.

Registered Retirement Savings Plan (RRSP)

A personal savings plan that allows one to save for retirement on a tax-deferred basis. A Group RRSP is similar except that pooled investment products are offered to the participants.

T4

A tax slip issued by your employer that summarizes your earnings and deductions for the year.

Tax-Free Savings Account (TFSA)

An account in which contributions, interest earned, dividends, and capital gains can be withdrawn tax-free. Contributions are not deductible for income tax purposes. Interest earned, dividends, and capital gains are not taxed.

If you have questions, contact the CAAT Pension Plan at member@caatpension.ca or call us at 416.673.9000 (Toll-Free 1.866.350.2228)

Notes:

Notes:

If you have any questions about purchasing additional pension in DBplus, you can contact our team at member@caatpension.ca

The decision to make a purchase and the decision on when to make a purchase should be discussed with your personal financial advisor.

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