

The Internal Variable Annuity

About this option

An Internal Variable Annuity can be purchased with the balance in your account. An annuity provides you with a regular monthly income for the rest of your life.

The initial annuity you will receive depends on the balance available in your account, your age, and the survivor benefit option selected. More information and calculation examples are included later in this publication.

- **The annuity rates**

An age-based rate is used to calculate the initial amount of your annuity. An age-based table, showing single-life annuity rates, is included later in this publication. A single life annuity ceases on the death of the member; however, other survivor benefit options are available, and the annuity amount will differ based on the survivor benefit selected prior to retirement. Please refer to the Survivor Benefits section for more information.

There are three main features to this option:

- **The defined benefit minimum**

Provided you were not previously receiving the Variable Benefit, the Internal Variable Annuity cannot fall below the Defined Benefit Minimum, which is calculated based on a formula (as shown later in this publication). This provides a floor below which the annuity cannot fall; annuitants therefore receive the annuity or the defined benefit minimum, whichever is greater.

As described later in this publication, the defined benefit minimum is reduced for early retirement.

- **The annual adjustments**

Performance adjustments

Your annuity is adjusted each year to reflect the investment performance of the Plan during the prior calendar year, relative to the 3.5% underlying performance assumption. If the Plan earned more or less than 3.5%, the payments are adjusted accordingly. Your first adjustments will be pro-rated if you start your pension midway through the year.

For example, if the Plan earned 6% the annuity would increase on the following July 1st by approximately 2.5%; if the Plan lost 3%, the annuity would decrease by approximately 6.5%.

The performance adjustment means that this annuity carries somewhat more risk than external annuities, but also offers the potential for an enhanced benefit if the Plan does well.

Longevity adjustments

Internal Variable Annuities are also adjusted to reflect the longevity experience of the group of annuitants.

Indexing

The defined benefit minimum is indexed for inflation annually, in response to movements in Consumer Price Index (CPI).

- **The restrictions**

If combining options and applying only a portion of your account to this option, a minimum account balance is required¹, and the defined benefit minimum is reduced proportionately. While you can terminate a Variable Benefit and use the remainder of your account to purchase an Internal Variable Annuity, the defined benefit minimum would no longer be available.

¹ The minimum is three times the current year's YMPE²

² Year's Maximum Pensionable Earnings, the contributory earnings upper limit under the Canada Pension Plan (\$58,700 in 2020).

The annuity rates & reduction factors

The annuity calculation

This table shows the rates used in 2019 to convert your Combined Contribution Account balance into a single life 3.5% Internal Variable Annuity, based on your age at retirement.

Example of annuity calculation

Account balance \$165,000
Age 64 Annuity rate: **60.57/1000**

Annual annuity: \$165,000 x 0.06057 = \$9,994
Monthly annuity: \$9,994 / 12 months = \$833

The defined benefit minimum formula

Provided you were not previously receiving the Variable Benefit, the Internal Variable Annuity cannot fall below the defined benefit minimum.

This minimum is calculated based on the following formula (up to \$2,944.44 per year of service credited after 1990):

$$\text{Minimum} = A + B$$

A = Average salary¹ up to average YMPE²
x years of service x 1.3%

B = Average salary¹ in excess of average YMPE²
x years of service x 2%

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Age at retirement	Annual annuity rate (per \$1,000)	Early retirement reduction factor
55	51.04	0.59002
56	51.86	0.61977
57	52.73	0.65147
58	53.65	0.68526
59	54.62	0.72136
60	55.66	0.75996
61	56.77	0.80130
62	57.95	0.84566
63	59.21	0.89334
64	60.57	0.94466
65	62.02	1
66	63.58	n/a
67	65.26	n/a
68	67.08	n/a
69	69.04	n/a
70	71.16	n/a
71	73.47	n/a

Example of defined minimum calculation

Years of service: 10 Average salary: \$95,000 Average YMPE: \$56,200
A = \$56,200 x 10 years x 1.3% = \$7,306
B = (\$95,000 – \$56,200) x 2% x 10 years = \$7,760

Total annual defined benefit minimum: \$7,306 + \$7,760 = \$15,066

Total monthly defined benefit minimum: \$15,066 / 12 months = \$1,256

The early retirement reductions

If you retire before age 65, the appropriate factor is applied to your defined benefit minimum: the defined benefit minimum is multiplied by the corresponding reduction factor shown in the table. These reductions are permanent.

Example of early retirement reduction

Defined benefit minimum: \$15,066 Age: 64 Factor: **0.94466**

Total annual defined benefit minimum (reduced): \$15,066 x 0.94466 = \$14,232

Total monthly defined benefit minimum (reduced): \$14,232 / 12 = \$1,186

¹ The average salary is calculated based on your five highest consecutive years of earnings.

² Year's Maximum Pensionable Earnings, the contributory earnings upper limit under the Canada Pension Plan (\$58,700 in 2020).

The survivor benefits during retirement

Survivor benefits are paid to a spouse¹, beneficiary, or estate upon a member's death. A spouse, as defined in British Columbia's *Pension Benefit Standards Act (PBSA)*, is automatically entitled to the survivor benefit unless they choose to waive that right by submitting a spousal waiver.

A spouse is defined in the *Pension Benefits Standards Act* as: persons who are married to each other, and who have not been living separate and apart from each other for a continuous period longer than 2 years OR persons who have been living with each other in a marriage-like relationship for a period of at least 2 years immediately preceding the date of transaction.

If you are receiving the Internal Variable Annuity.

If you are receiving an Internal Variable Annuity, the survivor benefit is determined by the optional form you select at retirement.

The annuity you receive during your lifetime will be adjusted based on the survivor benefit option you have selected. For example, if you select a survivor benefit that provides longer or higher payments to your beneficiary, the monthly pension payments you will receive during your lifetime will be lower. The following tables describe the options available.

Survivor benefit options		
Option	Description	Note
Joint life	A selected percentage of the benefit will continue to the surviving spouse.	Percentages available: 66.7%; 75%; 100%
Joint & last survivor	A percentage of the selected benefit will continue after the first death of either the spouse or the member.	Percentage available: 66.7%
	Payments will continue in full (at 100%) for the lifetime of the member or spouse, whoever lives longer, and with a guaranteed minimum period.	Percentage available: 100% Guarantee period: 10 or 15 years
Single life	Payments continue for the member's lifetime with an optional guarantee period selected by the member.	Guarantee period: 0, 5, 10 or 15 years