

special forces

pension plan

Coordination

What is coordination?

Coordination is a feature of the Special Forces Pension Plan (SFPP) offered to members who retire before age 65 that allows for retirement income planning. It lets you increase your monthly payment temporarily from the time you retire until you turn 65. At age 65, the increase to your monthly payment stops **and a permanent reduction to your monthly pension payment begins.**

The reduction will continue as long as you live and may add up to more than the increase you received before 65.

This permanent reduction to your pension will continue regardless of changes to your federal benefits or your other retirement income sources. Therefore, it is critical to plan your retirement income to ensure that if you choose the coordination option, you will have sufficient additional income at age 65 to compensate for the permanent reduction to your pension. We suggest that you seek independent financial advice to make the choice best suited to your financial circumstances.

To decide whether coordination is suitable for you, please read the following information carefully to make sure you fully understand how coordination will affect your lifetime retirement income. The choice to coordinate is available only when you retire and make your pension choice. ***Your choice cannot be changed once your first pension payment commences to be paid.***

Considerations

Coordination allows you to do some retirement income planning and, if it meets your needs, receive more money before age 65 in addition to your earned monthly SFPP pension benefit.

However, there are other important considerations which you should bear in mind:

1. When you turn 65 and the permanent reduction begins, the combined retirement income you receive from SFPP, Canada Pension Plan (CPP) and Old Age Security (OAS) pensions may be lower than it was before 65. For further information on CPP or OAS, please visit <https://www.canada.ca/en/services/benefits/publicpensions.html>
2. The reduction at age 65 is permanent. Depending on how long you live, the total amount of the reduction after 65 may be more than the increase that you received from SFPP before 65.

How do you know whether you are eligible for coordination?

Coordination will only be offered on pension forms where there is enough monthly SFPP pension after you turn 65, when your permanent reduction begins, to keep your pension at or above a level set by plan rules. If this is the case, your Retirement Benefit Statement will show coordination options on those forms.

special forces

pension plan

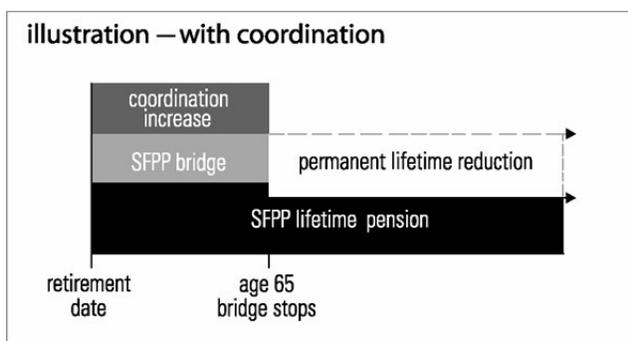
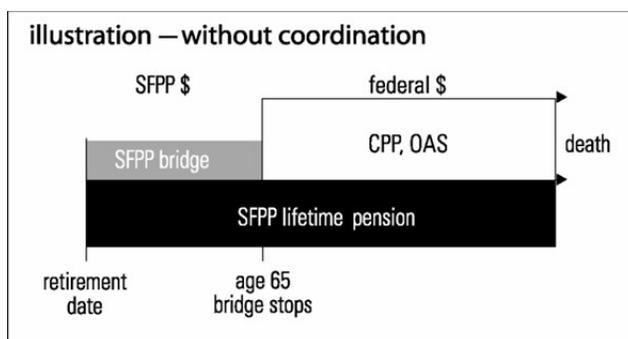
Before you decide whether to coordinate your pension, you should carefully review the different pension options that are available to you and choose the option that best suits your individual circumstances.

Your bridge benefit

If you retire before age 65, a bridge benefit is included in your pension until you turn 65. After age 65, you will no longer receive the bridge benefit.

Coordination is different from your bridge benefit in two ways:

1. Coordination is calculated differently in that the coordination amount is limited to 40 per cent of the Year's Maximum Pensionable Earnings (YMPE) as set by the CPP, less your bridge benefit. For 2016, this means that the combined coordination and bridge benefit would be \$21,960.
2. Coordination is not automatically applied to your pension if you retire before age 65. In other words, if you wish to coordinate your pension, you have to elect to do so.



The above graphs are for general illustrative purposes only. Their proportions do not represent your actual benefit amounts or life expectancy.

As the charts above illustrate, when you choose to coordinate your pension, three things happen at age 65:

1. Your coordination increase stops.
2. Your coordination reduction begins.
3. Payment of your SFPP bridge benefit stops.

special forces

pension plan

The total of these three decreases is equal to 40 per cent of the YMPE (\$21,960 for pensions starting in 2016), which must be replaced by new sources of income – CPP, OAS and personal savings – if you are to maintain a level amount of income before and after age 65.

What happens if you die with a coordinated pension?

If the pension commenced after December 31, 2003 or if you chose the *joint lifetime with reduced survivor benefit guaranteed at least 5 years (normal pension with 65% survivor benefit guaranteed 5-year term)*:

1. Coordination will continue as long as you are alive.
2. *If you have a coordinated pension and you die before age 65*, the coordination increase in your monthly payment will stop. The amount paid to your pension partner or beneficiary, if any, reverts to your original pension choice without coordination. The SFPP bridge benefit will stop being paid when you would have reached age 65.
3. *If you die after age 65*, the reduction in the monthly payment will stop upon your death, and your pension partner or beneficiary will receive the original monthly SFPP pension less the bridge benefit.

If the pension commenced before January 1, 2004 and you chose one of the Single Lifetime Guaranteed Term options:

1. Coordination continues as long as the benefit continues to be paid.
2. *If you have a coordinated pension and you die before age 65*, the increase in the monthly payment will not stop. This is because survivor benefits are determined using the pension in pay. The SFPP bridge benefit will stop being paid when you reach age 65.
3. *If you die after age 65*, the reduction in the monthly payment will not stop.

Is pension coordination right for you?

You may wish to consider coordination if:

- you plan to wait until age 65 to begin receiving CPP benefits;
- you will have additional sources of retirement income at age 65, such as OAS, RRSPs, other employment pensions or personal savings; or
- you will need more income before age 65 than after.

You may not wish to consider coordination if:

- you do not know the amount of pension you will receive from OAS at age 65;
- you do not know the amount of pension you will receive from CPP at age 65;
- you plan to draw on any of your additional income sources or CPP before age 65; or
- you want to keep your other sources of income paid to you after age 65 for estate planning purposes.

To make a sound decision about coordination, you should have a good idea of how much money you can expect from all of your retirement income sources.

special forces

pension plan

How to decide

- Realistically consider what your retirement income needs will be before and after age 65.
- Consider your total income sources before and after 65 as well as how your income tax will be affected.
- Think about whether or not you could adjust to a reduced retirement income after 65. Remember: you will experience a double impact when both your bridge and coordination supplements end, resulting in a significant drop in pension income.
- Talk to a representative of the Government of Canada's income security programs about the CPP early retirement reduction. They can be reached at 1-800-277-9914.
- Consider your situation carefully and base your coordination decision on your personal circumstances.
- Seek independent financial advice.

This document provides general information only. Should anything in this document conflict with governing legislation, the latter shall apply.

Alberta Pensions Services Corporation (APS) proudly serves SFPP and provides responsive and focused member service on behalf of the Plan. If you need more information, please contact APS through the Member Services Centre.

Mail: SFPP c/o APS
5103 Windermere Blvd. SW
Edmonton, Alberta T6W 0S9

Telephone: 1-877-809-SFPP (7377)
E-mail: memberservices@sfpp.ca
Website: www.sfpp.ca