Pension Airwaves

Episode 15 - SPP Guarantee Period (*Transcript*)

Hi there and thanks for tuning in to this episode about the "guarantee period" in the Staff Pension Plan. We know that this topic can be a little tricky to understand, but we'll do our best to explain.

If you're an SPP member and you decide to retire (meaning, you decide to start taking a lifetime monthly pension payment from the Plan), there are several different options that you'll need to choose before your retirement can be finalized. These options are basically used to determine how we calculate the pension payment amount that you're entitled to receive. Much of this hinges on things like your age, your spouse's age, and if you retire early, you may have a preference to have a steady pension amount throughout your retirement, or you might decide to have a larger pension payment at first, with a reduction at age 65. These are some of the factors that contribute to how your pension payment amount will be calculated.

Another one of those options, or factors we use, is the guarantee period that you choose. Now, the guarantee period is in reference to the time period where the Plan "guarantees" to provide post-retirement death benefits to your beneficiary. Your pension benefit is considered an asset, and upon retirement, you'll be asked to designate a beneficiary to receive that post-retirement benefit in the event that you pass away, and if you have a spouse, in the event of their passing as well.

The guarantee period has nothing to do with the amount of time that the Plan agrees to provide pension payments to you and your spouse. Your pension is paid for your lifetime, and if you have a spouse, for your spouse's lifetime too. The benefit of a lifetime pension payment isn't an option that you choose. It's just built into the Plan. Provided that the Plan is in a healthy and well-funded position, your (and your spouse's) entitlement to a lifetime pension payment doesn't change.

The guarantee period is **only** referring to the amount of time that we agree to pay death benefits to your beneficiary upon your passing, and your spouse's passing, if applicable. The idea is that if you choose a shorter time period for your beneficiary to be eligible for death benefits, then you will be entitled to a larger pension payment, whereas if you want to arrange a longer time period for your beneficiary to be eligible to receive death benefits, then you will receive a smaller pension payment, because theoretically the Plan may need to pay your beneficiary over a longer period of time. So the guarantee period you choose will have an effect on the amount of your pension payment.

We have three different guarantee periods that you can choose from when you retire: a 5-year, 10-year, and 15-year guarantee period. If you have a spouse, then you're allowed to choose either the 5-year or 15-year guarantee period.

These time periods are measured from the date of your retirement. The idea is that if you (and your spouse) pass away **before** that established time period has ended, then the SPP owes the remaining pension payments to your beneficiary. If you (and your spouse) pass away **after** that established time period has ended, then the SPP does not owe any remaining pension benefit to your beneficiary. You can then imagine how that might affect how your pension payment is calculated.

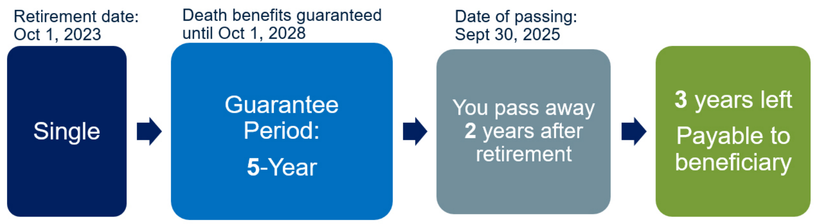
Let's illustrate this using some really general, high-level examples, and we'll do a little bit of math. We'll also put some helpful illustrations in the transcript if you want to follow along in there.

EXAMPLE 1: Single, 5-Year Guarantee Period

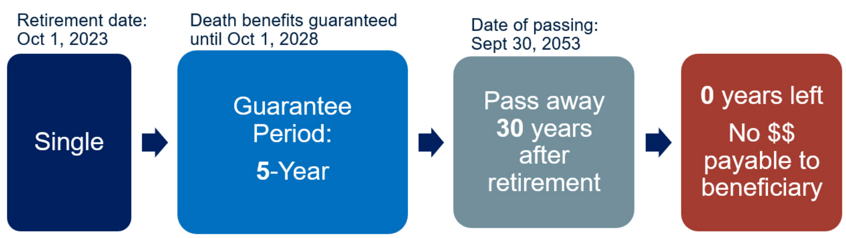
Let's say that you are age 65, you are single, and you would like to retire on October 1, 2023. You've named your cousin Jim as your beneficiary. And, let's say that you've chosen a 5-year guarantee period.

So... five years from your hypothetical retirement date of October 1, 2023 would be September 30, 2028... technically your closest pension payment date prior to that five-year mark would be September 1, so really that's the dividing line in this example. That means that if you happen to pass away before September 1, 2028, then as your post-retirement beneficiary, your cousin Jim would then receive the amount of money that you would have been paid between the date of your passing, and September 1, 2028. If you pass away after September 1, 2028, then no further benefit would be paid out to your cousin Jim.

For a very easy illustration, let's just assume that your monthly pension payment is $1000. And let's imagine that you pass away on September 30, 2025. That's two years after your retirement date. If you have chosen a 5-year guarantee period, then that means there are three years worth of payments left to be paid out to cousin Jim.



Now, let's use the same scenario but imagine that you passed away after September 30, 2028 – that 5-year mark we mentioned earlier. Let's say that you live to be age 95 and you pass away on September 30, 2053. Well that's a lot more than that initial five years after your retirement date, so your guarantee period will have lapsed, and there would be no further death benefits payable to cousin Jim at that time.

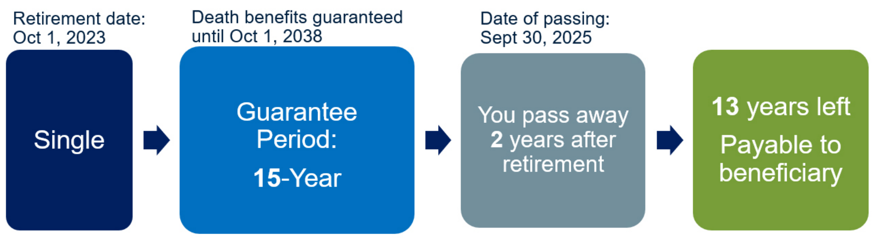


EXAMPLE 2: Single, 15-Year Guarantee Period

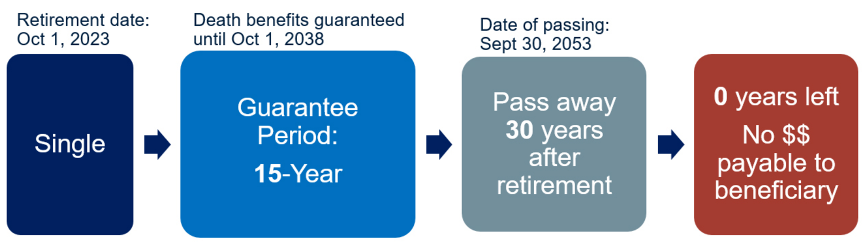
Let's illustrate a similar scenario, but instead, you chose a 15-year guarantee period. You're still single, age 65, and retiring on October 1, 2023. Cousin Jim is still your beneficiary.

So, 15 years from your hypothetical retirement date of October 1, 2023 would be September 30, 2038. Let's use the same monthly pension amount of $1000 and the same example dates.

Imagine that you pass away on September 30, 2025, so again, two years after your retirement date. If you have a 15-year guarantee period this time, then that means there are 13 years worth of payments left to be paid out to cousin Jim.



And as with the previous example, if instead, you live to age 95 and pass away in 2053, then that's still more than 15 years after your retirement date, the guarantee period will have lapsed, and there would be no further death benefits payable to cousin Jim.

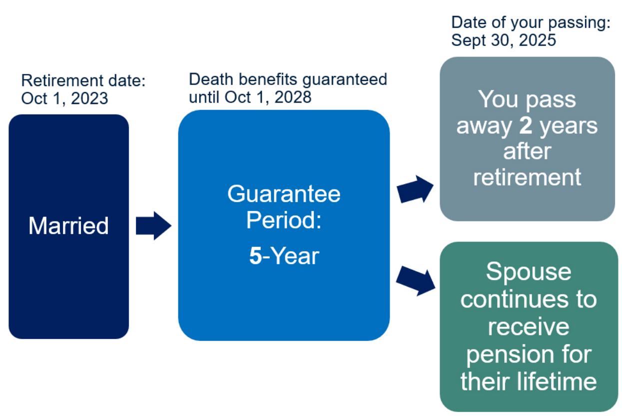


EXAMPLE 3: Married, 5-Year Guarantee Period

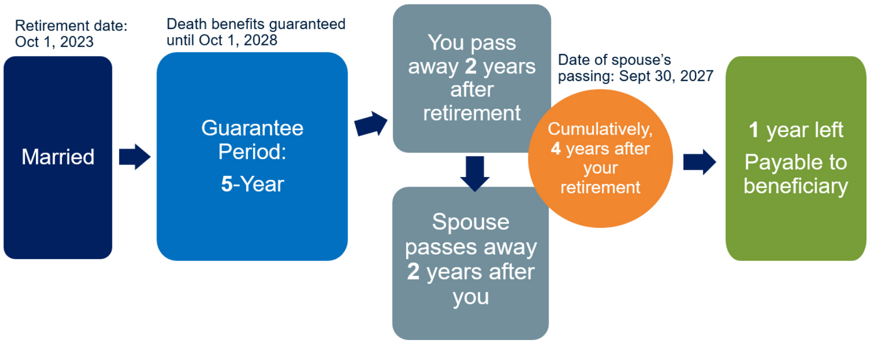
Let's do another example, except let's imagine that you have a spouse this time. Let's say that you are age 65, your spouse, Franco, is 70 years old, and let's keep the same retirement date of October 1, 2023. You've named your daughter, Christine, as your secondary beneficiary. And let's say that you've chosen a 5-year guarantee period.

As with our previous example, five years from that October 1, 2023 retirement date is September 30, 2028, So again, that means death benefits are only payable to your beneficiary if you and your spouse pass away before September 1, 2028, which is the closest pension payment date prior to that 5-year mark.

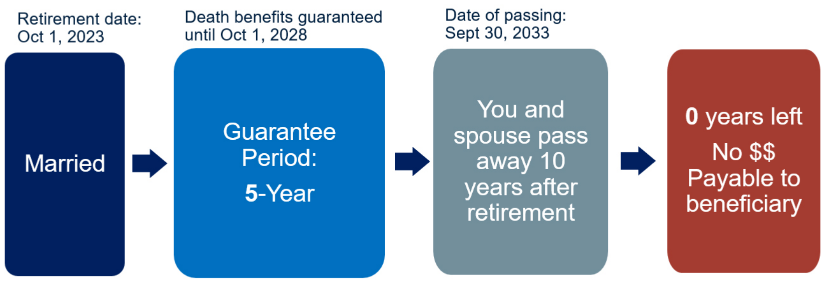
Imagine that you pass away two years after your retirement date, which would be September 30, 2025. Your normal pension payment would then continue on to Franco.



Imagine Franco then passes away two years after that, on September 30, 2027. That means that the 5-year guarantee period has one year left on it, so the amount of one year of pension payments would be payable to your beneficiary, Christine.



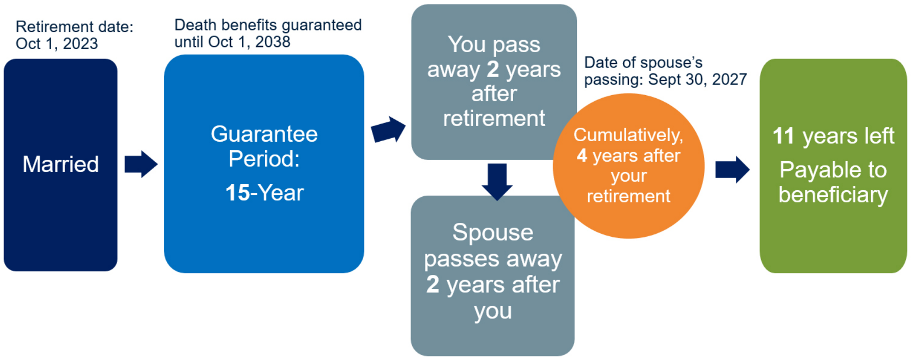
If you or your spouse passed away after that five-year mark, let's say you and Franco pass away exactly 10 years after your retirement date, so on September 30, 2033… then your guarantee period would have lapsed and no additional death benefits would be paid to Christine at that time.



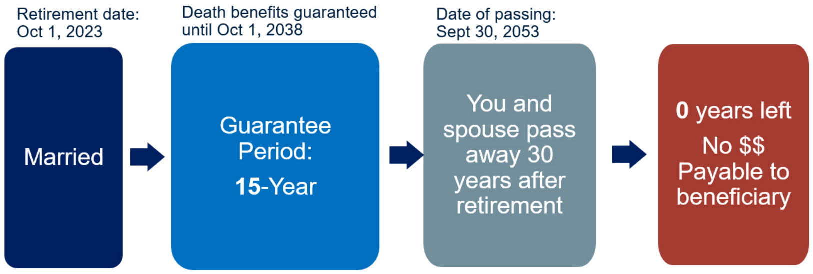
EXAMPLE 4: Married, 15-Year Guarantee Period

Let's use that same example with your spouse Franco and your daughter Christine, except imagine that you chose a 15-year guarantee period instead. 15 years after your October 1, 2023 retirement date would be September 30, 2038, so that's the key date to remember here.

Imagine that you pass away two years after your retirement date, your pension continues on to Franco, and then he passes away two years after that, on September 30, 2027. That means that the 15-year guarantee period has 11 years left on it. So the amount of 11 years' worth of pension payments would be payable to Christine.



In this scenario, let's say that instead, you and Franco both live long lives and pass away 30 years after your retirement date… so not until the year 2053. Since that's well beyond the 15-year guarantee period, no additional death benefits would be paid to Christine at that time.



If you want to read an info sheet about the guarantee period and other retirement options to consider, we encourage you to check out the **Plan Guides and Information Sheets** page on the SPP website: **staff.pensions.ubc.ca/resources/guides** and select ***SPP Details: Retirement Options***.

If you are approaching retirement, and you want to talk to someone about your potential retirement options, including how the guarantee period could affect your pension amount, we encourage you to reach out to SPP Member Services, and ask to schedule a **Retirement Information Session**, which is a one-on-one appointment with an SPP Team member to go over your details and to provide illustrations of what these calculations might look like for you.

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*If you have questions about the Pension Airwaves podcast, you can reach out to **pension.comms@ubc.ca**, or visit **staff.pensions.ubc.ca/podcast**.*

*If you have questions about the UBC Staff Pension Plan or your personal situation, you can reach out to SPP Member Services at **spp@hr.ubc.ca**, or visit **staff.pensions.ubc.ca/contact**.*