CHOOSING BETWEEN DEFINED CONTRIBUTION REGISTERED PENSION PLAN (DCRPP) AND LOCAL AUTHORITIES PENSION PLAN (LAPP)

If you're a **temporary salaried employee** of SAIT, you have two choices when choosing a pension plan — the Local Authorities Pension Plan (LAPP) or the Defined Contribution Registered Pension Plan (DCRPP).

Note: If you're a permanent salaried employee, you're automatically a member of LAPP and cannot choose the DCRPP. You may wish to speak with a trusted financial advisor as part of your retirement planning process. It's helpful to discuss your plans with someone who understands your current financial situation and how your SAIT pension will fit into your overall retirement plan.

While the LAPP and DCRPP are both registered plans, they're very different. Here are some key things to consider when choosing the right plan:

	Local Authorities Pension Plan (LAPP)	**Defined Contribution Registered Pension Plan (DCRPP)**
Administration	Alberta Pension Services, on behalf of LAPP	Canada Life
Retirement income	Predictable, based on a formula	Based on account value, including investment performance over time
Timing	May be more beneficial if you plan to be at SAIT long term	May be more beneficial if you plan to be at SAIT for a short term
Investment decisions	Made by LAPP board	Made by employee
Investment risk/reward	Assumed by LAPP board	Assumed by employee
Vesting period	After two years	Immediately
Receiving payments before age 55	The amount of pension benefit you have accrued will be converted into a lump sum value. You can: • leave your funds with LAPP • transfer commuted value to LIRA • defer your pension to start anytime between age 55 and 71	Transfer money to retirement income option within Canada Life or with another financial institution — LIRA, LIF, RRSP, Annuity, etc. You're legally required to start withdrawing your pension at age 71
Receiving payments after age 55	You can: take immediate pension defer your pension to start anytime between age 55 and 71 transfer your LAPP benefit to another pension plan	Transfer money to retirement income option within Canada Life or with another financial institution — LIRA, LIF, RRSP, Annuity, etc. You're legally required to start withdrawing your pension at age 71

Things to Consider

Retirement Income

With a LAPP plan, your benefit payment is fixed — regardless of financial market activity. Pension payments will continue until you die, or until your pension partner (if applicable) dies. With a DCRPP plan, the total balance of the money in your account will depend on the contributions made and how your investments have performed.

How close to retirement are you?

If you're staying at SAIT long term, you may benefit from participating in the LAPP plan. If you're staying at SAIT short term, you may prefer the DCRPP.

Are you comfortable making investment decisions?

Your retirement income from the LAPP is defined by a formula and remains the same regardless of how investments perform. All contributions are pooled into one investment fund, which means risks are pooled and shared by plan members. A team of professional investors — **AIMCo** — controls the investments and takes on all the risk.

The advantage of belonging to a pooled pension plan such as LAPP means you're protected with a pension for life. If you aren't comfortable making investment decisions, LAPP may be the right option for you.

Your retirement income provided by the DCRPP is based on your balance at retirement. You accept the investment risk in exchange for control over your investment decisions. This has the potential to generate higher retirement income through your investment returns but is dependent on market trends and fluctuations.

How important is RRSP contribution room to you?

The Income Tax Act limits how much you can contribute on a tax-deductible basis each year to a Registered Retirement Savings Plan (RRSP). This is known as your annual RRSP contribution limit. Your RRSP limit is reduced by the value of your employer-sponsored pension plan. This is known as your Pension Adjustment (PA).

The PA under a defined benefit plan — like LAPP — is based on a formula established by the Canada Revenue Agency and is the value of the pension benefit you have accrued in the year.

The PA under a defined contribution plan is the total of your employee and employer contributions made in the year to a yearly maximum established by the Canada Revenue Agency.

Vesting period

With a defined benefit pension, you become vested when you have two years of LAPP membership. With the defined contribution pension plan, your pension will be immediately vested and locked in