CANADA POST POSTES CANADA

PENSION POLICY
2701 RIVERSIDE DRIVE SUITE N0660
OTTAWA ON K1A 0B1

CPCPENSION.CA

POLITIQUE DU RÉGIME
2701 PROM RIVERSIDE BUREAU N0660
OTTAWA ON K1A 0B1

RETRAITESCP.CA

Commuted Value Q&A

When you leave Canada Post, you may be eligible for a commuted value (CV) as part of your termination options. Commuted value questions are often asked by Plan members through the Pension Centre and **cpcpension.ca**. To help you understand CVs, a special Q&A was created.

What is a CV?

A CV is a lump sum amount payable to you today which equals the monthly pension benefit that would have been payable at a future date. The CV is based on actuarial assumptions and current interest rates which fluctuate over time. Generally, when interest rates decrease, your CV increases. Similarly, an increase in interest rates will result in a decrease of your CV. If you choose to withdraw your CV, you will not be eligible for any future monthly pension benefit payment.

Am I eligible for a CV if I terminate employment?

If your employment terminates with less than two years of eligibility service and Plan membership and you are not entitled to an immediate reduced or unreduced pension, then you are entitled to receive a deferred pension or the commuted value of your pension benefit either as a transfer to a non-locked-in registered retirement savings plan (RRSP) or as a lump-sum payment (less withholding tax).

If your employment terminates with two or more years of eligibility service or Plan membership, and you are not entitled to an immediate reduced or unreduced pension, then you are entitled to receive a deferred pension or the commuted value of your pension benefit transferred to either a locked-in retirement savings vehicle, your new employer's registered pension plan (if permitted) or an insurance company to purchase a life annuity.

Subject to the Pension Benefits Standards Act, 1985 (PBSA), a CV must be transferred to a locked-in retirement savings plan or life income fund, to your new employer's registered pension plan (subject to Plan rules), or to an insurance company to purchase an annuity. Any amount in excess of the Income Tax Act transfer limit will be paid in cash (less withholding tax).

How is a CV calculated?

The CV of a pension benefit is calculated in accordance with the federal PBSA. The prescribed method is described in the Canadian Institute of Actuaries (CIA) *Standards of Practice for Pension Commuted Values*.

Note: The CV is a complicated calculation that includes many factors and special tables; therefore, the calculation **cannot** be performed manually by you or a Pension Centre Representative. A breakdown of the calculation cannot be provided because the factors and tables used are far too lengthy to be made generally available.

The calculation is based on a deferred pension that would be payable at pensionable age using the following factors and assumptions:

Salary and Service	The deferred pension is based on your highest average earnings and pensionable service.
Canada / Quebec Pension Plan (C/QPP) Reduction	The C/QPP reduction is applied to account for the integration of the Plan formula and C/QPP contributions and benefits.
Pension Indexing	This includes future indexing and indexing between your date of termination and date of calculation.
Demographic Assumptions	These include the probability of your being alive in each future year, as well as the probability of a spousal, dependent child, or disability benefit being paid.
Economic Assumptions	These assumptions are based on the CIA recommendations for fully indexed pension plans and reflect current market conditions as well as expected long term rates. The CIA rate is updated monthly. They pertain to the real rate of return that the lump sum payment could be expected to earn. The real rate of return is the difference between the gross interest rate and the inflation rate. The lump sum payment is calculated using economic assumptions to account for it being payable today, instead of monthly over your and any eligible survivor's lifetimes. The lump sum is expected to earn interest from the payment date until the date you would have received a pension benefit if the funds had remained in the Plan.