

Canadian Blood Services

Defined Contribution Pension Plan



Canadian Blood Services
it's in you to give

Introduction

Canadians are enjoying longer and longer retirements these days. Earlier retirement and increased life expectancy mean that people are spending almost as long in retirement as they spend in their working careers.

From where you are right now, this may all seem a long way off. However, your future financial security and that of your loved ones depends on careful planning for your income needs during retirement. The Canadian Blood Services Defined Contribution (DC) Pension Plan provides an excellent way to build retirement income.

The DC plan is sponsored by Canadian Blood Services. An Advisory Committee assists Canadian Blood Services with plan administration. The names of the current Advisory Committee members are available on the DC plan website at **cbs.hroffice.com**.

Members of the ***Participating Unions*** listed in the glossary only participate in the Canadian Blood Services Defined Benefit (DB) Pension Plan. Other employees are eligible to participate either in the DC or DB plan when they meet the eligibility requirements, as explained in the *Eligibility* section.

All employees who were members of the Canadian Red Cross Pension Plan—Part I (Red Cross DC plan) on September 27, 1998 joined this plan automatically on September 28, 1998. All account balances under the Red Cross DC plan were transferred to this plan.

For more information on the DC plan, contact Morneau Sobeco at 1 877 252-4442 or access the Canadian Blood Services-Morneau Sobeco DC plan website at **cbs.hroffice.com**.

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Table of contents

Introduction.....	i
Plan overview.....	1
How the plan works.....	1
Plan administration	2
Member responsibility.....	2
Joining the plan	4
Eligibility	4
DB Participating Unions	4
Regular full-time employees.....	4
Employees other than regular full-time	4
Examples	5
How to join.....	6
Designating a beneficiary	6
If you don't have a spouse	6
If you have a spouse	7
Transferring service into the plan.....	7
Choosing not to join	8
Questions and answers	8
Contributing to the plan	8
Your contributions	9
Canadian Blood Services' contributions.....	9
Questions and answers	11
Investing your retirement savings.....	12
Investment fees.....	13
Questions and answers	14
Life events—what happens if... ..	15
You leave Canadian Blood Services or retire	15
Before your pension benefits are vested.....	15
After your pension benefits are vested.....	15

You go on sick leave	17
You become disabled	17
You take a leave of absence	17
You become separated or divorced	17
You die while working	17
Before your pension benefits are vested	17
After your pension benefits are vested	18
You die after leaving Canadian Blood Services.....	19
Questions and answers	19
Additional information.....	20
Quarterly plan statements	20
Plan amendment or termination.....	20
Government pension benefits	20
Canada/Québec Pension Plan	20
Old Age Security and Guaranteed Income Supplement	21
Personal savings.....	21
Tax issues	23
Pension Adjustment.....	23
Questions and answers	23
For more information	24
Glossary	25
Notes.....	29

Plan overview

How the plan works

Your Canadian Blood Services Pension Plan is a defined contribution plan. With the defined contribution pension approach, you don't receive a monthly pension; rather you receive your lump-sum retirement account balance when you leave Canadian Blood Services—whether it is to retire or change jobs. You use the lump sum to provide retirement income. The amount of retirement income you can generate depends on your contributions and those of Canadian Blood Services, and how well the funds in which they are invested perform. (In contrast, a defined benefit pension plan provides pension benefits based on a formula that considers an average of your highest earnings during your years of employment with Canadian Blood Services.)

In this booklet, you will learn how to join the plan, who pays what, your options for investing your money, as well as the options you have in the event of various life events.

In the *Additional information* section, we've also provided you with a brief description of government plans and personal retirement savings.

For help with definitions of some pension terms that appear in ***bold italic*** type, see the glossary at the back of the booklet. And be sure to check out the questions and answers for additional information on the plan.

This booklet is a helpful guide to one part of your retirement planning—your employer-sponsored retirement savings. Read it, share it with your family, and keep it handy for future reference.

Of course, this booklet does not provide exhaustive detail. The official plan text governs your actual pension benefits from the plan and is the final authority in any case of dispute. Any eligible member, ***beneficiary***, or other authorized person may see a copy of the full plan text, annual information returns, and other relevant documents, by contacting the Human Resources department at Head Office. If you have further questions, please contact Morneau Sobeco at 1 877 252-4442 or check out the DC plan website at **cbs.hroffice.com**.

Plan administration

The plan is administered by Canadian Blood Services. An Advisory Committee assists Canadian Blood Services by monitoring investment performance and plan administration, and making recommendations for any changes in the financial institution involved in the investment of the funds. The committee is made up of representatives of Canadian Blood Services and the unions whose members participate in the plan. Your contributions and Canadian Blood Services' contributions to the plan are invested in funds made available to you through Manulife Financial.

Day-to-day plan administration (record keeping, preparation of quarterly statements, preparation of options statements, etc.) for the DC pension plan are provided for Canadian Blood Services by Morneau Sobeco. For questions on day-to-day plan administration or your pension entitlements, you should contact Morneau Sobeco at 1 877 252-4442 or go to the DC plan website at cbs.hroffice.com.

Member responsibility

Your pension savings could be your most important financial asset. Your retirement income from the plan depends on the accumulated contributions plus whatever investment returns you have earned. That's why it is important to take your responsibilities as a member of the DC plan seriously.

You are responsible for...

- Allocating the funds in your retirement account (made up of Canadian Blood Services' and your contributions and any investment earnings) among the different investment options offered, and for reviewing and making changes to those allocations at appropriate times. As such, you are responsible for the investment decisions you make, including the investment and financial risk associated with these decisions. For more information, go to the *Investing your retirement savings* section.
- Reading the information, attending any seminars and making use of any tools provided by Canadian Blood Services with respect to the DC plan, and for requesting clarification of any item which you do not understand.

- Obtaining additional information you may need—from sources other than Canadian Blood Services—in order to understand retirement, saving for retirement, investments and any other issues required to make any decisions or choices under the plan. This may include advice from a personal financial advisor.
- Choosing the retirement income vehicle for your funds when you withdraw your funds from the DC plan (for example, when you retire). Morneau Sobeco provides you with the options that are available to you based on applicable legislation and the DC plan provisions, but you are responsible for the decision.
- Notifying your Human Resources representative if you have a change of name, marital status, address or telephone number.
- Reviewing and, when necessary, updating your **beneficiary** for pension benefits payable in case of your death. Go to *Designating a Beneficiary* under the *Joining the Plan* section, or contact Morneau Sobeco at 1 877 252-4442, for more information.

Joining the plan

Eligibility

Regular full-time employees

If you're a regular full-time employee, you:

- **may** join the plan on the first day of the month following three complete months of **continuous service**. If you don't join then, you can join on the first day of any month thereafter, or
- **must** join this plan or the DB plan (see the website, at cbs.hroffice.com, for details) by the first day of the month in which you complete two years of **continuous service**. If you do not choose a plan by the first day of the month in which you complete two years of **continuous service**, you will be automatically enrolled in the DB plan.

DB Participating Unions

If you are a member of one of the **Participating Unions**, you **may not** join the DC plan. Instead, you enrol in the DB plan once you meet eligibility requirements. Go to the glossary for the list of **Participating Unions** or consult the DB plan booklet or the DB plan website at cbs.hroffice.com for more information.

Employees other than regular full-time

In all Canadian provinces, except Manitoba

Effective January 1, 2010, if your employment status is something other than regular full-time (that is if you are a full-time term, part-time or casual employee), you may join the plan on the first day of the month following three complete months of **continuous service**.^{*} Or, you may choose to join the DB plan instead (see website cbs.hroffice.com, for details).

In Manitoba

If you work in Manitoba, you:

- **may** join the plan on the first day of the month following three complete months of **continuous service**. If you don't join then, you can choose to join on the first day of any month thereafter, or

^{*}Other than regular full-time employees with at least three months of **continuous service** on January 1, 2010 shall be eligible to participate in the plan as of that date and not prior to that date. Prior to January 1, 2010, two years of **continuous service** were required for participation.

- **must** join this plan or the DB plan (see the website, at cbs.hroffice.com, for details) by the first day of the month in which you complete two years of **continuous service**, as long as you have also earned at least 25% of the **YMPE** in each of two consecutive calendar years. If you do not choose a plan by this date, you will be automatically enrolled in the DB plan.

Examples

Let's look at some examples that apply to employees joining the DC plan.

Dawn is a regular full-time non-union employee

Date of hire	January 15, 2009
Dawn may join this plan or the DB plan	May 1, 2009
Dawn must join this plan or the DB plan	January 1, 2011

Ming is a regular full-time employee, represented by a Non-participating Union

Date of hire	April 20, 2009
Ming may join this plan or the DB plan	August 1, 2009
Ming must join this plan or the DB plan	April 1, 2011

Sandy just transferred to a regular full-time position

Date of hire in a part-time position	June 5, 2003
Sandy could have joined this plan	June 1, 2005
Sandy transferred to full-time	December 1, 2008
Sandy must join this plan or the DB plan	December 1, 2008

Ahmed is a temporary full-time employee

Date of hire	June 27, 2008
Ahmed is eligible to join this plan or the DB plan	January 1, 2010

Dmitri is a part-time employee

Date of hire	January 15, 2010
Dmitri is eligible to join this plan or the DB plan	May 1, 2010

Phil is a temporary part-time employee working in Manitoba	
Date of hire	August 12, 2008
Phil may join this plan	December 1, 2008
Phil earns in 2008	\$11,225 (25% of 2008 YMPE)
Phil earns in 2009	\$11,575 (25% of 2009 YMPE)
Phil must join this plan or the DB plan	August 1, 2010

How to join

Shortly before you're eligible to join, a Human Resources representative will contact you, and give you the pension enrolment forms. You'll use these forms to provide personal details and to designate a **beneficiary** to receive your retirement account balance in case of your death.

Designating a beneficiary

When you join the plan, remember to complete the **beneficiary** designation section of the enrolment form, to show who should receive your retirement account balance in case of your death. And, if your family situation changes, remember to review and, if necessary, update your **beneficiary** designation.

If you don't have a spouse

If you don't have a **spouse**, your retirement account balance will be paid to your **beneficiary**, if you designate one. If you don't designate a **beneficiary**, or if your **beneficiary** dies before you, your retirement account balance will be paid in cash to your estate.

Designating a **beneficiary** helps ensure your retirement account balance is paid as you wish at your death. Your **beneficiary** can be one or more people, or a corporation, such as a charity.

When you designate a **beneficiary**, funds are paid directly to the **beneficiary**, without the delays or probate fees associated with the processing of an estate. Estate taxes are also avoided, although your heirs will pay tax on your retirement account balance. This can save your heirs time and money.

If you have a spouse

Provincial pension laws require that, if you have a **spouse** when you die, your **spouse** must receive your retirement account balance payable in the event of your death. So, it is not necessary to name your **spouse** as your **beneficiary** because a **spouse** will automatically receive your retirement account balance when you die. By designating a **beneficiary**, you decide who should get your retirement account balance in case your **spouse** dies before you.

However, in most provinces, your **spouse** can sign a form waiving his or her rights to your retirement account balance at your death. In this case, someone other than your **spouse** can receive the retirement account balance, if you designate that person as your **beneficiary**. Contact Morneau Sobeco, at 1 877 252-4442, or your Human Resources representative for more information.

Transferring service into the plan

If you were a member of another pension plan immediately before your **continuous service** with Canadian Blood Services started, you may be able to transfer your pension assets directly from your previous pension plan to this plan.

If you are interested in such a transfer, you should contact Morneau Sobeco at 1 877 252-4442, advising them of your pension entitlements and options under the previous plan.

If you previously participated in the Canadian Red Cross Pension Plan—Part I (Red Cross DC plan), your account balance under that plan was automatically transferred to the Canadian Blood Services DC plan.

Choosing not to join

You may choose not to join the plan if you:

- are already a member of the DB plan (see website, at **cbs.hroffice.com**, for details), since you cannot participate in both plans,
- are a regular full-time employee and have not yet completed two years of **continuous service**,
- work other than regular full-time (unless you are a Manitoba employee and meet the service and earnings criteria on page 5),
- work in:
 - Manitoba, and are a full-time student or a member of a religious group that has as one of its articles of faith the belief that members of the group must not join a pension plan,
 - Manitoba, work other than regular full-time, and do not meet the service or earnings criteria on page 5, or
 - the Northwest, Nunavut, or Yukon Territories, if you object to pension plan membership on the basis of religious beliefs.

If you decide not to join the plan, you will have to sign a form indicating that you've been given the chance to join and chose not to.

Questions and answers

If I join the DC plan, can I later decide to switch to the DB plan?

No. Once you join the plan, you remain in the plan as long as you are employed by Canadian Blood Services.

That is why it is important for you to read the descriptive booklets of both plans carefully (see the website, at **cbs.hroffice.com**, for details or ask your Human Resources representative for copies), to ensure that you make the decision that is right for you.

Contributing to the plan

Both you and Canadian Blood Services contribute to the plan:

- your contributions are deposited in an employee account, and
- Canadian Blood Services contributions are deposited in an employer account.

You choose how to invest the funds in both accounts. The contributions in the two accounts, together with investment income, make up your retirement account.

If your employment terminates, or you die, before **vesting**, the contributions in the employer account are transferred to the **forfeiture account**, which is used to pay some administrative expenses.

Your contributions

Once you join the plan, you contribute 4.75% of your **pensionable earnings**. Here's an example.

Sam works full-time and earns pensionable earnings of \$50,000 a year	
Annual pension contribution	$4.75\% \times \$50,000 = \$2,375$
Bi-weekly contribution	$\$2,375 \div 26 = \91.35
Sam pays	\$91.35

Canadian Blood Services' contributions

Canadian Blood Services contributes 6.75% of your **pensionable earnings** to the plan.

Retirement savings that add up

In all, the contributions in your account add up to significant savings for retirement. The table below shows how the annual savings add up at different earnings levels.

Annual pensionable earnings	Canadian Blood Services' annual contributions	Your annual contributions	Total annual savings
\$40,000	\$2,700	\$1,900	\$4,600
\$50,000	\$3,375	\$2,375	\$5,750
\$60,000	\$4,050	\$2,850	\$6,900
\$70,000	\$4,725	\$3,325	\$8,050

Optional contributions

You may have made optional contributions to the plan until November 30, 2004, when this feature was closed to new contributions. If you did, your contributions and Canadian Blood Services' corresponding contributions, along with the related investment income, will remain in the pension fund and continue to earn investment income, until you leave Canadian Blood Services, retire, or die. You will receive updates on these contributions separately on your quarterly statement. When you leave, you use these accumulated savings to generate additional retirement income.

Supplementary Canadian Blood Services contributions

If you were a member of the Canadian Red Cross Pension Plan—Part I on November 1, 1997, and were age 43 or older on that date, Canadian Blood Services will make additional supplementary contributions each year, equal to the percentage of your pay indicated in the following table.

Attained age as of November 1, 1997	Supplementary contribution rate	Attained age as of November 1, 1997	Supplementary contribution rate
43	0.4%	54	4.2%
44	0.7%	55	4.4%
45	0.8%	56	4.9%
46	1.1%	57	5.4%
47	1.4%	58	5.9%
48	1.8%	59	6.4%
49	2.2%	60	6.9%
50	2.5%	61	7.5%
51	2.9%	62	8.0%
52	3.3%	63	8.6%
53	3.8%	64 and older	9.2%

Questions and answers

Are my pension contributions tax-deductible?

Yes. All your contributions to the DC plan are fully deductible from your income tax. Contributions to the plan are deducted from your pay before Payroll calculates your income tax, so you benefit right away.

Is there a limit on the amount I can contribute to the plan?

Under income tax legislation, the total contributions to the DC plan (described earlier in this section) may not exceed 18% of your total earnings. There is also a dollar limit maximum, which is \$22,000 in 2009, and is scheduled to increase every year in line with the average wage index. These limits include your contributions and Canadian Blood Services' contributions to this plan. Head Office Payroll will keep track of your contributions to the DC plan and ensure that you do not contribute more than allowed. If, at the end of the year, the total contributions exceed the limits, Canadian Blood Services will refund your excess contributions will be refunded to you at the end of the year.

If I decide later that I don't want to take part in the plan, can I stop contributing?

No. Once you are a member of the plan, you continue to contribute as long as you keep working at Canadian Blood Services and your money stays in the plan until you leave, retire, or die.

Where are the contributions held and when are they invested?

Your contributions and Canadian Blood Services' contributions are sent to Manulife Financial. Manulife Financial offers you a portfolio of professionally managed funds to invest in.

Your contributions are deducted from each pay and sent to Manulife Financial shortly after they're deducted. Manulife Financial invests the money according to your instructions as soon as the money is received.

Can I withdraw funds from the plan?

No. You may not withdraw any contributions from the plan, either your own contributions or those Canadian Blood Services makes, as long as you are employed by Canadian Blood Services. They stay in the plan until you leave, retire, or die.

Investing your retirement savings

With the DC plan, you decide how to invest your retirement account balance—made up of Canadian Blood Services' and your contributions and any investment earnings. You have a wide range of investment options to choose from to suit your investment goals. Each option comes with a different degree of risk and return and may be appropriate for different points in your career.

Before you select your investments, you may want to consider developing an investment strategy. An ideal investment strategy will strike a balance between the kind of long-term returns you want and the amount of short-term risk you are willing to bear. You should consider:

- your risk tolerance,
- your investment objectives and when you plan to use the money, and
- how much time you have to invest until you are ready to use the money.

Your investment options are divided among various types of asset classes:

- guaranteed interest accounts,
- fixed income funds,
- balanced/diversified funds,
- Canadian equity funds, and
- U.S./international equity funds.

Take control of your retirement

- *Think about what you'd like your retirement to look like—refer to the investment information available from your Human Resources representative or on the DC plan website to set an investment strategy that will meet your needs.*
- *Periodically review your investments against your long-term goals. If you regularly review how you are invested, you will be in a better position to make adjustments when necessary.*
- *Seek the advice of a professional financial advisor if you need assistance.*
- *Use the tools and resources that Canadian Blood Services makes available, such as:*
 - *the Retirement Planning Workbook,*
 - *Morneau Sobeco—contact Morneau Sobeco for information on the DC plan, and*
 - *the DC plan website for information about your investment funds and your investment options.*

The DC plan now also offers an automatic rebalancing feature. Over time and depending on the performance of your funds, you may find yourself over-invested in some areas and under-invested in others. The automatic rebalancing means that once every year—at the end of December—Morneau Sobeco will automatically buy and sell the necessary funds to bring your account in line with your most recent asset-mix instructions.

Your local Human Resources representative will give you a retirement planning workbook that describes all your investment options and the specific details on the funds and fund managers to help you make decisions about your investments. Or, once you have joined the plan, go to the DC plan website at cbs.hroffice.com for more information.

Investment fees

There are three types of fees that you pay as a member of the DC plan. These fees are comparable to other plans and are disclosed on your quarterly statements. Consult the DC plan website for the current amounts.

Type of fee	Description	Timing
Investment management fees	These are fees paid to the investment managers of each fund for the services they provide. The fees differ per fund and are based on a percentage of the money you have in the particular fund.	At the end of each month
Administration fee	A monthly administration fee for the third-party administration provided by Morneau Sobeco.	At the beginning of each month
Plan expense fee	A monthly fee to offset various plan expenses (such as, investment monitoring, audit fees, legal and actuarial advice and member communication).	On the 15th of each month

Questions and answers

How do I get information on my account, change my investment choices, and transfer my money among the different options?

You have access to your account information and can change your investment choices or transfer money among the different options any time online through the DC plan website at **cbs.hroffice.com** or by calling Morneau Sobeco at 1 877 252-4442 between 8:30 a.m. and 5:30 p.m. (ET). Morneau Sobeco also provides you with quarterly statements.

Are my investments safe under the plan?

Although Canadian Blood Services provides the DC plan to help you reach your financial goals for retirement, you are responsible for the savings that you accumulate under the plan. Canadian Blood Services takes great care in selecting the financial institution where your investments are kept and in choosing the investment options to be offered. Canadian Blood Services and the Advisory Committee also periodically review and evaluate the performance of the fund managers and make changes, when necessary.

As with any investment, you reap the rewards if investment returns are high and bear the risk if investment returns are low. Some of the funds offered under the plan entail more risk than others. You must be certain that you're comfortable with the level of risk you assume with your asset allocation. You may wish to discuss your investments with your personal financial advisor.

Life events—what happens if...

You leave Canadian Blood Services or retire

Before your pension benefits are vested

If you leave before your pension benefits are **vested**, you receive a refund of your contributions with the investment income they've earned while you've been in the plan. Instead of a cash refund less income tax, you can choose to have the money transferred on a tax-sheltered basis to:

- your RRSP, or other approved retirement savings arrangement,
- your new employer's pension plan, if the plan accepts such transfers, or
- an insurance company, to purchase a life **annuity** that will begin no later than December 31st of the year you reach age 71.

After your pension benefits are vested

When you leave Canadian Blood Services after your pension benefits are **vested**—whether to change jobs or to retire—you are entitled to the balance of your retirement account (all contributions along with the income they've earned while you've been in the plan). With the balance in your retirement account, you can choose to:

- leave it invested in the plan until your eventual retirement (no later than December 31st of the year you reach age 71),
- transfer it to another **locked-in** retirement savings vehicle—and continue investing and growing your retirement savings until you are ready to draw on the funds, or
- buy an immediate or deferred **annuity**—which is a lifetime pension benefit purchased from an insurance company.

If you retire, Head Office will inform you if you are eligible for other post-retirement benefits.

If you are disabled and receiving benefits from the Long-Term Disability Plan, you will retire the last day of the month in which your 65th birthday occurs.

With the DC plan, the amount of income that you are able to generate in retirement depends on how you choose to use the balance in your account.

If, with your retirement account balance, you choose to...	Your retirement income will depend on...
Purchase an annuity	<ul style="list-style-type: none"> • the value of your retirement account • the age at which you start collecting your pension • the amount of monthly annuity you can purchase, based on the interest rates in effect at the time • the form of annuity you purchase (generally an annuity that provides survivor benefits or a guaranteed period will provide a lower monthly income than an annuity without those features)
Keep the money in a locked-in retirement savings vehicle until you are ready to draw on the income	<ul style="list-style-type: none"> • the rate at which you withdraw the money • how well your retirement savings continue to perform

It's a good idea to discuss your options for using the balance in your retirement account with your financial advisor.

See the sidebar on page 18 for more information on **annuities** and **locked-in** retirement vehicles.

Optional contributions

You may have made optional contributions to the plan until November 30, 2004, when this feature was closed to new contributions. If you did, your contributions and Canadian Blood Services' corresponding contributions, along with the related investment income, will remain in the pension fund and continue to earn investment income, until you leave Canadian Blood Services, retire, or die. You will receive updates on these contributions separately on your quarterly statement. When you leave, you use these accumulated savings to generate additional retirement income.

You go on sick leave

If you're on sick leave with pay, or are eligible for workers' compensation benefits, you and Canadian Blood Services continue contributing to the plan.

If you're on sick leave without pay, you may choose to continue contributing for the period of your leave. If you do, Canadian Blood Services contributes too.

You become disabled

If you become eligible for benefits from the Long-Term Disability Plan, you stop making your contributions to the plan. Canadian Blood Services pays the contributions on your behalf until you return to work, terminate your employment, reach age 65, or die. These contributions are based on your **pensionable earnings** just before you became disabled.

You take a leave of absence

If you go on maternity, parental or adoption leave without pay, you can choose to contribute to the plan for the period of your statutory leave, plus one month. If you choose to contribute, Canadian Blood Services contributes too.

If you're on other forms of leave without pay, you may choose to continue contributing for up to one month. If you do, Canadian Blood Services contributes too. Your membership and contributions will resume automatically when you return to work.

You become separated or divorced

If your marriage or common-law relationship ends, provincial legislation may require that the retirement account balance that you've built up during your marriage or common-law relationship be shared with your former **spouse**.

The actual split of the funds will be according to a court order or separation agreement. If this situation arises, your legal counsel can advise you of the steps to follow.

You die while working

Before your pension benefits are vested

Depending on the province where you worked, if you die before your pension benefits are **vested**, your surviving **spouse** or your designated **beneficiary** receives a refund of your contributions with the investment income they've earned while you've been in the plan.

After your pension benefits are vested

If you die after your pension benefits are **vested**, your surviving **spouse** receives the value of your full retirement account (including all contributions along with the income they've earned while you've been in the plan), and may:

- transfer the money to another registered pension plan (if the plan accepts such transfers),
- transfer the money to another registered retirement arrangement,
- use the money to purchase an immediate or deferred **annuity**, or
- receive a lump-sum cash payment less income tax (this option is not available in some provinces).

If you have no surviving **spouse** (or if you and your **spouse** have completed a form waiving the automatic spousal benefit), your designated **beneficiary** will receive the lump-sum cash payment less income tax.

Morneau Sobeco will provide your survivors with details.

More about...

Annuities

*When you buy an **annuity**, you exchange a lump sum of money for a lifetime income. Various optional forms of life **annuities** allow you to provide continuing payments after your death to a **spouse** or other **beneficiary**.*

*If you have a **spouse** when your **annuity** starts, it must be paid in a form that— if you die—provides at least 60% (at least 66% if you work in Manitoba) of the amount of pension you were receiving before death to your surviving **spouse**. If you have a **spouse** and wish to choose a different form of **annuity**, you and your **spouse** must both sign a form waiving this automatic pension.*

Locked-in retirement savings vehicles

*These are investment accounts that hold your retirement account balance. You continue to be responsible for your investments and the risks associated with them. When you retire, you can draw the funds from the account or use them to purchase an **annuity**. The types of available accounts differ from province to province as do the rules for withdrawing the money. Generally, no withdrawals can be made before a specific age (usually age 55), and the balance must be drawn down gradually over a period of time. Contact Morneau Sobeco for more information.*

You die after leaving Canadian Blood Services

If you die after leaving Canadian Blood Services, the pension benefits to be paid depend on how you decided to use your retirement account balance. If you used it to purchase an **annuity**, the pension benefits paid at your death depend on the type of **annuity** you purchased. If you decided to continue to invest your retirement account balance in another approved savings vehicle, pension benefits at your death would be paid to your **spouse** or designated **beneficiary**.

Questions and answers

Will my pension be indexed when I retire?

When you leave Canadian Blood Services, you use the balance in your retirement account to provide you with retirement income. One way to provide retirement income is to use your account balance to purchase an **annuity**. There are many variations of **annuities** that you can purchase to provide retirement income. An indexed **annuity** will provide for income which increases by a specified percentage each year. If you choose to purchase an indexed **annuity**, the initial retirement income amount will be lower than from a non-indexed **annuity**.

Additional information

Quarterly plan statements

Morneau Sobeco will provide you with a quarterly statement of how your investments are doing.

In addition, you can always contact them to discuss your investment selections, as well as to request additional information concerning the performance of the investment funds.

Of course, Canadian Blood Services needs to have your current address in order for you to receive this information. If your address changes, you are responsible for notifying your Human Resources representative.

Plan amendment or termination

Although Canadian Blood Services intends to continue the plan indefinitely, it does have the right to terminate or amend it at any time. No amendment will affect the benefits you already have in the plan, unless required by applicable legislation.

Each time the plan is amended, you will receive an explanation of the amendment. In certain cases, this explanation may be included in your statement or on the DC plan website.

Government pension benefits

When you retire, under current legislation, you will be entitled to receive pension benefits from the Canada/Québec Pension Plan (CPP/QPP) and may be entitled to pension benefits from Old Age Security (OAS) and the Guaranteed Income Supplement (GIS). The information provided below on government pension benefits is presented for information purposes only and may change at any time. For specific information on these pension benefits, contact your local Service Canada Centre.

Canada/Québec Pension Plan

The CPP/QPP pays pension benefits to you based on your CPP/QPP pensionable earnings and contributions (up to the **YMPE**) during the time you spent in the workforce.

The actual amount of your CPP/QPP payments also depends on your age at retirement. Normally, you'll start receiving pension benefits at age 65; however, you can receive reduced pension benefits as early as age 60, or an increased pension benefit after age 65. Pension benefits are paid monthly—adjusted each January 1st to reflect increases in the cost of living.

You should apply for CPP/QPP benefits about six months in advance of the date on which you want to start receiving the pension benefit. You can get forms:

- outside Québec, at the local Service Canada Centre or by downloading them from the Internet at www.servicecanada.gc.ca, or
- in Québec, at the office of the Régie des rentes du Québec or on the Internet at www.rrq.gouv.qc.ca.

Old Age Security and Guaranteed Income Supplement

The OAS pension is a flat-rate pension you will receive once you reach age 65, in addition to your CPP/QPP pension, provided you meet certain residency requirements.

OAS pension benefits are paid monthly—adjusted each quarter to reflect increases in the cost of living. As your total retirement income increases, however, the OAS pension benefit is reduced. Above a certain income level, you are no longer eligible for OAS pension benefits.

You should apply for OAS pension benefits about six months in advance of the date on which you want to start receiving the pension benefit. You can get the necessary forms at the local Service Canada Centre or by downloading them from the Internet at [**www.servicecanada.gc.ca**](http://www.servicecanada.gc.ca).

The GIS is an additional pension benefit paid to lower-income Canadians. When applicable, it is payable from age 65.

Personal savings

Personal retirement savings are an important building block in your retirement income. Many people use registered retirement savings plans (RRSPs) to build these savings. You can make tax-deductible contributions to a personal or spousal RRSP, up to specified limits.

Your RRSP contribution limit is set by the Canada Revenue Agency (CRA). The total you can contribute for the year—your “contribution room”—depends on your earned income, your **Pension Adjustment (PA)** (see *Tax Issues* in the next section for more information), and any **Pension Adjustment Reversals** you may have. CRA lets you know your RRSP contribution room on the Notice of Assessment you receive when you file your income tax return. You can carry forward unused contribution room. This may allow you, for example, to contribute a larger amount to your RRSP in a future year.

You can turn your RRSP into income at the same time you retire, if you wish. Or, you can maintain it until the end of the year in which you reach age 71. At that time, you have to convert it into retirement income. You may wish to discuss the options available for converting your RRSP into retirement income with your personal financial advisor.

Another way to build your retirement income is with a Tax-Free Savings Account (TFSA). With a TFSA, you may make annual contributions up to a specified limit. In 2009, this limit is \$5,000. Here are some of the highlights of a TFSA:

- Contributions to a TFSA are not tax deductible.
- The income generated in a TFSA is tax free when withdrawn.
- You can generally withdraw any amount from a TFSA at any time and for any reason, with no tax consequence.
- Any unused contribution room is added to your TFSA contribution room for the next year.
- Most withdrawals made from a TFSA will be added back to the TFSA contribution room at the beginning of the year following the withdrawal.

Consult your personal financial advisor for more information on TFSAs.

Tax issues

Pension Adjustment (PA)

The *Income Tax Act* limits the tax-deductible contributions that you can make to RRSPs in any year. The amount is 18% of your earned income in the previous year, up to an annual dollar limit, minus the previous year's **PA**.

Your **PA** is indicated on your T4 slip and reduces your RRSP contribution room. Under the DC plan, the **PA** is simply the total amount you and Canadian Blood Services contribute to the plan in a particular year.

Questions and answers

When I leave Canadian Blood Services, do I pay income tax on the balance in my account?

In general, you pay income tax when you receive the amount as income.

What	How it is treated
A refund of your contributions plus investment income earned—taken in cash	Income tax is deducted at source and the refund is reported on a T4A
A refund of your contributions plus investment income earned—transferred to an RRSP or a registered pension plan	No income tax is deducted by Canadian Blood Services. You pay income tax when you eventually withdraw the funds from the plan where you transferred it. No tax slip is issued when Canadian Blood Services makes the transfer, since it is transferred directly from one registered plan to another
A transfer of your retirement account balance to a locked-in retirement arrangement	No income tax is deducted by Canadian Blood Services. You only pay income tax when you begin to receive your retirement income. No tax slip is issued when Canadian Blood Services makes the transfer, since it is transferred directly from one registered plan to another
A transfer of your retirement account balance to a life insurance company to purchase an immediate annuity	The income from your annuity is taxable and your retirement income from the life insurance company is reported on a T4A every year

For more information

Visit the DC plan website at cbs.hroffice.com:

- for pension information and forms
- to log-in to the members-only website and:
 - access information about your retirement account,
 - transfer funds between your investments,
 - change how your future contributions are allocated among your funds, and
 - use the pension Forecasting Tool to estimate your retirement account balance at different ages.

Contact Morneau Sobeco, the DC plan administrator for specific questions about your situation

Telephone: 1 877 252-4442

Contact your Human Resources representative

Glossary

There are a number of words and phrases that have very specific meanings when used to describe the plan. Here's an explanation of those special terms, to help you understand the plan better.

Annuity

An **annuity** is a regular monthly pension that you buy from an insurance company.

Beneficiary

In all provinces and territories, pension laws require that your spouse, if you have one, receive survivor benefits in the event of your death.

If you have a spouse, you can still designate a beneficiary. This "non-spouse" beneficiary would receive your pension benefits if your spouse dies before you.

In certain provinces, your spouse may sign a form waiving survivor benefits payable in the event of your death before retirement. If your spouse signs a spousal waiver, then your beneficiary would receive the survivor benefits in the event of your death before retirement.

If you don't have a spouse, your beneficiary receives survivor benefits when you die.

You can designate any beneficiary: individuals or organizations.

If you do not designate a beneficiary, survivor benefits will be paid to your estate.

You may name a minor child as your beneficiary. However, the plan cannot pay survivor benefits directly to a minor, because minors can't legally sign a release. You may wish to appoint a guardian or trustee to receive the survivor benefit and handle the child's affairs until he or she reaches the age of majority. In Québec, however, the court will appoint a tutor for the child after your death; any trustee appointment made during your lifetime will merely record your wishes.

For up-to-date definitions of spouse in each province, call Morneau Sobeco at 1 877 252-4442 or check the DC plan website at **cbs.hroffice.com**.

Continuous service

Continuous service is unbroken employment in Canada with Canadian Blood Services and the Canadian Red Cross Society (whether in a full-time or other than full-time position) including approved periods of leave of absence and disability.

Forfeiture account

The account containing funds to which members are not eligible because of termination of employment or death before the vesting date.

Locked-in

Your pension benefits are **locked-in** once they are vested. When pension benefits are **locked-in**, the money must be used to provide a pension or pension-like payout (for example, an **annuity**) or transferred to a **locked-in** retirement plan. You cannot generally make lump-sum cash withdrawals when benefits are **locked-in**.

If you want to transfer your pension benefit to a **locked-in** plan or account, the administrator of that plan must complete and sign a form agreeing to abide by this rule.

Participating Unions

If you are a member of one of the Participating Unions listed below, you **may not** join the DC plan. Instead, you enrol in the DB plan once you meet eligibility requirements. Consult the DB plan booklet or the DB plan website at **cbs.hroffice.com** for more information.

- British Columbia Nurses' Union
- Canadian Union of Public Employees, Local 1655
- Canadian Union of Public Employees, Local 1846
- Canadian Union of Public Employees, Local 3728
- Health Sciences Association of British Columbia
- Hospital Employees' Union of British Columbia
- Manitoba Nurses' Union
- Newfoundland and Labrador Nurses' Union
- Nova Scotia Nurses' Union
- Ontario Nurses' Association
- Ontario Public Service Employees Union
- Saskatchewan Union of Nurses

Pension Adjustment/PA

Your Pension Adjustment—or PA—is indicated on your T4 slip and reduces your RRSP contribution room. Under the DC plan, the PA is simply the total amount you and Canadian Blood Services contribute to the plan in a particular year.

Pension Adjustment Reversal

If you leave Canadian Blood Services before your pension benefits are vested, you may be entitled to a Pension Adjustment Reversal (PAR). Through PARs, CRA compensates you for any contributions made by Canadian Blood Services on your behalf that you are not eligible to receive. You don't receive money; what you get is additional RRSP contribution room.

Your PAR from the DC plan equals Canadian Blood Services' contributions to the plan during your membership if you leave before your benefits are vested.

Pensionable earnings

For the purposes of the plan, your earnings are made up of your basic pay and do not include bonuses, shift premiums, or overtime pay.

Spouse

The term "spouse" includes your legally married, common-law, or same-sex spouse. Pension legislation in each province defines spouse slightly differently and, since the plan applies across Canada, the definition will depend on where you work. Go to the DC plan website at cbs.hroffice.com for the definition that applies to you.

Vesting/vested

Vesting refers to your right to receive Canadian Blood Services' contributions from the plan.

Your pension benefits are **locked-in** once they are vested—the money must be used to provide a pension or pension-like payout (for example, an **annuity**) or must be transferred to a **locked-in** retirement plan.

Generally, your pension benefits are vested once you've been a plan member at least two years. In certain provinces, another date applies related to continuous service.

If you work in ...	Your pension benefits are vested as soon as...
New Brunswick	<ul style="list-style-type: none"> • you have 2 years of plan membership, or • you have 5 years of continuous service whichever occurs first
Manitoba or Saskatchewan	<ul style="list-style-type: none"> • you have 2 years of plan membership, or • you have 2 years of continuous service whichever occurs first
Any other province	<ul style="list-style-type: none"> • you have 2 years of plan membership

YMPE

YMPE stands for Year’s Maximum Pensionable Earnings. This is the amount the government sets each year, and uses to base your contributions and those of Canadian Blood Services to—as well as benefits from—the Canada or Québec Pension Plan. The government revises this amount every year, based on increases in average weekly earnings in Canada.

If you work in Manitoba and are not a regular full-time employee, your earnings are compared to the YMPE to determine whether you must join the plan.

Notes

FOR MORE INFORMATION

Visit the DC plan website

cbs.hroffice.com

Contact Morneau Sobeco, the DC plan administrator

Telephone: 1 877 252-4442

Contact your Human Resources representative

This booklet is a summary of the main provisions of the Canadian Blood Services Defined Contribution Pension Plan. For all the details, we encourage you to consult the DC plan website. The official plan text governs your actual pension benefits from the plan and is the final authority in any case of dispute.