



## BULLETIN

### Changes to Pension Legislation and the Impact on the Labourers' Pension Fund

The following changes were made to pension legislation, in the Federal Budget in 2007:

1. The age at which payment of a pension from a Registered Plan like the Labourers' Pension Fund can commence
2. Pension income Splitting.

#### 1. How does the Age Limit Increase Work?

Prior to the changes, members of the Labourers' Pension Plan who continue to work beyond age 65, could only work and accrue pension benefits until the end of the year in which they attain age 69.

However, the new pension legislation, allows those members who want to work longer, to participate in the Plan and accrue benefits for an additional 2 years, to the end of the year in which they are age 71.

#### Pension Income Splitting

Also, effective January 1, 2007, retirees will be able to split their retirement income from various sources with their spouses.

The "splitting" of retirement income from your pension plan will be advantageous – in terms of reduced income taxes to a member whose income in retirement is significantly different than that of their spouse.

The actual "split" happens at tax time, and not when the pensions are paid. So the income of the higher income earner is subject to withholding tax on his/her full income, whereas the lower income earner may be paying little or no tax throughout the year. Then, a deemed assignment of income occurs at tax time. Ideally, some of the higher income earner's withheld tax will be refunded. Both Spouses must agree on the split, and the decision must be revisited each year.

It is advisable that you contact your financial advisor if you would like to discuss the impact of these changes on your retirement plans. For further information, you may also visit the Canada Revenue Agency website at:

[www.cra-arc.gc.ca/tax/registered/budget2007-e.html](http://www.cra-arc.gc.ca/tax/registered/budget2007-e.html)

