

Guide to Your Termination Benefit Options

For members under age 55

You have an important choice to make

This Guide will provide you with information about the features and considerations for each of the termination benefit options available to you, to help you make an informed decision about your options.

Once you have gone through this Guide and your personalized **Termination Information Package**, please refer to your **OPB 1094 –Termination Elections Form** to make your election. You will have to return the completed Termination Elections Form to OPB by the due date stated on the form. **If we do not receive your completed Termination Elections Form by the due date, you will be set up on a deferred pension (Option 1) by default.**

At OPB, your pension is our promise. We know that understanding your termination benefit options may be complex and we're here to help. If you have any questions or require assistance with completing your Termination Elections Form, please contact us at 416-364-5035 or toll-free at 1-800-668-6203.

Option 1: Deferred pension

A deferred pension is a pension that you will receive at a later date. The amount shown on your Termination Information Package is the gross monthly pension that's payable to you effective the 1st of the month following your 65th birthday. **If we do not receive your completed Termination Elections Form by the due date, you will be set up on a deferred pension (Option 1) by default.**

Retirement Compensation Arrangement (RCA) (if applicable)

The RCA provides supplementary benefits for those members whose accrued pension from the PSPP exceeds the maximum allowed under the federal *Income Tax Act* (ITA). If you are entitled to an RCA benefit based on the current ITA limits, this amount will be displayed in your deferred pension option. While the total amount of your pension will not change while you are a deferred member (except for inflation adjustments), the portion of your pension payable from the RCA will be recalculated at retirement based on the limits in place at that date.

Value-added benefits of a deferred pension

If you choose a deferred pension, you will receive a number of value-added benefits when you retire. Your pension:

- is payable for your lifetime.
- may include medical, dental, and basic life insurance coverage if you meet certain eligibility criteria. For more details on eligibility and benefits coverage, visit **OPB.ca**.
- is adjusted for inflation based on the Canadian Consumer Price Index to help you keep up with the cost of living.
- is invested by our team of knowledgeable and experienced investment professionals.

You can retire with an early reduced pension

If you don't want to wait until age 65 to collect your deferred pension, you can begin collecting your pension as early as age 55; however, it will be reduced by 5% per year (prorated for a partial year) for each year that you're under age 65.

If you rejoin the PSPP at a later date

If you elect a deferred pension and rejoin the PSPP at a later date, your membership in the PSPP will be automatically reinstated. This means your new membership when you rejoin will be combined with your old membership in the PSPP. Please note that if you receive a refund of excess contributions (see next page for details), you must pay back those contributions with interest or your credit associated with the refund will be prorated.

When you subsequently terminate membership or retire, your combined membership periods will be used to calculate your pension and determine your eligibility for such things as early unreduced retirement and insured benefits in retirement (if applicable).

You can convert to a commuted value before age 55

Your deferred pension can be converted to a commuted value (CV) any time before you reach age 55. A CV is a dollar value that is placed on your pension. In simple terms, it's equal to the amount of money we would have to set aside today to pay your pension at retirement. If you transfer your CV out of the PSPP, you will give up the benefits mentioned earlier that you qualify for. If you choose to convert your deferred pension to a CV any time after the due date on your Termination Information Package and Termination Elections Form, your CV will be recalculated using the interest rates and calculation standards in effect at that time.

(Option 1, continued)

You will receive annual cost-of-living adjustments

To protect your pension against inflation, a cost-of-living adjustment (COLA), based on the Canadian Consumer Price Index, will be added to your total pension on January 1st of each year. The maximum COLA for any given year is an increase of 8%. If the COLA is greater than 8% in a year, the excess is carried over to a future year when COLA is less than 8%.

Refund of excess contributions, if applicable

If there is no refund owing to you, it will not appear on your Termination Information Package or Termination Elections Form. Your refund, if applicable, is the amount of your contributions plus interest that exceeds the amount required to fund 50% or 100% (depending on the type of contribution) of the CV of your pension. The portion of your refund that may be transferred on a tax-exempt basis to a Registered Retirement Savings Plan is based on limits in the ITA and regulations.

Survivor benefits

The type of survivor benefit(s) your survivors will receive depends on a number of factors, such as:

- whether you die before or after retirement,
- your marital status on your termination date, retirement date, and date of death, and
- the years in which you earned pension credit.

If you die before you begin your pension, your survivors will be entitled to the applicable pre-retirement survivor benefits.

If you die while you are receiving your pension, your survivors will be entitled to the applicable post-retirement survivor benefits.

To learn more about how pre-retirement and post-retirement survivor benefits apply to you, please log in to our secure online **e-services**, where you can also view and update your personal pension beneficiary information, and read 'Designating or changing your beneficiaries' in the Current Members section of our website at **OPB.ca**.

e-services

If you elect a deferred pension, you will continue to be able to access our secure online **e-services** at any time to view and update your personal information, pension beneficiary designations and view your Annual Pension Statement.

To sign up for e-services, please visit our website **OPB.ca**. Click 'e-services' at the top-right corner of our home page. Then, click 'Register' and follow the steps to create your account. You'll need your OPB client number to register.

Once registered, you can **sign up for e-alerts** to let you know when new information or services become available.

Option 2: Transfer your pension to another registered pension plan through a Reciprocal Transfer Agreement (RTA)

You may be able to transfer your PSPP pension if you have recently started employment with a new employer with a registered pension plan as long as an RTA exists between the PSPP and the new plan and you apply within certain timelines. **If you think this may be an option for you, please contact us before completing your Termination Elections Form to discuss your options.** Following are some considerations:

- Check with the new pension plan administrator about the pension formula used to calculate your pension.
- Check with the new pension plan administrator to find out if the plan offers the following benefits and what the eligibility requirements are: early unreduced retirement, inflation protection, insured benefits in retirement, and survivor benefits.
- You may not be credited with the full amount of your PSPP pension credit in your new plan. Check with the new pension plan administrator to find out if you may be able to make a "top up" payment to receive the same amount of credit in the new plan as you had in the PSPP.
- If you are entitled to an RCA benefit based on the current ITA limits, you may be able to transfer that benefit to the new pension plan, if it also has an RCA that accepts RCA transfers. We recommend checking with the new pension plan administrator to see if you are able to transfer your RCA benefit.

You can learn more about transferring your PSPP pension under 'Growing your pension' in the Current Members section of our website, **OPB.ca**.

Option 3: Transfer the commuted value of your pension entitlement

The commuted value (CV) is a dollar value that is placed on your pension. In simple terms, it's equal to the amount of money we would have to set aside today to pay your pension at retirement. The calculation takes into account factors such as your pension credit, age, the age of your spouse and youngest child, as well as assumptions about interest rates, inflation and life expectancy.

If you are entitled to an RCA benefit based on the current ITA limits, the CV of your RCA benefit will be displayed in your CV option. You may choose one of two available transfer options for your RCA benefit:

- Transfer the full amount of your RCA benefit to another RCA on a tax-sheltered basis. If you are considering this option, please contact us before completing your Termination Elections Form. We will provide you with information about how to initiate the process. Any excess amount not accepted by the other RCA will be paid to you in cash less withholding tax.

(Option 3, continued)

- Receive the CV of your RCA benefit as cash less applicable withholding tax.

By transferring out the CV of your pension entitlement you:

- may be responsible for investing your retirement funds to ensure you have enough money for your retirement.
- give up any medical, dental, and basic life insurance coverage you may have been eligible for. For more details on eligibility and benefits coverage, visit **OPB.ca**.
- give up survivor benefits that your eligible survivors would receive if you elect a deferred pension.
- give up annual cost-of-living adjustments to your pension that you would receive with a deferred pension.
- will be required to pay taxes on any amount of the CV you transfer that is above maximum transfer limits found in the ITA; tax-exempt amounts are locked-in until age 55.

Refund, if applicable

If there is no refund owing to you, it will **not** appear on your Termination Information Package or Termination Elections Form. Your refund, if applicable, is the amount of your contributions plus interest that exceeds the amount required to fund 50% or 100% (depending on the type of contribution) of the CV of your pension. The portion of your refund that may be transferred on a tax-exempt basis to a Registered Retirement Savings Plan is based on limits in the ITA and regulations.

Option 3A: Transfer the tax-exempt full CV amount into a Defined Benefit Registered Pension Plan

If your new employer has a Defined Benefit Registered Pension Plan, you may be able to transfer the full CV amount tax-exempt to buy pension credit in the new plan.

- Check with the new pension plan administrator about the pension formula used to calculate your pension.
- Check with your new pension plan administrator to find out if the plan offers the following benefits and what the eligibility requirements are: early unreduced retirement, inflation protection, insured benefits in retirement, and survivor benefits.
- You may not be credited with the full amount of your PSPP pension credit in your new plan. Check with the new pension plan administrator to find out if you may be able to make a “top up” payment to receive the same amount of credit in the new plan as you had in the PSPP.

Option 3B: Transfer the tax-exempt CV amount into a Defined Contribution Registered Pension Plan

If your new employer has a Defined Contribution Registered Pension Plan, you may be able to transfer the tax-exempt amount of the CV into the new plan. If a portion of the CV amount is not tax-exempt, you will receive this amount in cash, less withholding tax.

- Unlike a defined benefit pension plan like the PSPP, future benefits are not guaranteed with defined contribution pension plans; you won't know the value of your pension until you retire, because it will depend on a number of factors including investment returns and interest rates.
- You may have to make your own investment decisions on how to invest your retirement funds; you'll have to check with your new pension plan administrator to learn about your options.

Option 3C: Transfer the tax-exempt CV amount into a Locked-in Retirement Account (LIRA)

You can transfer the tax-exempt amount of the CV to a LIRA at a Canadian financial institution of your choice. If a portion of the CV amount is not tax-exempt, you will receive this amount in cash, less withholding tax.

A LIRA is an investment account specifically designed to hold tax-sheltered funds transferred from a pension plan on a locked-in basis until at least age 55. To start receiving payments, you will have to convert your LIRA to a Life Income Fund (LIF), or purchase an immediate life annuity by no later than age 71. Once you start receiving payments, there are minimum and maximum limits to how much you can withdraw each year.

- If you have qualified for medical, dental and basic life insurance coverage in retirement you will no longer be eligible for these benefits.
- The value of the funds you have for retirement will be based on how well you invest them.
- You will have to generate enough returns to cover future inflation to maintain the purchasing power of your retirement funds.
- Should you re-join the PSPP at a later date, the cost to purchase the transferred pension credit may be significantly more than the amount transferred out.

Option 3D: Transfer the tax-exempt CV amount into a Life Income Fund (LIF)

You can transfer the tax-exempt amount of the CV to a LIF at a Canadian financial institution of your choice if you are at least age 53 or more. If a portion of the CV amount is not tax-exempt, you will receive this amount in cash, less withholding tax.

(Option 3D, continued)

A LIF is a registered retirement income fund that holds pension funds to be paid out in retirement, and which can also be invested to generate additional income. You can begin receiving payments from a LIF as early as age 55. There are minimum and maximum limits to how much you can withdraw each year.

- If you have qualified for medical, dental and basic life insurance coverage in retirement you will no longer be eligible for these benefits.
- The value of the funds you have for retirement will be based on how well you invest them.
- You will have to generate enough returns to cover future inflation to maintain the purchasing power of your retirement funds.
- Should you re-join the PSPP at a later date, the cost to purchase the transferred pension credit may be significantly more than the amount transferred out.

Option 3E: Transfer the CV to purchase a Deferred Life Annuity

You can transfer the CV to purchase a Deferred Life Annuity from a Canadian life insurance company. A Deferred Life Annuity provides a monthly income that's payable for life, and can begin as early as age 55. Please note that there may be restrictions or tax implications imposed under the ITA. We will need information from the life insurance company to determine the amount of the CV that can be transferred tax-exempt and the amount that may have to be paid to you in cash, less withholding tax.

- If you have qualified for medical, dental and basic life insurance coverage in retirement you will no longer be eligible for these benefits.
- You may be able to purchase additional benefits from the insurance company such as inflation protection or a guaranteed term, but additional benefits will increase the cost of your annuity, which will decrease your monthly income.
- Annuity rates are based on long term interest rates, which will have an impact on the amount of income that is paid out from your annuity; higher interest rates lead to higher annuity payments and lower interest rates lead to lower annuity payments.
- If you have a spouse, you must purchase a joint and survivor annuity.

Note: All reasonable steps have been taken to ensure that this Guide is accurate. If there is any difference between the information provided in this Guide and the official Plan documents, the official Plan documents will govern. Before making any decisions affecting your pension, please contact OPB to verify your rights, responsibilities and entitlements under the Plan.

How we calculate your PSPP pension

The PSPP is a defined benefit pension plan, so your pension is based on a pre-set formula.

Basic pension formula before age 65

If you retire before age 65, the annual basic pension formula we use to calculate your pension is:

Before age 65

Average annual salary

Multiplied by 2%

Multiplied by your pension credit

Your pension before age 65 includes an early retirement bridge benefit. The early retirement bridge benefit is intended to supplement your retirement income until age 65 when you are eligible to receive an unreduced CPP pension. In the month following your 65th birthday, your PSPP pension will be adjusted for CPP integration using the Pension formula from age 65 (shown below).

Note: An early reduced pension will be permanently reduced by 5% per year (prorated for a partial year) for each year that you're under age 65 when your pension starts.

Pension formula from age 65

At age 65, your pension is adjusted for integration with the Canada Pension Plan (CPP). Your pension from age 65 is calculated using the basic pension formula before age 65 (shown above), **minus** the following:

From age 65

The lesser of your average annual salary and the average YMPE*

Multiplied by 0.7%

Multiplied by your pension credit (max. 35 years)

***The Year's Maximum Pensionable Earnings (YMPE) is set by the federal government each year to determine contributions and benefits under the CPP.** In this formula, we use the average YMPE based on the YMPE in the year you terminated employment and in the preceding two years.

For more information about how your pension will be adjusted for CPP integration, please refer to our booklet, "CPP Integration and Your PSPP Pension", available on **OPB.ca**.