When might I receive the commuted value of my pension?

If you terminate all SHEPP-eligible employment, you may elect to transfer the commuted value of your vested pension to a Registered Retirement Savings Plan (RRSP), Locked-In Retirement Account (LIRA) or another Canadian Registered Pension Plan (RPP) if on the date of termination you meet the following conditions:

- you have completed two or more years continuous service with your SHEPP participating employer (you are vested) ; and
- you are not eligible to retire with an unreduced pension.

When do I become eligible for an unreduced pension?

There are two milestones at which you can retire with an unreduced pension:

Normal Retirement (age 65)

You can retire with an unreduced pension on the first of the month coinciding with or immediately following your 65th birthday. For example, if you turn 65 on March 10th, your normal retirement date (with an unreduced pension) would be April 1st. Technically, you become eligible to retire with an unreduced pension if you terminate employment on any date in the month of March. In this case, you would need to terminate employment with all SHEPP employers by the end of February to be eligible to receive a commuted value transfer.

However, if your 65th birthday is March 1st, your normal retirement date (with an unreduced pension) would be March 1st. Technically, you become eligible to retire with an unreduced pension if you terminate employment on any date in the month of February and therefore would need to terminate employment before the end of January to be eligible to receive a commuted value transfer.

Early Retirement (Rule of 80)

You can also retire with an unreduced pension once your age and years of credited service add up to 80. Your Rule of 80 date will always be the first of the month. So, if your Rule of 80 date is March 1st, you become eligible to retire with an unreduced pension if you terminate employment on any date in the month of February. In this case, you would need to terminate employment with all SHEPP employers by the end of January in order to be eligible to receive a commuted value transfer.

How is the commuted value calculated?

The commuted value of your vested termination pension is the lump-sum value at the date of your termination of the pension payable to you commencing at age 65. In simple terms, it is the amount of money that you would have to invest — starting from the date of termination and based upon specific assumed interest rates — to accumulate sufficient funds to purchase a lifetime pension equal to your SHEPP pension payable at age 65.

The commuted value of a SHEPP pension is calculated in accordance with the provisions of *The Pension Benefits Act, 1992* (Saskatchewan) and the methods and assumptions prescribed by the Canadian Institute of Actuaries. The key variables in the calculation of a commuted value are included in the table below.

Variable	Comment
Your date of termination	The date of your termination determines which interest rates and post-retirement mortality tables are used to calculate the commuted value.
Your age at date of termination	In general, the closer you are to age 65 on date of termination, the greater your commuted value. This is because there is a shorter period of time to invest the money before the pension becomes payable.
Form of pension	The pension is valued on SHEPP's Single Life form of pension where the pension is guaranteed for five years and paid for your lifetime thereafter.
Pension start date	The pension is valued on the basis of payments starting at age 65.
Pension payment basis	The pension is valued on the SHEPP basis of paying pensions monthly at the end of month.
Pre-retirement mortality	In accordance with *The Pension Benefits Act, 1992* (Saskatchewan), the pension is valued assuming that you will not die prior to age 65.
Post-retirement mortality	In accordance with the recommendations of the Canadian Institute of Actuaries, vested pensions for member terminations are valued upon the CPM2014 Combined Mortality Table, unadjusted and projected with CPM-B.

If the Plan is currently applying transfer deficiency holdbacks, will that affect the commuted value calculation?

Transfer deficiency holdbacks will not affect the commuted value calculation. However, they may impact the timing of the total transfer of your vested pension to a locked-in retirement account or another registered pension plan. Also, some registered pension plans will not accept pension transfers that are subject to a transfer deficiency holdback. If at the time of termination SHEPP is required to hold back a percentage of your termination benefit and you are transferring the commuted value of your vested pension entitlement to another registered pension plan, you will have to confirm if the receiving plan will accept the transfer.

Currently, SHEPP is required to hold back 28% of certain termination benefits, including commuted value benefits, for vested plan members who terminate employment.

For more information about transfer deficiency holdbacks, please refer to the *Transfer Deficiency Holdback* Information Sheet available at **www.shepp.ca**.

How do changes in the prescribed interest rates affect commuted values?

From month to month, the commuted value of your SHEPP pension can fluctuate as the variables in the commuted value calculation formula change. Typically, changes in the prescribed interest rates from month to month produce the most dramatic fluctuations. All else being equal, a decrease in the prescribed interest rates will produce an increase in the commuted value while an increase in the prescribed interest rates will produce a decrease in the commuted value.

Due to these fluctuations in commuted values, SHEPP prefers not to provide you or your financial advisor with a statement of your commuted value entitlement or projections of future entitlements unless SHEPP has received written notice from your participating employer that you have terminated employment.

However, if you have extenuating circumstances and feel you require this information to make an important financial decision, SHEPP will provide a statement of your commuted value enitlement with the caution that the information is an estimate only and in no way guaranteed to be the amount that is paid upon your actual termination.

In the event you terminate employment and become entitled to transfer the commuted value of your vested SHEPP pension, SHEPP will automatically provide you with a statement confirming your commuted value entitlement and all other applicable options under the Plan.

What happens if I am rehired by my employer or employed by another participating SHEPP employer:

If you have terminated employment and are entitled to a termination benefit you may defer the election of your termination benefit for up to:

- 18 months following your date of termination; or
- if you were on a layoff on your date of termination, until 18 months from your date of layoff or six months from date of termination (whichever is later).

If you become employed by a SHEPP employer and meet the Plan's eligibility requirements prior to making an election within the above time period, you will no longer be entitled to a termination benefit under the Plan. You will be re-enrolled in the Plan and required to transfer your contributions and service to your new employer. By transferring your contributions and service, you can continue to build your pension despite a change in employers.

In the event you reach the deadline date without having made a termination benefit election, you become ineligible to transfer between participating employers upon subsequent enrolment in the Plan. You will be required to elect a termination benefit.

What are the tax implications of a commuted value transfer?

Because you are transferring the commuted value of your pension to a RRSP, RPP or LIRA—which are tax-sheltered retirement savings accounts— a commuted value transfer will not typically have any tax consequences. However, the *Income Tax Act* (Canada) requires SHEPP to apply a maximum transfer limit on all commuted value transfers paid out of the Plan, which limits the amount of money you can transfer from a pension plan to an RRSP, RPP or LIRA on a tax-sheltered basis. If the commuted value of your benefit exceeds this limit at the time of transfer, SHEPP will only be able to transfer funds up to the limit into your RRSP, RPP or LIRA and any excess amount over the maximum transfer limit will be paid to you as a taxable lump sum cash payment. If applicable, this amount will be detailed in the *Termination Statement* you receive from SHEPP when you terminate employment.