



# INFORMATION SHEET

## Plan Amendments

### Deferred Members

SHEPP is committed to keeping our members updated on amendments to the Plan so that you have the knowledge to make timely and informed decisions about your pension. Please review the following upcoming Plan amendments for information about how these changes may affect your retirement decisions.

## Changes to Commuted Value Availability After Age 55

### What is the commuted value option now?

Currently, the option to transfer the commuted value of your deferred pension out of the Plan is available to you at any time prior to becoming eligible for an unreduced pension (i.e. before turning age 65). If you qualify to receive the commuted value of your deferred pension, you may transfer it to a Locked-In Retirement Account (LIRA) or another Canadian Registered Pension Plan (RPP).

### What is changing?

**Effective January 1, 2022**, the Plan will be amended to only offer the commuted value transfer option to you prior to qualifying for a lifetime pension from the Plan (i.e.

before turning age 55). Once you turn age 55 you will no longer have the option to transfer the commuted value of your deferred pension out of the Plan.

### How will this change impact me?

If you are age 55 or older on December 31, 2021, and have not elected to transfer the commuted value of your deferred pension out of the Plan, you will no longer have the commuted value transfer option available to you after that date. Rather, you will receive your SHEPP entitlement as a lifetime pension.

### What is a commuted value?

A commuted value is the amount of a lump sum payment today that is calculated to be equal in value to your future pension payments. Essentially, the commuted value of your pension is equal to the amount of money that you would have to invest at the date of your transfer, based upon specific interest rates in place on the date of your transfer, to accumulate sufficient funds to purchase a lifetime pension equal to your SHEPP pension payable at age 65.

### What is the deadline to elect a commuted value transfer?

If you will be age 55 or older on or before December 31, 2021, and want a commuted value estimate provided, please **contact our office by November 1, 2021**, to receive the forms required to transfer the commuted value of your deferred pension from the Plan.

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To elect to transfer the commuted value of your deferred pension from the Plan, **you must submit your completed forms with the necessary election to SHEPP no later than December 15, 2021**, to allow time for processing before the end of the year.

## EXAMPLE 1

Susan has a deferred pension with SHEPP and will turn age 55 on July 15, 2021. Susan may until December 15, 2021, elect to transfer the commuted value of her deferred pension out of the Plan. If Susan does not submit her commuted value election forms to SHEPP by December 15, she will no longer have the option to elect the commuted value transfer. Her pension will remain with SHEPP and she will receive it in the form of a lifetime pension. If Susan starts her pension before age 65, it will be reduced for early commencement. If Susan starts her pension at or after age 65, it will not be reduced.

## EXAMPLE 2

Jennifer has a deferred pension with SHEPP and will turn age 55 on July 15, 2022. Jennifer will have until June 30, 2022 (the month prior to qualifying for a reduced pension when she turns 55) to elect to transfer the commuted value of her deferred pension out of the Plan. If Jennifer does not submit her commuted value election forms by June 30, 2022, she will no longer have the option to elect the commuted value transfer. Her pension will remain with SHEPP and she will receive it in the form of a lifetime pension. If Jennifer starts her pension before age 65, it will be reduced for early commencement. If Jennifer starts her pension at or after age 65 it will not be reduced.

## Why is this change being made?

SHEPP is a defined benefit pension plan with the primary purpose of paying secure, predictable monthly lifetime pensions to its members. Paying out a lump sum when you have qualified to receive a pension, whether reduced or unreduced, is at odds with this purpose. This

change supports our focus on the long-term stability and sustainability of the Plan. Further, in some cases, members who take commuted values are not able to replace the SHEPP lifetime pension they gave up by taking the commuted value. Lastly, pension legislation requires commuted values be calculated using a different methodology than the one used to set SHEPP's contribution rates, which can create inconsistencies between SHEPP members who take commuted values and those who don't.

## What if I request a commuted value estimate after the deadline of November 1, 2021?

If you contact our office after November 1, 2021, to request a commuted value estimate and the forms required to transfer the commuted value of your deferred pension from the Plan, we will do our best to still provide you with a commuted value estimate and process your election before year end if you choose that option.

## What if I submit my commuted value election forms after the deadline of December 15, 2021?

If you submit your commuted value election forms after the deadline of December 15, 2021, and we are not able to make your payment prior to December 31, 2021, you will receive a letter indicating that you have missed the deadline but can elect to start an immediate deferred pension on a reduced basis or continue to defer to age 65 for an unreduced pension.

## Will a commuted value transfer be an option for me if I am not age 55 after January 1, 2022?

Yes, you will have the option to transfer the commuted value of your deferred pension out of the Plan prior to age 55 and prior to becoming eligible to receive a lifetime pension.

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## Combining SHEPP Membership Periods

### What is the current rule for combining SHEPP membership periods?

Currently, if you have a deferred membership with SHEPP (i.e. you terminated from the Plan previously and left your benefit with SHEPP to draw a pension at age 65), and you later join SHEPP again, your two periods of membership are maintained separately. This means that your SHEPP benefit for each period of service would be determined separately based on your earnings and service during each period.

### What is changing?

**Effective July 1, 2021**, if you are hired by a SHEPP participating employer and re-join the Plan, you will have the opportunity to combine your deferred benefit with your active benefit, regardless of how long your break in service is. This means that all of your earnings and service will be combined to determine your SHEPP benefit.

#### EXAMPLE 1

Jennifer terminated SHEPP membership in 2017 and deferred her SHEPP pension. She is hired by SHA on August 1, 2021 and enrolled in SHEPP. Jennifer will have the opportunity to join her deferred membership to her active membership, combining her service and earnings to determine her SHEPP benefit and eligibility for that benefit. SHEPP will be in contact with Jennifer upon receipt of her August 1, 2021, enrolment regarding the opportunity to combine her membership periods.

#### EXAMPLE 2

Robert terminated SHEPP membership in 2015 and deferred his pension. In July 2019, Robert once again became an active member of the Plan through his full-time employment with Extendicare. Robert will have the opportunity to join his deferred membership to his active membership, combining his service. SHEPP will be in contact with Robert after July 1, 2021, regarding the opportunity to combine his membership periods.

### How will this change impact me?

If you have an active and deferred membership with SHEPP, you will have the opportunity to combine all of your earnings and service to determine your SHEPP benefit and your eligibility to receive that benefit. This will allow your pension to grow larger under the Plan and may qualify you to start your pension sooner on a preferential basis. If you had excess contributions paid from the Plan when you deferred your membership, you will have to pay the excess contributions back to the Plan, with interest, prior to your membership periods being combined.

### What are excess contributions?

Excess contributions are any required contributions you have made that exceed 50% of the commuted value of your pension. If you had excess contributions when you deferred your SHEPP benefit, these would have been refunded to you in cash. If you wish to combine your memberships, your excess contributions with interest will have to be paid back to the Plan.

### If I don't pay back excess now, can I in the future and combine my active and deferred memberships?

Yes, you can combine your active and deferred memberships at any point while you are an active plan

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member. However, the excess will get more expensive the longer you wait as interest is applied.

## What interest rate am I charged on my excess contributions?

The *Contributions with Interest* rate of interest is used to calculate this. The rate changes each year, but in the last 10 years or so, the interest rate has been in the range of around 1% to 1.5%.

## Can I pay excess using RRSPs?

Yes, direct transfer from your RRSP is an option. The amount you transfer from your RRSP is not tax-deductible, since it's going straight from one tax-sheltered plan to another.

## If I use cash to pay back excess, will it be tax deductible?

Yes, the entire amount you pay in cash is tax-deductible. SHEPP will provide you with an income tax receipt, which you must file with your income tax return to get the deduction. There will be no impact to your RRSP contribution room.

## If I don't want to pay back excess, can I combine?

No, you cannot combine your memberships unless the excess contributions with interest have been paid back.

## Can I purchase the break between the two periods as prior service?

No, that period of time is not available for purchase because you were not employed with a SHEPP participating employer during that time.

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