INFORMATION SHEET
Plan Amendments
Active 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, if you terminate all SHEPP-eligible employment, you may elect to transfer the commuted value of your vested pension to a 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 (under age 65 and have not reached your Rule of 80 date).

What is changing?

Effective January 1, 2022, the Plan will be amended to only offer the commuted value transfer option if you are under the age of 55 when you terminate employment, with two or more years of service, and are not yet eligible to receive an unreduced pension (under age 55 and have not reached your Rule of 80 date).

How will this change impact me?

If you are between the ages of 55 and 65 with at least two years of continuous service, but are not yet eligible for an unreduced pension, you will have the option to elect to transfer the commuted value of your vested pension out of the Plan if you terminate all employment and Plan membership on or before December 31, 2021. If you fall into this category and terminate your employment on or after January 1, 2022, 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 termination, based upon specific interest rates in place on the date of your termination, to accumulate sufficient funds to purchase a lifetime pension equal to your SHEPP pension payable at age 65.

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EXAMPLE

Susan is 57 years old when she terminates employment with all SHEPP participating employers. Upon termination she qualifies for an immediate reduced lifetime pension (she is over 55 with 2 or more years of service) from the Plan but does not qualify for an immediate unreduced pension.

If Susan terminates employment on or before December 31, 2021, she will have the following options until the deadline date specified in her Termination of Membership Benefit Election Forms:

1. Commence her reduced lifetime pension immediately;
2. Defer her lifetime pension to age 65 and then receive an unreduced pension payable starting at age 65; or
3. Transfer the commuted value of her pension out of the Plan.

If Susan terminates employment on or before December 31, 2021, and doesn't elect a commuted value transfer by the deadline date specified in her Termination of Membership Benefit Election Forms, or if Susan terminates employment on or after January 1, 2022, she will have the following options:

1. Commence her reduced lifetime pension immediately; or
2. Defer her lifetime pension to age 65 and then receive an unreduced pension payable starting at age 65.

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 is the deadline to make my election of the commuted value transfer?

If you terminate employment on or before December 31, 2021, are between age 55 and 65, and are not yet eligible for an unreduced pension, then you will have until the election deadline date specified in your Termination of Membership Benefit Election Forms. If you do not elect a commuted value transfer prior to the deadline date specified in the Termination of Membership Benefit Election Forms, you will receive your SHEPP entitlement as a lifetime pension.

Will a commuted value be an option for me if I am not 55 and I terminate my employment after January 1, 2022?

Yes, if you terminate employment and Plan membership prior to age 55 and are not yet eligible to receive an unreduced pension, you will have the option to transfer the commuted value of your pension out of the Plan.

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Changes to Eligibility Rules

What is changing?

Effective July 1, 2021, amendments to the Plan will come into force that will improve your ability to establish Plan membership and maintain it if you change employers.

How will the eligibility rule changes impact me?

These changes provide a better opportunity for you to continue to grow your pension while making career moves in healthcare across our 50 participating employers.

30-Day Transfer Rule

What is the current rule?

Currently, if you move between SHEPP participating employers you are required to re-qualify for SHEPP membership.

What is changing?

If you move between employers on or after **July 1, 2021,** you will no longer have to re-qualify for SHEPP membership if your break in employment is 30 days or less. You will now automatically maintain your Plan membership.

Why is this change being made?

SHEPP is a multi-employer pension plan and this allows members to change employers and still maintain Plan membership if their break between two employers is 30 days or less.

EXAMPLE 1

Chris terminates employment with the Saskatchewan Health Authority (SHA) on July 17, 2021 and accepts a permanent casual position with Extendicare on August 1, 2021. Under the current rules, since Chris wasn't hired into a permanent full-time or part-time position with Extendicare, he would have to re-qualify for SHEPP membership through his employment with Extendicare by working a minimum number of hours in a year (i.e. 780 in the immediate proceeding year or 700 hours in each of the two immediately preceding calendar years). Once the amendment is in place, Chris will automatically be enrolled in SHEPP on August 1, 2021, rather than having to re-qualify.

EXAMPLE 2

Chris terminated employment with SHA on July 17, 2021 and accepts a permanent full-time position with Extendicare on August 3, 2021. Chris gets enrolled in SHEPP on August 3, 2021, rather than waiting for September 1, 2021.

What if my break in employment is more than 30 days?

If your break in employment is more than 30 days between SHEPP participating employers, you will have to re-establish Plan membership. Please see the Plan Booklet at **www.shepp.ca** for more information about eligibility rules.

What if I terminate my position just prior to July 1st and I am re-hired within 30 days? Can I be re-enrolled?

SHEPP will accept the enrolment. You would need to speak with your employer to inquire if they would enrol you into the Plan.

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How will my employer know if I am re-hired within 30 days, to re-enrol?

Your employer receives a weekly eligibility report that informs them you have qualified and need to be enrolled. However, you should also inform your employer if you are aware.

If I am hired within 30 days, when will I be enrolled?

If you are hired in a permanent part-time or full-time position within 30 days, you will be enrolled immediately when you are hired.

Plan-Wide Rule

What is the current rule?

Currently, if you work in multiple positions with multiple SHEPP employers, your eligibility for membership is determined specific to each employer.

What is changing?

Effective July 1, 2021, if you have multiple positions with multiple SHEPP employers your eligibility will be based on all positions held with all SHEPP participating employers.

EXAMPLE 1

Sarah has a part-time position with Extendicare and is a member of SHEPP through that position. She gets a second permanent casual position with SHA on August 15, 2021. Since Sarah is already a member of the Plan through Extendicare, she will be enrolled in SHEPP through her SHA position effective August 15, 2021.

EXAMPLE 2

Sarah has a casual position with Extendicare and has not yet qualified for SHEPP membership. She gets a second permanent part-time position with SHA on August 15, 2021. Sara will get enrolled in SHEPP through both positions on September 1, 2021.

If I obtain a second position before the July 1, 2021, rule change, will I be eligible?

Yes, you will have the option to enroll. You will receive a letter from your employer in June giving you an option to enroll on July 1 or any subsequent month you wish.

Does a member have to enroll in the Plan in a second position?

Yes, enrolment is mandatory at the second position, regardless of what your status is (i.e.casual, temporary), if the position is obtained after July 1, 2021.

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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, you will have the opportunity to combine your deferred membership with your active membership to determine your SHEPP benefit and your eligibility to receive that 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 career with SHEPP, you will have the opportunity to combine all of your service and earnings to determine your SHEPP benefit and your eligibility to receive that benefit. If you had excess contributions paid from the Plan when you deferred your career, you will have to pay the excess contributions back to the Plan 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 careers, your excess contributions 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 careers?

Yes, you can combine your active and deferred careers at any point while you are an active plan member. However, the excess will get more expensive the longer you wait as interest is applied.

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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 careers unless the excess contributions 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 this time.