



## What happens to my pension if I terminate employment?

The benefit you receive will be determined by:

1. When you terminate; and
2. What you are eligible for at your termination date.

If you are eligible for an unreduced pension from SHEPP when you terminate your employment and Plan membership, you are entitled to a monthly pension benefit commencing the first of the month following your termination date.

If you terminate employment and Plan membership before you are eligible to retire, your termination benefit and your options will depend on your years of service.

If you work for more than one SHEPP employer, you can only receive a termination benefit if you stop working for all of your SHEPP employers.

## How do I find out what I'm entitled to?

When you leave your job, SHEPP will receive a notice of your termination from your employer. If you are entitled to a termination benefit, SHEPP will mail you a statement within 90 days of your termination date that shows the amount of your benefit and what options are available to you.

## What are the termination benefits under the Plan?

### Termination With Less Than Two Years of Service

If you have less than two years of credited service and have not completed two years of continuous service, you will have up to 18 months to choose one of the following options:

- Take a refund of your own contributions, with interest. Income tax will be withheld, and the payment is taxable income for the year in which it is received; or
- Transfer your contributions, with interest, to a Registered Retirement Savings Plan (RRSP) or to another Canadian Registered Pension Plan (RPP), provided the plan accepts the transfer. No income tax will be withheld.

### Termination With More Than Two Years of Service

If you have at least two years of continuous or credited service but are not eligible to receive an unreduced pension, you will have up to 18 months to choose one of the following options:

- Leave your benefits in SHEPP to pay you a pension at age 65, or as early as age 55 if you are willing to accept an actuarially reduced pension; or
- Transfer the commuted value of your deferred pension payable at age 65 out of SHEPP providing your employment ends before you are eligible for an unreduced pension. The commuted value may be transferred to your personal Locked-In Retirement Account (LIRA) or to another Canadian Registered Pension Plan, provided the plan accepts the transfer. If you choose this option, any portability or prior service contributions you have made will also be transferred out of the Plan with interest. Commuted value transfers that exceed a certain amount are subject to a transfer deficiency holdback.



In 2019, lump sum termination benefits greater than \$11,480 are subject to a transfer deficiency holdback.

## What is a transfer deficiency holdback?

SHEPP has been permanently exempt from having to fund on a solvency basis. However, a solvency valuation must be completed every three years to determine the solvency ratio of the Plan. If on the date of measurement the Plan's assets are less than the Plan's liabilities, SHEPP is required to hold back a percentage of certain member termination payments based on the ratio of the Plan's assets over its liabilities. The percentage that is held back is referred to as the transfer deficiency holdback ("holdback").

The last valuation, performed as at December 31, 2017, determined that the Plan's assets are 72% of the Plan's liabilities on a solvency basis. Therefore SHEPP is required to apply a holdback of 28% to certain termination benefits.

The holdback amount is carried forward until the Plan is fully funded or the five year period has transpired,



whichever comes first. During this time, interest is calculated annually from the date of termination up to the first of the month in which the holdback payment is made. Therefore, members who have a holdback applied to their termination benefit will receive two payments from SHEPP, one when their initial election is made and one up to five years later.



For more information refer to the *Commuted Value Transfer* or the *Transfer Deficiency Holdback* Information Sheet available at [www.shepp.ca](http://www.shepp.ca).

### What if my deferred pension is too small to warrant being paid as a monthly pension?

If you terminate employment and Plan membership and the basic lifetime pension you've earned or the lump sum commuted value of your deferred pension meets the definition of a small benefit, the Plan entitles you to receive the commuted value of your benefit as a taxable lump sum payment. Alternatively, you may tax shelter your benefit and transfer it to your RRSP or to another RPP provided the plan accepts the transfer.



In 2019, a basic lifetime pension less than \$2,296 per year, or a lump sum commuted value of a deferred pension less than \$11,480 would be considered a small benefit.

### What are excess contributions?

Excess contributions are any required contributions you have made that exceed 50% of the commuted value of your vested pension. If your required contributions with interest have paid for more than 50%, then your excess contributions will be refunded to you with interest. Income tax will be withheld, and the payment is taxable income for the year in which it is received.

Alternatively, if you are transferring the commuted value of your pension out of SHEPP, you may transfer your excess contributions, with interest, to an RRSP or to another RPP willing to accept the transfer.

### 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.