

BC Pensionfacts

Transferring Service

CPP, MPP, PSPP, TPP, WCB
and ICBC

This fact sheet describes transfer information you should know about if you have service in more than one pension plan administered by the Pension Corporation.

There are transfer agreements in place between the College, Municipal, Public Service, Teachers' and WCB and ICBC pension plans. These agreements allow you to transfer the service you earned in a former plan to the plan in which you are currently active (or the plan to which you last contributed). Transferring your service is the only way you can combine service earned in all plans.

Starting November 1, 2002 for the College Pension Plan, and April 1, 2004 for all other plans, the equivalent amount of service will no longer automatically be transferred in full: the amount of service transferred will be pro-rated in the new plan, based on each plan's pension formula.

When you move into a pension plan that has a higher pension benefit than the plan you're leaving, you will not get credited with as much service in the new plan. A shortfall will be created because of the difference between the value of the benefit you earned in the old plan and the amount of service that value will "buy" in the new plan.

For transfers to the College Pension Plan, please see the section at the end of this Pensionfacts. For all other transfers, see the information below.

Do these transfer agreements apply to me?

The current transfer agreements apply to plan members with service in two or more of the public sector pension plans listed above. If you currently have service in more than one plan or, at some time in the future, accumulate service in more than one plan, you will have to decide whether you will transfer your pensionable service under these agreements.

These agreements apply to you if you are:

- currently retiring
- transferring to another employer that participates in a different pension plan from your current plan
- currently contributing to one plan and have contributions in at least one other plan, or
- not currently contributing to any of the plans, but have left your contributions on deposit in two or more plans.

In order to transfer service you must have left your contributions on deposit, or reinstated service in the pension plans.

If you have service in more than one pension plan and you are retiring or terminating employment, you must decide whether or not to transfer your service before you leave work.

The Pension Corporation will eventually contact all plan members with membership in more than one plan administered by the corporation; however, because of the volume of applications we receive, **priority will be given to those retiring or terminating employment.**

If your second membership is in a plan not administered by the Pension Corporation, contact your current pension plan administrator for further assistance.

Over...

Is my pension plan covered by these agreements?

Plans covered by the agreements are:

- College Pension Plan
- ICBC Pension Plan for Bargaining Unit Employees*
- ICBC Pension Plan for Management and Confidential Employees*
- Municipal Pension Plan
- Public Service Pension Plan
- Teachers' Pension Plan, and
- Workers' Compensation Board Superannuation Plan.

Other pension plans may be added to the agreements in the future.

Keep in mind that transfer terms between these plans will be changing as of April 1, 2004 (November 1, 2002 for transfers involving the College Pension Plan). Service will be pro-rated for transfer between all of the above plans, based on the difference between the pension benefits payable from each plan. However, if you meet the terms of the agreement before April 1, 2004, (for College plan see section at the end of this *Pensionfacts*) you will continue to be eligible under the current terms.

If you Choose to Transfer

If you transfer your service and contributions from one or more of your former plans to your current (or last) plan, your **total** eligible** pensionable and contributory

service in those plans is credited to your current plan (except for College Pension Plan—see the exception below). Your eventual pension will be calculated using:

- the combined eligible service from **all** plans (transferred service may be pro-rated)
- your five-year highest average salary (HAS) from your **current** plan, and
- the retirement age specified by your **current** plan.

However, if you moved from one plan to another before October 1, 1999, and kept your contributions on deposit in each plan, your highest average salary will be based on your highest average salary earned under **any** of the plans to which you

contributed (College, Municipal, Public Service or Teachers').

We will provide you with details before you complete the application.

To be eligible to transfer service, you must have accumulated at least six months of contributory service in your current or most recent plan. If your date of retirement or termination of employment has already been determined, you must complete the necessary forms before you leave employment. Otherwise, you have 12 months from the date you are contacted in writing by the Pension Corporation to complete the transfer process.

Be sure to take advantage of any opportunities to purchase or

Using the On-line Estimator

Step 1

Do a separate calculation for each plan to which you contributed to estimate your pension benefits. Include any pensionable service you think you may purchase or reinstate. Add the totals for each plan to determine the approximate total pension benefits you will receive by leaving your contributions and service in separate plans.

Step 2

Use the estimator for your current plan to determine the total pension benefits you would receive by adding all your eligible pensionable service from all plans into your current pension plan. To do this, determine your record of service in each plan. Total your pensionable service on paper. Include any purchases of service or reinstatements you think you might make. Enter this total record of service in the "Purchase Service" field of the contribution calculation screen. The result will be an approximate total of the final benefit you would receive by transferring your past service.

Step 3

Compare the difference in the dollar amounts shown in steps 1 and 2. Be sure to compare the group benefits offered by each plan.

Step 4

If you decide to transfer your service, contact the Pension Corporation to request an *Interplan Pension Transfer Agreement Application* form. Because of the volume of applications we receive, **priority is given to those retiring or terminating employment.**

* ICBC pension plans are not administered by the Pension Corporation.

** Eligible contributory and pensionable service may not exceed 12 months (10 months for teachers) in a calendar year, to a maximum of 35 years of pensionable service.

reinstate service before you leave your current job. Because the rules are different in each pension plan, you should review the fact sheets, *Purchase of Service*, *Leave of Absence*, or *Reinstatement of a Refund*, as appropriate, for your current plan.

Transfers cannot be reversed.

Tax implications

Each year since 1990, your employer has reported a Pension Adjustment (PA)—the deemed value of the lifetime retirement benefit you earn in the plan each year—to the Canada Customs and Revenue Agency (CCRA). PAs are calculated using the CCRA formula, and usually reduce the amount you can contribute to your RRSP the following year.

By transferring your pension, you may be increasing the value of your pension benefit for the applicable period. Therefore, if you transfer, the plan must report a **Past Service Pension Adjustment** (PSPA) for any portion of the transfer period that occurred after 1989 and get approval from the CCRA before the transfer can be completed.

If You Choose Not to Transfer

If you choose not to transfer your service and contributions, you will eventually receive a separate pension benefit from each of the plans in which you have pensionable service. In this case, the benefits earned in former plans will not affect benefits earned in your current plan.

Calculating Your Pension with Transferred Service

The Pension Corporation's online Pension Estimator is a useful tool in deciding whether or not it is to your advantage to transfer your pension benefits.

Currently, the Pension Estimator is applicable only for members of the College, Municipal, Public Service and Teachers' pension plans. See our website at pensionsbc.ca for more information.

You'll find our online Pension Estimator easier to use if you have your most recent annual Member's Benefit Statement at hand.

If you do not have access to the online estimator, please contact your human resources or payroll advisor.

Questions & Answers

Is it always to my advantage to combine my service and contributions?

No. Many factors may affect your decision. In order to make an informed choice, we suggest you consult with an independent financial advisor.

What are my options?

You can choose to transfer prior eligible service and contributions to your current plan, or you can decline the transfer option. If you choose to transfer, at the time of your retirement or termination of employment you will receive one benefit based on your combined service (transferred service may be pro-rated).

If you decline, you will receive a separate benefit from each plan in which you participated. Declining includes failing to respond to the corporation's notification within 12 months. Depending on your status in a plan, your benefits will vary from a refund of contributions, with interest, to a commuted value or monthly pension benefit (see the fact sheet, *Termination of Employment*).

I'm already a pensioner. Do these transfer agreements apply to me?

No. Once you start receiving a monthly pension benefit, you are no longer an active member. You are a retired member, with a different relationship to the plan. The transfer agreement is not available to retired members.

I have Special Agreement funds and some voluntary contributions. What happens to them under the transfer agreements?

Special Agreement funds, which apply only to the Municipal Pension Plan, cannot be transferred. They will remain in the Municipal Pension Plan even if you transfer your contributions and pensionable service to another plan under the agreement. When you start receiving your pension, the Special Agreement benefit will be paid to you by the Municipal Pension Plan according to the terms and conditions of the Special Agreement.

Voluntary contributions cannot be transferred. If you choose to transfer under the agreement, any voluntary contributions, with interest, will be refunded to you at the time of the transfer. This lump sum can be paid in cash, with income tax withheld, or transferred directly to your RRSP.

I have membership in three plans covered by transfer agreements. Am I required to transfer them all to my current plan?

You may transfer **all** eligible service and contributions in one or more of your inactive plans into your current plan. You cannot transfer **part** of your service from one plan into your current plan and leave the rest in the inactive plan.

Over...

What happens if I transfer from a plan with a normal retirement age of 65 to a plan with a normal retirement age of 60, or vice versa?

When you transfer from a plan with one retirement age to a plan with a different retirement age, the retirement age in your new plan will be used for the pension benefit calculation.

I am planning to start a new job with a new employer in a different pension plan that is part of a transfer agreement. I am eligible to purchase service in my current plan. When should I do this?

A purchase of service occurs when you make contributions for a period of service for which you previously did not contribute. You must complete any purchase of service transactions **before** you transfer your service and contributions.

If your current pension plan is part of a transfer agreement, you must apply to your current plan **before** you terminate employment and pay the cost to purchase service in full by the deadline or be unable to purchase the service in future. (For details, see the fact sheet, *Purchase of Service*, for your current plan.)

I took a refund of my pension contributions when I left my previous plan. What are my options now? Can I still take advantage of a transfer agreement to increase my pension benefits?

If you withdrew contributions from the College, Municipal, Public Service or Teachers' pension plans, you may be eligible to reinstate that service, even if you are now a contributor to one of the other plans.

Reinstatement of a refund is the process by which you pay back, into the pension plan, the contributions, plus interest, for which you previously took a refund. (For details, see the fact sheet,

Reinstatement of a Refund, for the plan from which you took your refund.)

If the refund was taken from a previous plan, you must agree to transfer your reinstated service to your current plan before the plan can accept payment for reinstatement of contributions.

Eligibility and terms of reinstatement are set by the pension plan that paid your refund; that may or may not be your current plan.

If you have service in a plan not administered by the Pension Corporation that is covered by this agreement (currently ICBC) contact your current plan administrator regarding the transfer process.

College Pension Plan Only

As of November 1, 2002, service transferred to the College Pension Plan will be pro-rated based on the pension benefit provided by each plan.

Plan members who, at October 31, 2002:

- were active or deferred members of the importing plan,
- had at least six months of contributory service in the importing plan, and
- had terminated employment in the exporting plan,

are grandparented under the previous terms and can have equivalent pensionable service transferred, regardless of the difference in the pension benefits provided by each plan, subject to Canada Customs and Revenue Agency (CCRA) approval. If approval is not granted, then the member will be eligible under the terms of the new agreement as outlined.

If you do not meet these requirements at October 31, 2002, the transfer will be pro-rated based on each plan's formula. This means that a shortfall will occur when you transfer from the Municipal, Teachers' or Public Service pension plans to the College Pension Plan. You may pay for the shortfall, and will be credited with full service if you do so.

A shortfall occurs when service is transferred from a plan with a lower pension benefit to a plan with a higher pension benefit. It is the amount of money required to pay for the difference between the full service in the exporting plan and the amount transferred to the importing plan under the transfer agreement.

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This fact sheet is based on the relevant pension statutes and regulations as enacted by the Legislative Assembly of British Columbia, or other plan documents. It is provided for information purposes only. In the event of any error, omission, or disagreement over interpretation, the pension statutes and regulations will be the defining text. If you wish to understand exactly what your legal rights are, we recommend that you refer to the governing legislation and regulations, or seek legal advice.

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