What’s in this fact sheet?

This fact sheet explains your pension options if you leave the University before age 55. It also highlights important details you should take into consideration when making your decision. For more information, please contact Human Resources, Pension Sector:

Telephone: (613) 562-5800 ext. 1206
E-mail: pension@uOttawa.ca
In person: Tabaret Hall, Room 019

Your pension options – if you leave the University before retirement

If you leave the University before retirement, you have different choices for the payment of your benefit. Consider your options carefully – your accumulated benefit may play an important role in your retirement planning, even if you have only participated in the plan for a few years.

Two options for your earned pension

If you leave the University before age 55, you have two options for your earned pension. You choose between:

A deferred (future) pension

Leave your pension in the plan and start taking it at a future date:

- unreduced at the earlier of age 60 or when you reach the 90 Factor, or
- as early as age 55 with a reduction.

Your deferred pension is protected from inflation and increases every January 1 after your employment ends, to reflect at least part of the increase in the Consumer Price Index. The cumulative increases are paid when you begin to receive your pension. The plan provides benefits for your eligible survivors when you die.

The transfer value

Transfer the value of your accumulated pension out of the plan. The amount of money you transfer is called your "actuarial value". This value is based on a set of actuarial assumptions that includes economic and demographic assumptions. The value of inflation protection and survivor benefits are included in the transfer value. You can choose to transfer the actuarial value to:

- a locked-in registered retirement savings plan (RRSP),
- an insurance company to purchase a pension, or
- to your new employer’s registered pension plan, if that plan accepts transfers.

The transfer value is locked-in which means it must be used to provide retirement income – it cannot be taken in cash.
Things to consider when making your decision

**If you choose a deferred pension...**

- You know in advance how much money you will receive each month for your lifetime.
- You can start receiving your pension at age 60, or when you reach the 90 Factor, or as early as age 55 with a reduction. You must begin receiving your pension at age 65, at the latest.
- Benefits to your survivors will depend on the form of pension you choose when you begin to draw your pension and whether or not you have an eligible spouse. In some cases, no further benefits will be payable from the plan after your death.
- You have to stay in touch with the University after you leave. You will need to contact the University if:
  - you want to start receiving your pension,
  - your address changes – so that the University can contact you when it's time for your pension to start, and
  - you need to change or update your designated beneficiary or marital status – so that, in the event of your death, your pension benefits can be quickly paid out to your intended beneficiary.

**If you choose to transfer the value of your pension out of the plan...**

**To a locked-in RRSP**

- Transferring your pension offers some flexibility when it comes to converting your balance into income. While you can purchase a pension and receive monthly payments, it is also possible to take advantage of other retirement income arrangements, such as life income funds (LIFs), which allow you to continue directing your investments during your retirement and to draw periodic payments.

Terms you need to know

**90 Factor**

When you are at least age 55 and the total of your age and years of credited service is equal to or greater than 90. At the age of 60 or when you reach the 90 Factor (whichever occurs first), you are eligible for an unreduced pension.

Your credited service is the days, months and years while you contributed to the University’s pension plan, including service that you transferred from a previous employer, or service while you were receiving benefits from the University’s Long-Term Disability Plan.

- You control all investment decisions – your pension is no longer the responsibility of the University and you pay the transaction expenses and investment management fees related to investing your money.
- Your future retirement income amount will depend on your investment returns, your age when you begin to draw your income and the type of investment vehicle you choose when you begin to draw on your pension.
- Through good investment returns, you may earn a bigger pension than you would have if you had left your pension with the University. However, the downside may be a lower reward if your investments do not perform well.
- Once you reach age 55, you can begin to receive periodic payments by purchasing a pension or transferring your funds to a life income fund through an insurance company or financial institution.
- You are responsible for managing your money to ensure you will have enough throughout your retirement.
Your pension options – if you leave the University before retirement

- When you die, your spouse or beneficiary is entitled to any balance in your RRSP.
- The Income Tax Act restricts amounts that can be transferred out of pension plans on a tax-sheltered basis, so you may have to pay taxes on a portion of your transfer value at the time of your transfer.

To purchase a pension
- You can choose to purchase a deferred life annuity that will provide you with a monthly retirement income at a later date (when you reach age 55 or later). The amount of your income will mostly depend on your age when you make the purchase and interest rates at the time of purchase.
- This option could have adverse tax consequences. We recommend you seek independent financial advice if you are considering this option.

To another employer’s registered pension plan
- You may have to meet certain requirements and there may be deadlines to transfer your pension to your new employer. Contact your new employer as soon as possible if you are interested in a transfer.
- Consider the impact of transferring your service on your eligibility to pension benefits under both pension plans (such as early retirement benefits) and the cost to transfer versus the expected retirement income from the two plans.
- Benefits, such as health and dental coverage, are sometimes offered to retired employees provided certain conditions are met. Consider the impact that transferring your pension to another employer may have on your eligibility for these benefits, if any.
- The Income Tax Act restricts amounts that can be transferred out of pension plans on a tax-sheltered basis. If you transfer your pension to your new employer’s defined contribution plan, you may have to pay taxes on a portion of your transfer value at the time of your transfer.

More information about your pension
Read more about your pension in the Pension plan essentials and Survivor benefits under the pension plan fact sheets. You can find them in the pension section of the Human Resources website at www.hr.uottawa.ca/pension.
How it works

Within 30 days after your employment ends, the Pension Sector will send you a statement outlining your options with all the necessary forms to complete. You have 90 days to make your decision. If you do not make an active decision by the deadline, it will be assumed that you have chosen a deferred pension. If you decide at a later time to transfer your pension, your transfer value will be recalculated and may be higher or lower depending on interest rates at the time of the recalculation.

Consider consulting a financial advisor

You may wish to seek the advice of an independent financial advisor to help you decide which pension option is right for you. An independent advisor can be a financial planner, an actuary or an accountant whom you trust to give you impartial advice and who is qualified to do so. Be aware of potential conflicts of interest, such as the potential for your advisor to profit from your decision.

Learn more about your pension plan

Your pension plays an important role in your retirement plan. Go to the pension section of the Human Resources website at www.hr.uottawa.ca/pension to learn more about your pension.

- Read the pension fact sheets, including Pension plan essentials, Survivor benefits under the pension plan and The importance of keeping your information up to date.
- Find details on the plan, copies of presentations and official plan documents.
- Login to the Personal information and retirement planning site to prepare a complete, confidential and personalized financial plan for your retirement using the Financial Planner tool, visit the Learning Centre, which contains useful information about financial planning and investments or access your most recent annual pension statement.

This fact sheet is for general information purposes only and is not intended to provide you with any personalized financial, insurance, legal, accounting, tax or other professional advice. While the University of Ottawa has made every effort to ensure the accuracy of the information, complete details are contained in policies, documents, contracts, pension plan text, and applicable legislation. These official documents govern the operation of the pension plan and take precedence over the information in this fact sheet in the case of inconsistency or error.

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