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## Transferring pension service from another employer to the University's pension plan

### What's in this fact sheet?

This fact sheet provides information on transferring pension service **from** your previous employer's pension plan to the University's pension plan – outlining the eligibility, things to consider and how the process works.

If you are leaving the University and are thinking of transferring your pension service **to** your new employer's pension plan, see the fact sheet [\*Your pension options – if you leave the University before retirement\*](#).

For more information, please contact Human Resources, Pension Sector:

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Telephone: (613) 562-5800 ext. 1747

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In person: Tabaret Hall, Room 019

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### Maximizing your pension

If you participated in your previous employer's pension plan, you may be eligible to transfer that pension service to the University's pension plan and receive more from the University's pension plan when you retire or leave before retirement.

In some cases, transferring your pension service to the University might also allow you to retire at an earlier age with an unreduced pension.

It's important to carefully weigh your decision, since it could have an impact on your future retirement income.

### Types of transfers

There are two ways in which your pension service can be transferred to the University's pension plan:

- **Reciprocal transfer agreement** – This is a formal agreement established with your previous employer. The University currently has reciprocal transfer agreements with the federal government, Université du Québec and Université Laval. These agreements provide strict guidelines for the transfer and both the University and your previous employer must follow these guidelines throughout the process. Your previous employer may have a deadline for applying for the transfer,

so it's important to apply as soon as possible after your employment with the University begins. Contact your previous employer for more information about their restrictions.

- **General portability** – When there is no formal agreement in place for the transfer, the University uses general portability rules to accept your pension service. This is an established process that allows the University's pension plan to accept your pension service from another registered pension plan.



## Transferring pension service from another employer to the University's pension plan

### Eligibility

To transfer your pension service from a previous employer, you must meet **all** of the following conditions:

- you must be a University employee who is a member of the pension plan, and, in the case of a reciprocal transfer, you must be a plan member for at least three months,
- you must be entitled to transfer your pension benefit from your previous employer's plan, and
- you must transfer your pension service directly from your previous employer's Canadian registered pension plan to the University's pension plan.

The University does not accept transfers from all Canadian pension plans. Contact the Pension Sector to see if the pension service from your previous employer's plan will be accepted.

### The cost to transfer

The cost to transfer your pension service is calculated as if you had participated in the University's pension plan for the period of service you accumulated in your previous employer's plan. The cost is the actuarial value of your pension benefit, which takes into account your age, credited service, salary and interest rates at the time of the calculation, as well as other relevant assumptions. The result of that calculation is then compared to the value of your pension service with your previous employer.

If you are transferring from another defined benefit pension plan, the different assumptions used to calculate the actuarial value of your benefit, as well as different provisions in your previous employer's plan compared to the University's pension plan, such as the pension formula, early retirement subsidies, survivor benefits and inflation protection, will mean that the value of your pension with one plan will be higher or lower than the other.

If you are transferring from a defined contribution pension plan, the amount available to transfer may or may not be enough to recognize all your years of service in the University's pension plan.

A shortfall will result if the value of your pension with your previous employer is not large enough to have all of your service counted under the University's pension plan. If you have a shortfall, you may choose to pay for the shortfall to have all your service recognized.

If you have no shortfall, all of your service with your previous employer can be recognized under the University's pension plan.

Once the transfer is completed, your previous employer will contact you if there is any outstanding amount payable to you.



## Transferring pension service from another employer to the University's pension plan

### Paying for a shortfall

If there is a shortfall:

- you can pay for all of the difference and be credited with all of your previous service,
- you can pay some of the difference and be credited with a corresponding amount of pension service, or
- you can pay none of the difference and be credited with the portion of pension service that corresponds to the value from your previous employer.

Whether or not you pay the shortfall may affect when you can retire with an unreduced pension, and will affect the amount of pension you receive when you leave or retire from the University.

You have three months from the date of receiving notice of the shortfall to decide whether or not to pay it. You can choose to pay for the shortfall in a lump sum, by payroll deduction over a period of time with interest added, or through a direct transfer from your RRSP. The Pension Sector will provide you with a quote of the cost if you choose to pay by payroll deduction.

You may also be eligible to later buy back the shortfall, but the cost will be recalculated and may be higher than if you had purchased it when you were first advised of the shortfall amount.

### Tax implications

In general, for service after 1989, when you use money other than from your RRSP to pay for a shortfall, you can claim the cost as a tax deduction based on the regulations set by the Canada Revenue Agency (CRA) and pension guidelines in place.

When you transfer pension service accumulated after 1989, a past service pension adjustment (PSPA) may be generated. If your new and former pension

plans have different benefit formulas, a PSPA may be generated, which would reduce your RRSP contribution room. A PSPA must be approved by CRA before the transfer can be completed. If the PSPA is not approved, you may have to withdraw money from your RRSP for the transfer to be allowed.

See the [\*Buy-backs of previous service – building your pension\*](#) fact sheet and the *Buying Back Service Complementary Information Sheets* for more information on the tax implications of buying back and for more information about PSPAs.

### Things to consider

Your pension from your previous employer and from the University play an important role in your overall retirement income, so it's important to carefully consider whether or not transferring your pension is the right option for you. Here are some things to consider:

- What are the costs involved and the tax implications of transferring?
- What impact would a transfer have on your total retirement benefits?
- How does a transfer affect your eligibility for retiree benefits with your previous employer versus the University?
- Generally, the actuarial value goes up as you approach retirement age. If you are considering transferring, you may wish to start the process as soon as possible after you first join the University's pension plan.

You may wish to consult a financial advisor before making your decision.



## Transferring pension service from another employer to the University's pension plan

### The steps

- If you meet the eligibility criteria to transfer, contact the University of Ottawa's Pension Sector to let them know you would like to start the process. If possible, provide the Pension Sector with your pension termination statement from your previous plan, since it provides details on your pension benefits with your previous employer.
- The Pension Sector will provide you with the form you must complete to get the transfer process started.
- Send the completed form to your previous employer and send a copy to the Pension Sector.
  - Remember, completing the form does not mean you have to proceed with the transfer. You make your decision once you have received the estimate of the cost to transfer.
- The University will provide you with an estimate of the cost to transfer your previous pension service to the University's pension plan and the necessary forms to complete if you decide to proceed with the transfer.
  - You have three months from the date of receiving your estimate to decide whether or not to proceed with the transfer.
- If you proceed with the transfer, the University will send you a letter of confirmation once the transfer has been completed.
  - Once your pension has been transferred – and if there is a shortfall – the Pension Sector will give you your options for paying for it. You have three months from the date of receiving notice of the shortfall to decide whether or not to pay it.

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### Learn more about the University's pension plan

Your pension plays an important role in your financial future. Go to the pension section of the Human Resources website at [www.hr.uottawa.ca/pension](http://www.hr.uottawa.ca/pension) to learn more about the University's pension plan before you make your decision:

- Find details on the plan, fact sheets, copies of presentations and official plan documents.
- Read the *General Portability Administration Manual* – which describes the steps that the Pension Sector will take if you transfer your pension under general portability rules.

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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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