

Small benefit unlocking under the University's pension plan

Effective July 1, 2012, the Ontario *Pension Benefits Act (PBA)* was amended to change the rules that determine if a pension benefit can be considered a small benefit and, as a result, be eligible for unlocking. Effective July 1, 2012, the University Retirement Pension Plan has been amended to apply the new rules to new and existing deferred members. This fact sheet provides information on small benefit unlocking under the University's pension plan.

Refer to the fact sheets, *Pension plan essentials* and *Your pension options – if you leave the University before retirement* for the definitions of important terms and more information about your pension benefit when you leave the University.

What is the current small benefit rule?

The current small benefit rule under the plan allows for larger amounts to be unlocked. Effective July 1, 2012, you are automatically entitled to the transfer value of your pension (payable as a lump sum) if **either** of the following conditions is met:

- § your annual pension payable at age 60 is less than 4% of the YMPE in the year your participation in the plan ended, or
- § your transfer value is less than 20% of the YMPE in the year your participation in the plan ended.

For example, if your plan participation ended in 2017, your annual pension (payable at age 60) would have to be under \$2,212, or your transfer value would have to be less than \$11,060 for your pension benefit to be considered a small benefit.

What is the YMPE?

The YMPE is the year's maximum pensionable earnings, an amount set by the government to calculate contributions to and benefits from the Canada/Québec Pension Plan. The government revises this amount every year, based on increases in the average industrial wage in Canada. In 2017, the YMPE is \$55,300.

What if I terminated prior to July 1, 2012?

The current small benefit rule under the plan also applies to you if you terminated your participation in the plan prior to July 1, 2012 and you have not transferred your benefits out of the plan. However, if you had already attained your normal retirement date on July 1, 2012, the application of the small benefit rule is subject to your spouse's consent.

Can I choose to have my small benefit paid in cash?

Yes. You have two options if your pension benefit is considered a small benefit. You can take the lump-sum transfer value:

1. in cash, less income tax, or
2. as a transfer to an unlocked registered account, such as a registered retirement savings plan (RRSP) or registered retirement income fund (RRIF). The amount transferred is not considered taxable income until you later withdraw it.

The amount transferred to an unlocked RRSP or RRIF must comply with the limits in the federal *Income Tax Act*. If your transfer value exceeds the *Income Tax Act* limit, the portion above the limit must be paid to you in cash, less income tax, or transferred to your personal RRSP if you have sufficient RRSP room.

Is there any action I need to take?

When you leave the University, the Pension Sector will perform the necessary tests to determine if your pension benefit is a small benefit. If it is, your termination or retirement statement will describe your options for the payment of your unlocked pension benefit and provide the necessary forms. You will be responsible for deciding how you would like your pension benefit to be paid out and for completing and returning the necessary forms to the Pension Sector. The Pension Sector also intends to review the files of members who terminated prior to July 1, 2012 to determine if their pension benefit is a small benefit and offer them the related payment options.

Where can I get more information?

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

Telephone: (613) 562-5800 ext. 1206

E-mail: hrpension@uottawa.ca

In person: Tabaret Hall, Room 019

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