



Termination Benefits for Vested Members

When you leave an employer that participates in the Hospitals of Ontario Pension Plan (HOOPP), you'll have to decide what to do with your HOOPP benefits.

This information sheet provides details on all termination options for vested members. A Summary of Terms at the end provides explanations of any complex pension terms you may encounter.

You normally vest after you have belonged to HOOPP for at least two years. Other situations can count towards the two-year total, such as transferring service into HOOPP from another plan or purchasing past service in HOOPP. In the case of a divestment, or employer change in pension plans, periods of eligibility in a former plan can also count towards the total.

Options for vested members are different than those for non-vested members. If you are not vested, see the information sheet titled *Termination Benefits for Non-Vested Members*.

As vested member, you have four options upon termination:

- taking a deferred pension
- transferring your benefits to another pension plan
- if you're under 55, transferring your benefits to a locked-in retirement savings vehicle – be aware that there may be limits on how much you can transfer out on a tax-sheltered basis
- delaying a decision on your termination options for up to six months while you look for work with an employer that offers HOOPP – this is called the 'decision pending' option

If you belong to HOOPP at more than one employer, you must terminate employment with all employers before you can receive termination benefits from HOOPP. For more details, see the member information sheet *Working at More than One HOOPP Employer*.

TERMINATION OPTIONS

1. Take a deferred pension

A deferred pension is what you'll receive if you terminate from HOOPP and choose to leave your benefits in the Plan. You'll be able to collect your deferred pension after you reach retirement age.

Here are the key features of a HOOPP deferred pension:

- It is payable on an unreduced basis at age 60, but can be received as early as age 55, usually with a reduction.
- If you choose a deferred pension, and start collecting it

while aged 55 to 64, you'll also receive a bridge benefit with it. You'll receive the bridge from the date your pension starts until you reach age 65 or die, whichever occurs first. (Different rules apply if you elected a deferred pension before 1999.)

- A deferred pension receives annual guaranteed or ad hoc cost of living adjustments even before you start collecting it.
- A deferred pension offers the same survivor benefits as other HOOPP pensions.
- If you change your mind about collecting a deferred pension, you can transfer it – subject to Income Tax Act limits – to the pension plan of a future employer, provided that plan will accept the transfer. You can also transfer your deferred pension benefits to a LIRA (or a LIF or LRIF, if you're age 54) at any time before you reach age 55.
- If you face a life expectancy of two years or less, you can apply to HOOPP to withdraw the commuted value of your deferred pension as a lump sum. Should you find yourself in this situation, contact HOOPP for more information.

Under provincial legislation, HOOPP isn't required to pay a pension on a monthly basis if the annual amount is less than two per cent of the year's maximum pensionable earnings (YMPE). Two per cent of the YMPE, an amount that changes annually, is \$874 in 2007. If your annual deferred pension will be less than this amount, you'll receive its commuted value as a single lump-sum payment.

In addition to your deferred pension, you may have additional funds in HOOPP. When you move them out of HOOPP, some or all of these funds may be taxed as income. More information will be provided when you receive your termination options from HOOPP.

2. Transfer benefits to another pension plan

If you go to work for an employer that doesn't offer HOOPP, you may be able to transfer your pension benefits into that employer's plan. HOOPP has reciprocal transfer agreements with a number of Ontario pension plans. If you'll be joining one of these plans, you can transfer your benefits under certain conditions. In addition, if there is no transfer agreement, you may still be able to transfer the commuted value of your pension to the other plan, provided that plan is willing to accept it. Time limits may apply, so be sure to ask your new employer about this option as soon as possible.

If you have additional funds in HOOPP, the rules for transferring these funds will vary from pension plan to pension plan. Details will be provided to you if you decide to transfer your benefits.

Note that if you transfer benefits that you might not receive the same amount of service in your new pension plan as you had in HOOPP. This is because pension plans offer different features, such as inflation protection, early retirement benefits, and death benefits.

Also, if your average annualized earnings are more than approximately \$100,000, the amount that can be transferred out of HOOPP on a tax-sheltered basis will be limited by the Income Tax Act.

3. Transfer benefits to a LIRA, LIF, or LRIF

If you're under age 55, you can transfer, subject to Income Tax Act limits, the commuted value of your pension to a LIRA, which is a locked-in RRSP. Funds moved to a LIRA remain tax sheltered and don't affect your RRSP contribution room. If you're age 54, you also have the option of transferring funds, subject to Income Tax Act limits, directly to a LIF or LRIF. With either option, the funds are locked in and must be used to provide an income at retirement. If you're age 55 or older, you can't choose either of these options, but you'll be able to receive an immediate or deferred HOOPP pension. For details on HOOPP's retirement benefits, ask your employer for a copy of the booklet *HOOPP, Retirement, and You*, or visit the Retirement Planning section of the hoopp.com website.

You may also have additional funds in the Plan. These may include additional voluntary contributions you made to HOOPP, which were allowed before 1988. If you move your pension benefits to a LIRA, you must also move any additional funds you have out of the Plan. In this case, some or all of your additional funds may be taxed as income under the Income Tax Act. More information will be provided when you receive a personalized termination benefits option form from HOOPP.

Pension adjustment reversals

Should you choose one of the transfer options, HOOPP will calculate a pension adjustment reversal (PAR) for you. PARs are part of the formula the federal government applies, along with pension adjustments (PAs) and past service pension adjustments (PSPAs) to determine individual RRSP contribution room.

A PAR restores RRSP contribution room if the value of the benefits transferred out of a registered pension plan at termination is less than the sum of the PAs and PSPAs you receive for those benefits, for service earned after 1989.

4. Decision pending option

If you are looking for work with a HOOPP employer when you terminate, you can choose the "**decision pending option.**" Under this option, your benefits remain in HOOPP for up to six months. Your benefits are "frozen" during this period – you will not gain any additional contributory service or eligibility service.

If you find work with a HOOPP employer, your contributory service will resume when you start making contributions again. If you don't resume contributions within the six-month period, you will be asked to pick one of the other options.

SUMMARY OF TERMS

Annualized earnings: These are earnings you are credited with in a calendar year that count toward your HOOPP pension. If you work less than one full year your annualized earnings will be based on what you would earn if you worked full time for the whole year.

Bridge benefit: The early retirement bridge benefit is a monthly payment that supplements your basic lifetime HOOPP pension until age 65 when government pensions normally begin. A member will receive the bridge if he or she retires from HOOPP while aged 55 to 64.

Commutated value: The commuted value of your pension is the estimated amount of money HOOPP needs now to pay your pension in retirement, based on your service and earnings to date. The commuted value fluctuates with changes in factors such as your age and interest rates.

Contributory service: This is the length of time, measured in years and part years, that you've contributed to HOOPP. It also includes any past service you buy, service you transfer into HOOPP, or service you receive while disabled.

Eligibility service: This is the total of all periods when you accrued contributory service, but also includes periods when you switched from full-time to part-time and elected not to contribute, and any periods required by pension law in the event of a divestment or merger.

Year's maximum pensionable earnings (YMPE): The year's maximum pensionable earnings (YMPE) is set each year by the federal government, based on the average wage in Canada. In 2007, the YMPE is \$43,700.

FOR MORE INFORMATION

If you have any questions about your termination options, please contact your employer or call a HOOPP client service representative at 416-369-9212 or toll free at 1-888-333-3659. You can also send e-mail to clientservices@hoopp.com. Representatives are available to help you Monday to Friday, between 8 a.m. and 5 p.m.

The hoopp.com website is also a valuable source of general information on HOOPP and its provisions.

This sheet is designed to outline as simply as possible HOOPP's termination features for vested members as of Jan. 1, 2007. An exact and complete description of the Plan's provisions and your entitlements can be found in the *Hospitals of Ontario Pension Plan Text*, the official Plan document. In cases where the information provided by this sheet, your employer, or any other source differs from that contained in the Plan Text, the Plan Text will govern. Decisions based on the information provided by this sheet are your responsibility.