

# SECTION CONTENTS

## 3 TERMINATION OF EMPLOYMENT

3.1	When has a member terminated employment from the plan?	4
3.2	Termination benefit eligibility	6
3.3	Locking-in	7
3.4	Income tax	7
3.5	Reporting employee information at termination	8
	Termination checklist	9



# 3 TERMINATION OF EMPLOYMENT

For the majority of plan members, the normal retirement age (NRA) is 65, and the earliest retirement age (ERA) is 55.

Certain designated occupations have different retirement rules. The NRA for correctional facilities employees is 60, and the ERA is 50. Different retirement rules also apply to BC Ambulance Service employees in CUPE Local 873 who meet the eligibility criteria. For more information please read the website guide When You Can Retire for Ambulance Paramedics at [pspp.pensionsbc.ca/when-you-can-retire-for-ambulance-paramedics](https://pspp.pensionsbc.ca/when-you-can-retire-for-ambulance-paramedics). The age rules for these plan members are indicated in brackets, e.g., ERA is shown as “55 (50)”.

The NRA and ERA for members with service in both public safety (correctional facilities employees, ambulance paramedics) and non-public safety employee groups is based on the member’s employee group at termination. If a member terminates from both employee groups at the same time, their ERA will be based on the employee group with the lower ERA.

When a plan member terminates employment prior to age 55 (50), the member is eligible for a benefit. The type and amount of the benefit payable depends on the member’s age and service at the time of termination, and may include:

- a refund of the member’s contributions to members who were not vested before September 30, 2015,
- a retirement benefit payable at a later date, or
- a lump-sum payment of the value of that pension.

We will notify the member of the benefit options available and make payments when required.

### 3.1 When has a member terminated employment from the plan?

Termination of employment means the end of the member's employment for which you are required to make contributions on their behalf. This includes a member on a recall/seniority list for 335 days without making a contribution.

In the case of a plan member receiving benefits from under and LTD plan, termination of employment occurs when the LTD benefits cease. Even if a member's employment has been terminated with you for all other purposes, the member has not terminated employment for pension plan purposes as long as LTD benefits are still being paid to the member under an LTD plan (see section 6).

When a member terminates employment, you must submit the Employee Information at Termination/Retirement online to report:

- the date that the member terminated employment, and
- salary and service information for the part of the reporting period they worked. You will also report this information on your *Payroll Report*, but we need the information in the meantime to provide the member with termination options.

#### **A plan member has not terminated employment for pension plan purposes if:**

- the member is on an approved leave of absence (including sick leave while receiving WorkSafeBC benefits), (see section 6.1 and section 7.2.6),
- the member is laid off but still has seniority rights under the collective agreement, including periods of layoff and recall and has made a contribution within 335 days,
- the member is a casual employee who has not worked recently but has not resigned or been dismissed,
- the member is receiving benefits under an LTD plan, even if the member's employment has been terminated for all other purposes,
- the member changes employment status, but does not resign and is not dismissed (for example, the member changes from full-time to part-time), or

- the member is still contributing to the plan with another employer (you must submit Employee Information at Termination/Retirement online if the member has terminated their employment with you).

If a plan member has been dismissed and is appealing the dismissal, it may make sense to delay reporting a termination of employment until the issue is resolved. If the member takes a termination benefit payment and is later reinstated to the position, the benefits usually will not be returned to the plan. For further information, please contact us.

### 3.2 Termination benefit eligibility

Eligibility for termination of employment benefits depend on a member’s age at the date of termination of employment.

Terminating members have the option of leaving their contributions on deposit.

If a plan member terminated employment before September 30, 2015, different rules apply and the member’s options may be different. Please contact us if you require more information.

The following table outlines the options available based on age for people who terminate employment on or after September 30, 2015. Note that ages for public safety employees are in brackets.

BENEFIT ELIGIBILITY OPTIONS	
Age	Options
Under 55 (50)	Deferred retirement benefit Or Locked-in commuted value payment (funds must be withdrawn before age 55 (50))
55 (50) but under 60 (55)	Deferred retirement benefit Or Immediate retirement benefit (refer to section 4.4 for possible reduction factors)
60 (55) but under 65 (60)	Deferred retirement benefit Or Immediate retirement benefit (refer to section 4.4 for possible reduction factors)
65 (60) or over	Unreduced retirement benefit

A member is not eligible to receive a termination benefit if, within 30 days after the termination benefit has started, the member becomes an employee again and the employer is required to deduct contributions.

***Deferred retirement benefit***

A retirement benefit payable at a later date. The retirement benefit cannot start earlier than age 55 (50).

***Commuted value***

The commuted value benefit is the amount of money that needs to be set aside today, using current interest rates, to provide enough funds at retirement to pay a pension similar to the pension the member would have received from the plan at the member’s earliest retirement age.

### 3.3 Locking-in

When a person is entitled to a benefit (including a commuted value), that benefit is usually “locked-in.” This means that the benefit must be used to provide retirement income according to the *BC Pension Benefit Standards Act*. A member can choose to take that benefit as a retirement benefit from the plan or may transfer the commuted value of the retirement benefit to another pension income provider. If a commuted value is transferred to another pension income provider, it must be transferred to:

- a locked-in retirement vehicle,
- another registered pension plan,
- a LIF (life income fund), or
- to a life insurance company to provide an annuity payable no earlier than age 50 (PBSA provision).

The financial institution or other pension plan must certify that the funds will be used to provide a retirement benefit.

If the retirement benefit or commuted value amount is under a certain threshold the member may choose to take the commuted value paid directly to them or have it transferred to an RRSP without locking-in restrictions.

### 3.4 Income tax

A refund or commuted value payment is not subject to income tax deductions when it is transferred directly from the pension plan to a registered retirement vehicle listed above.

A refund or commuted value payment paid directly to the plan member will have income tax withheld at CRA’s flat rate of 10 per cent to 30 per cent, depending on the payment amount. The member may owe more or less tax when they file their return.

### 3.5 Reporting employee information at termination

Select the EITR Submitted Report to view all the member information you have submitted within a specific time frame.

When a plan member terminates employment, PBSA requires us to provide them with their termination selection statement within 60 days. In order to enable us to comply, submit Employee Information at Termination/Retirement online within 14 days or as soon as the final payroll has been completed.

Sign in to the secure employer website, access the Employer Portal and then select Employee Information at Termination/Retirement in the Employer Reporting section. Follow the prompts to enter the data.

Also ask the member to submit any plan member documentation not already on file with the corporation, such as:

- proof of age and identity (see section 1)
- court orders pertaining to the splitting of benefits because of marital breakdown.

Termination benefits will not be paid to a member unless we have clear copies of the necessary documents.

It is important to submit Employee Information at Termination/Retirement online to us within the 14 day period so that we can provide the plan member with their benefit options.

We will:

- calculate their termination benefit options, and
- send them a *Termination Selection Statement* outlining their options for disposition of their accumulated benefits.

The member can then select a benefit.

More information on termination options is available at [pspp.pensionsbc.ca/what-happens-if-you-leave-your-job](https://pspp.pensionsbc.ca/what-happens-if-you-leave-your-job).

You can access the Employee Information at Termination/Retirement Report to view a rollup of the member information you have submitted.



If the member is taking vacation time at the end of their employment, their termination date is the end of the vacation period, provided the member takes the vacation owed as time off with pay (see section 7.2.3).

If the member receives a lump-sum payment,

- the payment is not pensionable,
- the payment should not be included in salary,
- no deductions taken, and
- the termination date is the last day worked.

If the member terminates employment immediately following an approved LOA, termination date is last day of leave. If the member resigns or is dismissed during their leave of absence, termination date is date of resignation or dismissal.

## **Termination checklist**

### **Did you remember to...**

- Submit Employee Information at Termination/Retirement online within 14 days (unless there is an appeal of the termination pending)?
- Advise the member that if they wish to purchase service, they must apply to do so before terminating employment with you?
- Get a current address from the member?
- Ask if the member is transferring to another job that is covered by a pension plan? If so, refer the member to the website for more information.

