

# PensionFacts

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*You have options  
to consider  
when your Plan  
membership ends.*

## Terminating your membership

**W**hen you stop working for an employer in the Municipal Pension Plan, you remain a plan member for one year from the date you leave your job. At the end of one year, and as long as you have not begun receiving your pension or started contributions to the Plan again, you can make some choices about your pension contributions. This fact sheet explains those options (refer to the chart on page 3 for details).

### **Your options**

If you start contributing to the Plan again within one year of ceasing employment, your membership will continue. If you do not start contributing to the Plan again within one year, your options are shown below.

#### ***Leave your service on deposit with the plan for a future pension***

You can leave your contributions on deposit with the Plan for a future pension. This can be beneficial if you think you may work in the future for an employer that belongs to the Plan. By leaving your contributions on deposit, you may increase your eligibility for certain benefits or future plan improvements.

Even if you don't anticipate returning to work for a plan employer, leaving your service on deposit in the Plan may be your best choice. A pension is a significant financial asset that will continue to pay for as long as you live. It may also provide access to medical, extended health and dental benefits, and cost-of-living increases. (Medical Services Plan, extended health benefits, dental benefits, and cost-of-living increases are not guaranteed.) For more information about the value of your pension, see the Plan's website, or contact the Plan.

You may apply for your pension to begin at your earliest retirement age even if you reach that age within a year of leaving your job.

#### ***Transfer your service to another plan***

In some cases you can transfer your pension from one plan to another. For more information, refer to the *Transferring Service* fact sheet.

#### ***Take a commuted value payment***

The commuted value of a pension is the amount of money that needs to be set aside today, using current interest rates, to provide enough funds at retirement to pay your pension.

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A commuted value payment must be transferred to a locked-in retirement plan, unless it qualifies as a small benefit refund under the *Pension Benefits Standards Act*. Locked-in means the pension plan funds must be used to provide a lifetime pension benefit.

If we calculate a commuted value for you, the amount is guaranteed until a specified date, as indicated on your *Termination Selection Statement*, which we will provide to you.

Normally, members are not eligible to receive a commuted value payment once they reach earliest retirement age 55 (50).<sup>1</sup> However, members who terminate employment at age 54 (49) have a one-time opportunity to request a commuted value payment when they terminate their membership.

The *Income Tax Act* limits the amount of a commuted value payment that can be tax-sheltered. Any part of your commuted value that is over the limit must be taken as a refund and will have income tax withheld.

### **Take a refund**

If you are not eligible for a pension or a commuted value (for example you are under age 60 (55) with less than two years of contributory service), you may be able to get a refund of your pension contributions plus interest. Refunds are subject to income tax.

### **Unusual circumstances**

If you are appealing the termination of long-term disability benefits, or if you are appealing/grieving your dismissal from employment, call the Municipal Pension Plan before you take a commuted value payment or a refund. We will explain how choosing either of these options may have irreversible consequences. You should also ask about possible disability benefits from the Pension Plan, if applicable.

### **Income tax**

Tax will not be deducted on payments to a registered retirement savings plan (RRSP, locked-in or not locked-in), life income fund (LIF), or the registered pension plan (RPP) of a new employer. Tax will be deducted on cash payments.

Tax is withheld according to Canada Revenue Agency's flat rates of 10 per cent to 30 per cent depending on the payment amount. More or less tax may be payable when you file your income tax return.

If you are not a Canadian resident, the tax rate varies from country to country (25 per cent is common).

### **Marriage breakdown**

A pension is a family asset. If your marriage breaks down, it may affect the payment of benefits that have been quoted on your *Termination Selection Statement*. Contact the Municipal Pension Plan for details.

1. Where ages are shown in this fact sheet, the figure in brackets (e.g., 55 (50)) refers to the age that applies to police and firefighters.

### Options available after terminating your membership

Age at time of termination	Under two years of contributory service	Two or more years of contributory service
Under 55 (50)	Refund of contributions with interest	Deferred pension or Locked-in commuted value The deferred pension is payable no earlier than age 55 (50) and is reduced if it commences before age 60 (55) unless age and contributory service total 90 (80) or more.
55 (50) but under 60 (55)	Refund of contributions with interest	Immediate or deferred pension The pension is reduced if it commences before age 60 (55) unless age and contributory service total 90 (80) or more.
60 (55) but under 65 (60)	Immediate or deferred pension The pension is reduced if it commences before age 65 (60).	Unreduced pension
65 (60) or over	Unreduced pension	Unreduced pension



*PensionFacts* is published for the Municipal Pension Plan by the Pension Corporation. This publication is based on the relevant plan documents (statutes, regulations and rules). If there is a discrepancy between this publication and the plan documents, the plan documents apply.

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