

MEPP *In-Depth*

Termination Options

This issue provides information about your options if you terminate employment before you are eligible to retire.

Termination

If you terminate employment and do not become employed by another MEPP employer, you must decide what to do with the pension benefit you have earned.

PEBA will send you a Termination Options Package after receiving your *Termination Notice* and final contributions.

Your options depend on whether or not you are vested in the Plan. If you have been employed less than two years, you are not vested in the Plan. If you have been employed for two years or more, you are vested.

Whether you are vested, or not:

- If you become employed with another MEPP employer within two years and have left your benefit in MEPP, your new service is combined with your previous service.
- If a MEPP employer offers you employment that will begin after the two-year period ends, you may apply to PEBA for an extension of the two-year limit. You must apply in writing before the period ends.

Not Vested in the Plan

When you are **not vested** in a pension plan, you are not eligible to receive a pension. You must therefore withdraw from the Plan. Your termination benefit is the refund of your contributions and interest.

You may choose to:

- receive your refund as a single taxable payment;
- transfer your refund to purchase service in a new employer's pension plan;
- transfer your refund to a Registered Retirement Savings Plan (RRSP); or
- leave your refund in MEPP for up to two years.

Requesting a Refund

If you request a refund, PEBA issues a cheque to you. PEBA withholds tax from your refund and forwards the tax to the Canada Revenue Agency (CRA). For tax implications, see *Other Considerations* on page 3.

Transferring to a New Employer's Pension Plan

If your new employer has a pension plan, you may be able to transfer your refund amount and service to your new employer's pension plan.

If you wish to make a transfer to your new employer's pension plan, contact your new employer to determine if a transfer would be accepted. Such a transfer would be made through a portability agreement between the two plans.

Transferring to an RRSP

You may transfer your refund to an RRSP. A T2151 form must be completed to initiate the transfer. Tax is not withheld on transfers to RRSPs.

Leaving your Refund in MEPP for up to Two Years

You may leave your refund in MEPP for up to two years after your termination date in case you become re-employed by a MEPP employer.

If you do not make a choice and do not become re-employed with a MEPP employer within two years of your termination date, your taxable refund will be sent to your last known address.

Vested in the Plan

If you are vested when you terminate employment, your termination benefit is the commuted value (CV) of the pension you have earned. You may choose to:

- leave your benefits in the Plan as a deferred pension;
- transfer your CV and service to your new employer's pension plan; or
- transfer your CV to a Locked-in Retirement Account (LIRA).

If you are eligible to retire when you terminate, see [MEPP In-Depth - Retirement Eligibility and Options](#).

Establishing a Deferred Pension

If you have not exercised another termination option within two years of the date your employment terminated, MEPP establishes a deferred pension for you.

The deferred pension is the pension you have earned at the date of your termination. The pension amount does not change.

You cannot receive pension payments from a deferred pension until you reach your earliest retirement date. You can, however, choose either of the following options at any time in the future.

Option 1 - Transfer your MEPP Pension to a New Employer's Pension Plan

If your new employer has a pension plan, you may be able to transfer your CV and service to your new employer's pension plan.

If you wish to make a transfer to your new employer's pension plan, contact your new employer to determine if a transfer would be accepted. A transfer would be made through a portability agreement between the two plans.

Option 2 - Transfer the CV of your MEPP Pension to a LIRA

You may transfer the CV of your pension to a LIRA. LIRAs are similar to RRSPs, with one important difference. Money invested in an RRSP can be withdrawn in a single taxable payment. Money invested in a LIRA cannot be withdrawn in a single taxable payment because a LIRA must be used to provide income at retirement. A T2151 form must be completed to start a transfer. Tax is not withheld on transfers to LIRAs.

Maximum Transfer Amount

The *Income Tax Act* (Canada) sets a maximum amount that you can move from a pension plan to a LIRA. This is called the maximum transfer amount.

If you transfer the value of your pension from the Plan, amounts greater than the maximum transfer amount must be taken as a single taxable payment. For tax implications, see *Other Considerations*.

If you have unused RRSP room, you may transfer a portion of the taxable payment to an RRSP. All funds must be transferred out of MEPP at the same time.

Other Considerations

Small Benefit

If you are vested and your benefit is below a certain amount, your options will be the same as the options for non-vested members. If you fall into this category, your Termination Options package will provide you with the proper options.

Withholding Tax

PEBA must withhold tax on any taxable payments made to you. CRA requires income tax be withheld on taxable payments at the following rates:

Amount of Payment	Tax Rate
Up to and including \$5,000	10%
Over \$5,001 and up to \$15,000	20%
Over \$15,000	30%

Note: The amount withheld is based on the amount of the payment - not on your total income. You could still have more tax to pay when you file your annual income tax return.

Pension Adjustment Reversal

Each year, your employer calculates and reports a Pension Adjustment (PA) to the CRA. The PA is used to determine the amount of RRSP contribution room you have left after your earned pension benefit is taken into account.

When you transfer your benefits out of the Plan, PEBA calculates a **Pension Adjustment Reversal (PAR)**. A PAR increases your RRSP contribution room. It is issued only if the amount removed from the Plan is less than the sum of the PAs issued to you.

Independent Advice

We encourage you to seek independent financial advice about the role of the Plan in your personal financial situation. Your benefit from MEPP is only one source of retirement income.



The forms required for your MEPP pension application are available on the website.



Looking for more information? You'll find more information from these sources:

- [MEPP Member Booklet](#)
- [MEPP Matters](#) – the Plan newsletter
- [RetireWithEase](#) – retirement planning workshop



Need assistance? Contact us using one of these convenient options:

Email: mepp@peba.gov.sk.ca

Phone: 306-787-2684 (in Regina)
1-877-506-6377 (toll-free)

Fax: 306-787-0244

The information in this bulletin does not replace or supersede *The Municipal Employees' Pension Act* or *The Pension Benefits Act, 1992* or related regulations. In the case of error or discrepancy, the terms of the Acts and regulations apply.

