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3 TERMINATION OF EMPLOYMENT

When a plan member terminates employment with an employer in the Municipal Pension Plan, they will have access to termination options 90 days from the date they leave their job.

The options depend on the member's age and service at the time of termination, and may include:

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

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

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

Termination of employment means the end of the member's employment for which you are required to make contributions on their behalf. 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 annual *Payroll Report*, but we need the information in the meantime to process the member's termination benefits.

For plan purposes, an employee has terminated employment with your organization when:

- The member has accepted a permanent position for which your organization does not participate in the plan.
- The member is on a seniority or recall list and has not made contributions within 275 days.

Note: If the member is working on a temporary basis in a position for which your organization does not participate in the plan, the member is not terminated. The period during which the employee is in the temporary position would be treated as a leave of absence, which the employee could purchase and the employer could pay the employer contributions for this purchase.

- A member who was entitled to receive benefits under an LTD plan and ceases to be entitled to benefits from the LTD policy is therefore considered terminated. For more information about LTD, see section 6.
- The member has reached latest retirement age; that is, the end of the calendar year when they turn 71.

3.1.1 Termination of employment for pension purposes

If a member commences a pension from one benefit group (such as Group 2 or Group 5), they cannot continue to accrue service in another benefit group (such as Group 1).

Although the member may continue to work, they are “deemed terminated” for pension purposes, and make no further contributions. The plan will contact any affected employer.

3.1.2 Employee eligibility

If an active member transfers from another plan employer to you with less than a one month break in service and has not applied for a benefit, you must immediately enrol the member and begin remitting member and employer contributions on the member’s pensionable salary from the first day of employment with you.

3.1.3 Employment status changes

There are a number of situations when a plan member has not terminated employment and continues to be an active member with the plan.

A change in employment status does not necessarily mean termination of employment. A member is considered employed even if:

- The member is laid off, but still has seniority rights or recall rights under a collective agreement and has made contributions within 275 days.
- The member is a casual employee who has not worked recently, but has not resigned or been dismissed.
- 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 part-time to casual, or is involuntarily transferred to a new plan employer).
- The member is on an approved leave of absence (including leave while receiving WorkSafeBC benefits) (see section 6.1 and section 7.3.3.5).
- The member is receiving benefits under an LTD plan, even if you have terminated them for all other purposes.

In the case of an employer ceasing to be a plan employer, the termination date is day of cessation of business.

Note: from the member's perspective, if they are still working for another plan employer, they cannot terminate their membership in the plan or apply for a benefit.

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. This is because if you reported the termination and the member takes a commuted value or refund and is later reinstated, these payments cannot be reversed. For further information please contact us.

3.2 Termination option eligibility

Members can access their termination options 90 days after the member terminates employment, provided the member does not restart contributing during the 90 days. Termination options depend on a member's age at the date of termination of employment.

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.

AGE RULES FOR BENEFIT ELIGIBILITY	
Age	Options
Under 55 (50)	Deferred retirement benefit Or Locked-in commuted value payment (funds must be withdrawn before age 55)
55 (50) but under 60 (55)	Deferred retirement benefit Or Immediate retirement benefit (your pension is reduced if your age and contributory service total less than 90 (80))
60 (55) but under 65 (60)	Deferred retirement benefit Or Immediate retirement benefit (your pension is reduced if you have fewer than two years of contributory service)
65 (60) or over	Unreduced retirement benefit

- If a member terminates a public safety occupation and begins employment in a non-public safety occupation (or the reverse), benefit entitlement in the terminated group will vary according to their age when they terminate. Please contact the plan if you require more information.
- Members do not have to cease seniority and recall rights to be eligible for a termination benefit.

Deferred retirement benefits

A benefit payable at a later date. The pension cannot start earlier than age 55 (or 50 for public safety employees).

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 pension from the plan or may transfer the commuted value of the pension 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.

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

- court orders pertaining to the splitting of pension benefits because of marital breakdown.

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

It is important to submit Employee Information at Termination/Retirement data to us within 14 days so that we can provide the plan member with their option information.

More information about termination options is available on the plan website at mpp.pensionsbc.ca/what-happens-if-you-leave-your-job.

Effective the date of the employee's termination, a 90 day waiting period is required before the *Termination Selection Statement* is produced. Once the waiting period is satisfied, the employee will receive a *Termination Selection Statement* outlining our calculation of their termination options.

The member can then select an option.

More information about termination options is available on the plan website at mpp.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.

