



Pension Airwaves

Episode 10 - Leaving the Plan before Retirement (*Transcript*)

Hi there and thanks very much for joining us for today's episode about what happens to Staff Pension Plan members when they leave the Plan before they retire. I have a guest today to help discuss some of those details about this benefit. I'd like to welcome Margaret Leathley, our SPP Pension Administrator, to the podcast. Thanks for joining me, Margaret!

Margaret: Hi, thanks for having me!

Chelsey: So, what does it mean when we say that staff are leaving the Plan before retirement?

Margaret: Well essentially what we're talking about here is anyone who is leaving the Plan under the age of 55. This could be for a number of reasons - either they're leaving their employment at UBC, going on to bigger and better things in life, or maybe they're moving to a position that is no longer eligible for the Plan, and are therefore entitled to a benefit because they are no longer an active member of the Plan.

Chelsey: We have another episode that discusses the pension benefit, which is the benefit that members can expect to receive when they retire. So with this being a different type of benefit, what can members expect to receive when they leave the Plan?

Margaret: There's a couple of options. The big thing here about leaving under the age of 55 is that you can't start a pension immediately, because the earliest retirement age that the Plan allows is age 55. So when someone leaves under the age of 55, they do have other options as spelled out in the Plan Text. Those options are, depending on how long someone has been in the Plan as an active member: (1) a lump sum, or (2) deferring the pension that they've accrued.

So, as an example, if someone has been at the University and in the Pension Plan for 10 years, and they're under the age of 55 - in a case like that, they would have the option of deferring the pension that they've accrued, or taking a lump sum. They can defer their accrued pension until they turn age 55, or they can take it as late as they want, which is age 71 - you are required to start taking a pension by then, under CRA rules. The lump sum option is based on our refund policy which is a contribution refund or the commuted value of the pension benefit. Whichever is the higher amount is what we will give as an option for members.

Chelsey: And the lump sum would be more applicable to somebody who has a smaller amount of service, right?

Margaret: Not necessarily - someone could be here for 20 years and still be under the age of 55, and then their lump sum would be considerable. So, it's a personal choice what someone plans to do if they're leaving under the age of 55. The only thing to note in regards to the lump sum, unless someone is considered a "small amount" under the rules that we have, their money would be locked in to a LIRA. So yes, they can certainly take it out of the Plan, but they can't go buy a boat with it or go on a cruise, they have to use it for what it was meant for which is a life income stream, or a pension.

Chelsey: Can you explain what a LIRA is?

Margaret: Certainly. A LIRA stands for “Locked-In Retirement Arrangement” - it’s just a vehicle at your bank that’s locked in. That means you can administer it and invest with it, but you can’t do anything else with that money until you retire, and with our Plan, the earliest age for that is 55. Then at that point, if you’re wanting to have some kind of life income stream, then you would work with your bank to coordinate something. Many people may look at purchasing a LIF (Life Income Fund).

Chelsey: Do members have to decide right away?

Margaret: No. Most members don’t have to decide right away. When someone leaves the Plan, we send them paperwork with their options, and the paperwork is valid for six months, so they should contact us within that time about whether they will defer their pension until retirement age, or take a lump sum. If they take longer than that to make a decision, that’s fine, but we then have to send them new paperwork with new calculations.

There is a portion of our membership that is under the “small amount rule” which means their pension benefit is considered too small to be a substantial retirement income stream, so we require that they take their money as a lump sum payment. We still send them paperwork for them to tell us how they want to transfer their money out, and they are not allowed to delay a decision beyond that six months. We will pay them out with a cheque if they don’t get back to us in that timeframe. So it’s really important that people tell us what they want to do in a timely manner.

Chelsey: So, when people are realizing that they’re leaving UBC, or they’re transitioning to an ineligible role, what is the most important thing that members should do? Is it to contact us?

Margaret: Definitely. If you know you’re leaving, we encourage you to let us know right away. If we find out through UBC Payroll, we don’t get their data until about a month after you’ve left, and it can cause delays with sending your paperwork with your pension benefit options in a timely manner.

You can contact us via spp@hr.ubc.ca, or contact your service representative directly by visiting staff.pensions.ubc.ca/contact/member-services. Let us know the date you’re leaving (ie. your last paid date of service at UBC) and a personal, non-UBC email address. I would encourage all of you to add a personal email address into Workday now, because you never know. If you forget to give it to us directly, then at least we can find it in Workday. All of our paperwork is sent to you via *myPension* and we need a way to notify you that it’s available.

All paperwork is arranged about 4-6 weeks from the end of the month in which you’ve left. For example, if your last payday at UBC is April 13, then you’re not going to get the paperwork from us until, at the earliest, the end of May. Just know that the paperwork will come, which is why we would need a personal email address, so we can let you know it’s been uploaded to myPension. Getting into myPension is simple, you just use your CWL login details. And yes, your CWL will stay with you even when you leave UBC, at least for the purposes of accessing myPension, and you will have access to that as long as you’re a member of the Plan, even if you defer your pension benefit until retirement age.

Chelsey: Yes, I think this is a challenge that we encounter sometimes with members who have left UBC, just in terms of keeping their information current with us. I think the rule of thumb is to keep it easy for SPP Member Services so that they can issue your benefit payment in a timely manner.

Margaret: Exactly. It's very important for you to keep your information updated, not just for the Pension Plan, but also for your T4 slips. So it's important, if you know you have a new address coming up, that you change it on Workday, or you can let us know so we can make sure our system is updated if you no longer have access to Workday. It's just like your banking information - you wouldn't move and not tell your bank your new address for them to send you your statements. You need to keep us abreast of what your contact information is because we don't want to lose you - you have a benefit with us, and sometimes it can be difficult for the Plan to try and locate people who have left UBC.

Chelsey: What about members who are leaving UBC (or an eligible position) but they're age 55 or over? What if they're not necessarily ready to take a pension yet?

Margaret: That's fine, we'll still send them paperwork - we are required under law to send paperwork to members who are leaving the Plan, within 60 days of knowing that they've left. Members age 55+ don't have to do anything different, they'll just receive different options in their paperwork because they're eligible to take a pension right away if they want to, or they can defer. If they're a small amount/forced out person, then they're required to take their money within six months. But they can let us know anytime - they don't have to take a pension just because they've left and they're over 55. That's a personal choice for them to decide when they want to start taking a pension.

Chelsey: What if those members have further questions, like they're not sure what retirement date to choose or if they have other questions in the meantime?

Margaret: Anyone who is getting close to age 55 and they're thinking of leaving the Plan, I encourage them to contact me or Debbie Wilson (Director, Pensions) for a Retirement Information Session, and that's just a personal, one-on-one meeting where we can talk about your benefit that you have accrued, tell you how things work, when your paperwork will be ready, give you some information about deferring your pension, etc. We can do some calculations for you to give you a rough idea of what to expect, and it's a good way of touching base with you and allowing you to get to know your pension benefit. And we can look at different scenarios depending on what you're thinking of.

Chelsey: If there are any members in that situation, they're approaching retirement age, and they're getting curious about the process and what to think about and what to expect in terms of pension benefit, we do have a podcast episode that covers that topic, it's called Pension Benefit, and we encourage you to check that one out.

So I think that wraps it up for today, thank you so much, Margaret, for sitting with me and taking the time to explain to all of us what it means to leave the Plan before retirement, and what we should do if we're ever in that situation. Thanks Margaret!

Margaret: Thank you very much for having me.

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If you have questions about the Pension Airwaves podcast, you can reach out to pension.comms@ubc.ca, or visit staff.pensions.ubc.ca/podcast.

If you have questions about the UBC Staff Pension Plan or your personal situation, you can reach out to SPP Member Services at spp@hr.ubc.ca, or visit staff.pensions.ubc.ca/contact.