Snapshots™

LEAVING A JOB:
PENSIONS AND OTHER WORKPLACE SAVINGS PLANS

YOU MAY HAVE ONE OR SEVERAL REGISTERED SAVINGS PLANS WITH YOUR EMPLOYER.

As you leave your job, it is important that you understand your rights and options with respect to that money. There will be various options available and you will want to choose the one that makes the best financial sense for you. Different accounts and savings vehicles may be in place:

Registered Pension Plans (RPPs)

RPPs can be very complicated. There are different pension structures such as a Defined Benefit Pension Plan and a Defined Contribution Pension Plan. Pensions are subject to different laws, federal or provincial, as well as the rules under the *Income Tax Act*. However, there are some general rules that apply to all pension plans, certainly in regards to the treatment of pension benefits when an employee leaves a company. Here is some general information about how to transfer the value in your pension. You should contact your company's Human Resources department or the pension manager to determine the specific rules and options that apply to your pension.

Although there are jurisdictional differences, generally, the options that may be available to you are:

1. Transfer to the pension plan of a new employer if that plan permits this
2. Transfer value to a Locked-in Retirement Account (LIRA), which is a Registered Retirement Savings Plan (RRSP) with locking-in provisions
3. Transfer value to a Life Income Fund (LIF)
4. Transfer value to a Locked-in Retirement Income Fund (LRIF)
5. Purchase of an Immediate (if allowed) or Deferred Annuity
6. In specific and limited circumstances, receipt of the pension

Other Types of Workplace Savings Plans

Deferred Profit Sharing Plans (DPSPs)

If you have been a member of your company's DPSP, several options will be available to you. DPSP contributions are made by the employer alone and there will usually be vesting requirements, typically two years. If you have been a member of the plan for longer than two years, you will have the right to receive your share of the contributions and income earned. Your options will be:

1. Receive the money in cash. This is ordinarily not the preferred option since you will have to include the amount in your income in the year of withdrawal and this will likely boost your income taxes
2. Transfer to another DPSP
3. Transfer to a pension plan if allowed by the plan
4. Transfer to an RRSP
5. Transfer to a Registered Retirement Income Fund (RRIF)
6. Purchase an annuity

Group Registered Retirement Savings Plans (GRRSPs)
If you have been a member of your company's Group RRSP, you will be entitled to the market value of those investments on your departure from the company. Since GRRSPs are not pensions, the money will not be locked-in and there will be somewhat more flexibility in your transfer options. Generally, your choices will be:

1. Take the money in cash – This is ordinarily not the preferred option since you will have to include the amount in your income in the year of withdrawal and pay extra taxes
2. Transfer to a personal RRSP
3. Transfer to a RRIF
4. Purchase an immediate or deferred annuity
5. Transfer to a new group plan

Glossary of Terms

There are some very confusing terms in the world of pensions. Here are some common ones:

- Vesting
- Commuted Value
- Locking-in
- Defined Contribution Pension Plans (DC Pension Plan)
- Defined Benefit Pension Plans (DB Pension Plan)