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# 4 RETIREMENT

This section provides information on getting a member's retirement benefit started, whether the member is going directly from employment to retirement, or the member terminated employment from the plan earlier and now wants the pension payments to begin.

## How members get information about their pensions

- Members can use the personalized pension estimator, available through My Account on the WorkSafeBC website, to create pension estimates based on their current service and salary information.
- Members can also review their annual *Member's Benefit Statement* (distributed in late summer), which provides a summary of pension information.
- When the member's retirement date is within 90 days, they can sign in to My Account at [worksafe.pensionsbc.ca](https://worksafe.pensionsbc.ca) and apply for retirement online.

## The retirement benefit

The WorkSafeBC pension formula results in a retirement benefit, and a member may also choose pension options that will continue to be paid to a beneficiary after the member's death.

## 4.1 Eligibility for a pension

Plan rules do not require that members retire at age 65.

The normal retirement age for WorkSafeBC plan members is 65, and the earliest retirement age is 55.

A member is eligible for an immediate pension when they reach age 55. Different rules apply for members who were not vested and terminated before September 30th 2015.

Refer to the Age Rules for Benefit Eligibility table in section 3.2.

A member who is eligible for an immediate pension may choose to defer starting the pension until a later date.

A member who is considering deferring their retirement benefits should be advised to contact us for information.

If a member is on long-term disability and their benefits end, they may be eligible to apply for a pension. The member has two choices:

- Receive an immediate pension (refer to Age Rules for Benefit Eligibility in section 3.2), and if their LTD benefits are reinstated at a later date, you must notify the Pension Corporation. The member will stop receiving their pension and be credited with LTD service for the period the pension was paid.
- Give notice that they are appealing the termination of their LTD benefits, and enclose their application for pension to determine the retirement benefit effective date if their LTD appeal is unsuccessful.

If a member accepts a settlement outside of the LTD plan, the member is no longer eligible for a disability benefit from the WorkSafeBC plan. This does not affect the member's right to termination or retirement benefits.

The *Income Tax Act* mandates that employees must begin receiving their pension no later than the end of the year they turn 71. Additionally,

- employer must stop collecting pension contributions,
- employee may keep working without interruption.

Even though they may still be working, use the online tool to submit a termination/retirement information within 14 days of termination or as soon as the final payroll have been completed.

Submission of this form is to activate the retirement process; select “retirement” on the form and ensure you complete all required fields including benefits. After submitting their employee information at termination/retirement using the online tool, final salary, service and contributions up to November 30 must be reported on your payroll report.

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**EXAMPLE**

If you have an employee born in 1946 who turns 71 in 2017, stop collecting contributions for them effective November 30, 2017—even if they turn 71 in December. Your Payroll Report must not include service, salary or contributions for this employee beyond November 30.

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We send your employees a pension estimate and retirement application package the year they turn 71. Please ensure we have their current address. If your employee has recently informed you of an address change, please let them know they can update their personal information online in My Account.

## 4.2 Pension formula

Highest average salary (HAS) is the salary used in the calculation of a member's benefit. It is the average of their highest five years of pensionable salaries.

The WorkSafeBC plan is a defined benefit pension plan, meaning that a member's retirement benefit is determined by a formula. The formula is a set percentage multiplied by the member's highest average salary (HAS) and the member's pensionable service in the plan.

The retirement benefit is payable for the member's lifetime, and may continue to be paid to another person after the member's death, depending on the form of pension the member chooses at retirement (see section 4.3). The bridge benefit is payable from the time a member starts to receive a pension until age 65 or the member's death, whichever occurs first. The bridge benefit does not reduce the retirement benefit.

### **EXAMPLE**

#### ***Lifetime Pension***

$1.30\% \times \text{HAS (up to and including the YMPE)} \times \text{years of pensionable service}$

PLUS

$2.0\% \times (\text{HAS over the YMPE}) \times \text{years of pensionable service}$

#### ***Bridge Benefit***

$0.70\% \times (\text{HAS up to and including the YMPE}) \times \text{years of pensionable service}$

The member receives both the lifetime pension and the bridge benefit up to age 65. At age 65, the bridge benefit stops but the member's retirement benefit remains.

### 4.3 Pension options overview

The retirement benefit that results from the lifetime pension formula is payable as the “normal form” of pension. The normal form of pension in the WorkSafeBC Pension Plan is a single life pension with a 10-year guarantee. This pension:

- is paid for the lifetime of the member, and
- is payable to the member’s beneficiary(ies) if the member dies before the end of the 10-year guarantee period.

A plan member may choose another pension option with a different level of guaranteed payment.

When a member selects an option other than the normal form of pension, the amount of the pension will change. In general, the longer the guarantee period, the lower the retirement benefit amount. The bridge benefit does not change, regardless of the pension option selected.

**Single life pensions with a guarantee** are pensions that are payable for the life of the member and for a set guarantee period if the member dies before the end of the guarantee period. The guarantee period may be 5, 10 or 15 years. If the member dies before the end of the guarantee period, the rest of the benefit is paid to the member’s beneficiary(ies), or estate if no beneficiary exists. For more information, visit [worksafe.pensionsbc.ca/how-your-beneficiaries-will-be-paid](https://worksafe.pensionsbc.ca/how-your-beneficiaries-will-be-paid).

A member who has a spouse must select an option that guarantees at least 60 per cent of the member’s lifetime pension will continue to the spouse after the member’s death, unless the spouse waives entitlement in writing.

If the member dies after the end of the guarantee period, no payments are made to the member’s beneficiary(ies) or estate.

**Joint life** pensions are payable for the life of the member and the member’s spouse; if the spouse lives longer than the member, the spouse continues to receive some or all of the lifetime pension.

A member who has a spouse must select an option that guarantees at least 60 per cent of the member’s lifetime pension will continue to the spouse after the member’s death, unless the spouse waives entitlement in writing. This amount is paid as a joint life benefit.

Temporary annuities do not affect the bridge benefit.

**Temporary annuities** are temporary pension payments from retirement to age 65 or the member's death, whichever occurs first. This option provides for an increased pension from retirement to age 65 but permanently reduces the lifetime pension.

### ***Choosing a pension option***

Here are some things the member should consider when choosing an option:

- Does the member have a spouse?
- Does the member wish to provide a payment to their beneficiary(ies) after death?
- If the member divorces, does that former spouse have an entitlement to a portion of the pension?
- What if the member is widowed with dependent children?
- What if the member becomes ill?
- Are there other sources of retirement income?

For more information, members can visit [worksafe.pensionsbc.ca/choose-your-pension-option](https://worksafe.pensionsbc.ca/choose-your-pension-option).



## 4.4 Reduced and unreduced pensions

The member's monthly retirement benefit amount will be reduced if the member does not meet certain age and service minimums. These reductions apply to both the lifetime and the bridge portions.

Pensions will not be reduced if:

- the member has two or more years of contributory service and the pension starts at age 60 or later
- the member has less than two years of contributory service and the pension starts at age 65 or later
- the member is age 55 or older and their age plus contributory service add up to at least 90. (This is called the "rule of 90" or the "age plus service rule".)

If the member does not meet these conditions, their pension will be reduced by three per cent for each year that the sum of the member's age plus years of contributory service is less than 90, or three per cent for each year the member is under age 60, to a maximum of 15 per cent, provided they:

- have at least 10 years of contributory service, and
- are at least age 50 at the date of termination.

Otherwise, the reduction is five per cent per year to a maximum of 50 per cent.

## 4.5 When a member is retiring

When a member is planning to retire, they should apply for retirement by signing in to My Account at [worksafe.pensionsbc.ca](https://worksafe.pensionsbc.ca). If the member prefers to apply by mail they can contact the plan to request a *Retirement Application Package*.

When members have not yet reached retirement age or are not sure of when they wish to retire, there are several resources available to provide them with a pension estimate (see below).

Terminated members with contributions on deposit may contact us for an estimate.

### 4.5.1 Member's Benefit Statement

We send each active member a *Member's Benefit Statement* on an annual basis. The statement gives current and future pension estimates and gives a summary of the member's contribution and service history in the plan.

### 4.5.2 Online pension estimator

Members can do their own estimate using the personalized pension estimator available on our website through My Account. The personalized pension estimator has been loaded with each member's current service and salary information. The information can be modified to create estimates for a number of different scenarios, including:

- retirement dates,
- salary, and
- service assumptions, including purchases.

Members who haven't registered for My Account can use the self-registration process.

See section 4.6 for limitations on calculations.

### 4.5.3 Additional information about the pension plan

Plan publications can be viewed on the plan website. Members can visit the plan website or contact WorkSafeBC Client Services with questions they may have about pensions.

Please see the contact list in the front of this manual for details.

## 4.6 Retirement planning and application

The retirement process is two steps—**planning** and **application**.

**Retirement planning**—member logs into My Account on our website and uses the personalized pension estimator to explore their pension options.

If the member is retiring they can sign in to My Account, request a pension estimate and apply for retirement. If they are unable to perform an estimate on the personalized pension estimator or request an estimate and apply for retirement online, they should contact the WorkSafe BC Pension Plan and we will provide them with a pension estimate and retirement application package.

The estimator allows members to choose as many pension scenarios as they wish. The amount shown on the estimator can help the member plan their retirement, unless there are circumstances that may affect their retirement benefit (e.g., they have a marital breakdown, have received long term disability service during their career, or have service in another plan).

If the member is unable to perform an estimate on the personalized pension estimator, they should contact the plan and we will provide them with a pension estimate.

**Retirement application**—When the plan receives the **member's estimate request**, if the member is within four months of the retirement benefit effective date, we will provide a *Pension Estimate* and if they cannot retire online, they will receive a retirement application package. If the member is not within four months of the retirement benefit effective date and we receive an estimate request, the member will receive an estimate and insert.

When the member has decided on their exact retirement date, you will need to complete the Employee Service, Salary and Contributions (ESSC) section on the Pension Application. When submitting the *Employee Information at Termination/Retirement* form online, you will need to provide us with the member's last day of work, the retirement date, and provide the final salary, service and contribution information.

When you sign the Employee Information at Termination or Retirement form, you are certifying a member's salary, service and contributions to the plan.

You need to complete and return this form to the plan by the member's retirement date. The salary, service and contributions reported must be the same as those that appear on the Payroll Report.

#### 4.6.1 Pension Estimate

When a member applies online for a pension estimate, they will receive a researched *Pension Estimate* from us. The estimate gives them the estimated monthly retirement benefit amount payable under the various pension options.

#### 4.6.2 Standard pension options

##### *All members*

- **Single life pension with no guarantee:** A pension that is payable for as long as a member lives, but does not provide any pension benefits after the member's death. Pension payments stop at the end of the month in which the member dies.
- **Single life pension guaranteed 5 years:** A pension that is payable for as long as a member lives. If the member dies before the completion of 60 payments (five years), their beneficiary will continue to receive payments until 60 payments have been made. No payments are made to the beneficiary(ies) if the member dies after the five-year guarantee period.
- **Single life pension guaranteed 10 years (normal form):** A pension that is payable for as long as a member lives. If the member dies before the completion of 120 payments (ten years), their beneficiary(ies) will continue to receive payments until 120 payments have been made. No payments are made to the beneficiary(ies) if the member dies after the ten-year guarantee period.
- **Single life pension guaranteed 15 years:** A pension that is payable for as long as a member lives. If the member dies before the completion of 180 payments (15 years), their beneficiary(ies) will continue to receive payments until 180 payments have been made. No payments are made to the beneficiary(ies) if the member dies after the 15-year guarantee period.

In addition to the lifetime pension option chosen, the member receives a bridge benefit that is paid until the member reaches age 65 or dies, whichever occurs first. The bridge benefit always stops when the member dies.

### ***Members with a spouse***

A member who has a spouse must select an option that ensures a minimum of 60 per cent of the lifetime portion of the pension will go to the spouse on the plan member's death, unless the spouse waives this right. Then the member may choose a single life guaranteed pension option.

- **100% joint life pension (JL):** 100 per cent of the retirement benefit is payable for the life of the member and the spouse. The pension stops being paid after the death of the last survivor.
- **60% joint life contributor death (JLCD) pension guaranteed 10 years:** 100 per cent of the lifetime pension is payable for the member's lifetime. If the member dies within the guarantee period, 100 per cent of the pension continues to be payable to the spouse until the guarantee period expires and then reduces to 60 per cent for the life of the spouse. If the member dies after the guarantee period expires, 60 per cent of the pension is payable for the lifetime of the spouse.

Members may also request additional pension options for consideration, including but not limited to:

- any other percentage joint life option, to a minimum of 60 per cent,
- a joint life option lower than 60 per cent, provided the spouse has waived their entitlement,
- the previously noted single and joint life options with temporary annuities, and/or
- a 5- or 15-year guarantee on the JLCD pension.

The joint life pension options are only available to members with a spouse. For information on members with former spouses, please see section 10.

### 4.6.3 Nomination of beneficiary

The nomination of beneficiary(ies) at retirement is separate from any pre-retirement beneficiary nomination (see section 1.2) the member may have made with respect to pre-retirement death benefits. A beneficiary nominated for pre-retirement death benefits will not automatically become a beneficiary for the pension.

A beneficiary nominated for pre-retirement death benefits will not automatically become a beneficiary for the pension.

If a member chooses a joint life option, including combination joint life guarantee options, the beneficiary must be the spouse, although the member can nominate an alternate for the guarantee portion in case the spouse dies before the member. See [worksafe.pensionsbc.ca/how-your-beneficiaries-will-be-paid](https://worksafe.pensionsbc.ca/how-your-beneficiaries-will-be-paid) more information.

If the spouse has waived their right to 60 per cent of the pension and the member has selected a single life option, then the spouse is the beneficiary during the guarantee period unless stated otherwise on the waiver form. If the spouse allows the member to elect another beneficiary(ies), the member may change this nomination at any time prior to their (member's) death or the end of the guarantee period.

If the member does not have a spouse and chooses the single life guarantee option, they can change the nomination at any time prior to their (member's) death and the end of the guarantee period.

Pension options with guarantee periods (as described above), whether chosen as single life guaranteed pensions on their own or as part of a joint life contributor death option, may provide for a benefit to be paid after the member's death.

At the time the benefit is to be paid, we will require:

- the social insurance number and date of birth of any person beneficiary, and
- the CRA registration number of any beneficiary that is an organization.

#### 4.6.4 Automated direct deposit system

The accuracy of the member's banking information is critical in ensuring that pensions are paid on time.

Pension payments are deposited directly into the member's bank account if the member lives in Canada or the U.S. Direct deposit of pension payments to banks outside of Canada and the U.S. is not possible.

The deposit information is provided by the member when they sign in to My Account and apply online for retirement. If the member wants their retirement benefit payment deposited to a U.S. bank, they will need to submit a *U.S. Direct Deposit Authorization* form available at [worksafe.pensionsbc.ca/apply-for-direct-deposit-to-a-u.s.-account](https://worksafe.pensionsbc.ca/apply-for-direct-deposit-to-a-u.s.-account).

If the retirement benefit payment is to be deposited to a Canadian account on which cheques can be issued, a sample cheque should be attached and clearly marked "VOID" on the face of the cheque.

If a voided cheque is not provided, the member must take the application form to their bank and have a bank official verify/complete the banking data before submitting the application.

## 4.7 To start the pension

Once a member is within 90 days of their actual retirement date they may sign in to My Account and apply for retirement.

Pensions are not paid for partial months.

The member's last paid day is recommended to be as close to the end of a month as possible because pension entitlement begins the first of the month following the last paid day. Pension payments are normally deposited two banking days before the end of the month.

We will not accept *Spousal Declaration* or *Spousal Waiver* forms if they are dated more than 90 days before retirement.

You must submit Employee Information at Termination/Retirement online within 14 days of termination or as soon as the final payroll has been completed. Sign in to the Employer Login section of the website; select Employer Reporting and then select Employee Information at Termination/Retirement. Follow the prompts to enter the data. Print a copy for your records and a copy for the employee. You can also select the EITR Submitted Report to view all the member information you have submitted within a specific time frame.”

As part of the online retirement process, the member must sign and submit the *Pension Estimate* and *Spousal Declaration* forms. The *Spousal Declaration* must be signed and dated no earlier than 90 days prior to the member's retirement benefit effective date.

The member's retirement benefit is effective the first day of the month following their final paid day of employment, or the first day of the month in which we receive their completed application package, whichever is later. The member will be able to access My Account to view the details of their pension.



## 4.8 After the retirement benefit starts

### 4.8.1 Changing the pension option

Members may be able to change their pension option by informing the plan, in writing, within 60 days after they start receiving their retirement benefit.

Members may be able to change their pension option by informing the plan in writing, within 60 days of the date of the letter advising the member of their final retirement benefit. After that time, the pension option selected is irrevocable. The date a pension is granted is the later of:

- the first day of the month following the month for which final payment of salary is made,
- the first day of the month in which the application for a retirement benefit is filed with the plan administrative agent, or
- the first day of the month following the month in which the member first becomes eligible to receive a retirement benefit,

Members can contact the plan if they have questions about changing their pension option.

### 4.8.2 Cost-of-living adjustments (“indexing”)

Once a pension starts, it may be increased each year to adjust for cost-of-living increases. This is known as “indexing”. Future indexing is not guaranteed, but rather is available as long as there are sufficient funds in the Inflation Adjustment Account. The annual adjustment is based on the Canadian Consumer Price Index (CPI).

Subject to sufficient funding, pensions are indexed each year starting the January 1 following the retirement benefit effective date. Indexing is pro-rated for pensions in effect less than one year and applies to all portions of the retirement benefit. Once indexing has started, it is part of the basic pension.

### 4.8.3 Income tax

Pensions are taxable. We will deduct income tax based on the retirement benefit we pay the member (i.e., single person tax rules). If the member has other sources of income, it is their responsibility to ensure they pay sufficient income tax.

The member may choose to complete a TD1 and TD1BC to have additional tax deducted or to claim additional tax credits.

Retired members should contact Pension Services if they need more information.

#### **4.8.4 Changes to pensions in pay**

Any time the retirement benefit or group benefit coverage changes, we will send a transaction statement to the member notifying them of the change. We also send a semi-annual statement to members each January and July.

#### **4.8.5 Retroactive pay after retirement**

Plan members can request to have retroactive salary paid after retirement treated as pensionable earnings. We will not amend a pension where the additional contributions are less than \$100 because of the insignificant impact on the pension created by the additional salary. Before automatically deducting contributions, you should ask the member if they want it treated as pensionable salary.

If contributions are deducted, the salary and contribution information should be reported on your annual *Payroll Report*. See section 7 for reporting instructions.

As with regular reports and remittances, do not deduct pension contributions from non-pensionable salary, such as payment in lieu of vacation or for overtime (see section 7). Contact us if you have questions concerning these payments and deductions.

## 4.9 Other retirement income

Remember, if the member has other sources of income, it's their responsibility to ensure that they pay sufficient income tax.

The WorkSafeBC Pension Plan is only one source of retirement income. Plan members may also have retirement income from other pension plans, income from personal retirement savings such as RRSPs or other investments, and income from federal government pension plans—the Canada Pension Plan (CPP) and old age security (OAS).

Payments of other types of retirement income do not affect the payment of pensions from the plan.

Refer to the Service Canada website at [servicecanada.gc.ca](https://www.servicecanada.gc.ca) for more information.

### 4.9.1 Canada Pension Plan

The Canada Pension Plan (CPP) is a pension plan administered by the federal government that is designed to replace a portion of employment income in case of retirement, death or disability. Most working Canadians contribute to the Canada Pension Plan on employment income up to the year's maximum pensionable earnings (YMPE).

### 4.9.2 Old age security

Old age security (OAS) is a federal income security program that provides basic pension income to all people who meet the residency requirements. Other benefits may be available to low-income earners, including the guaranteed income supplement and the allowance program.

### 4.9.3 Applying for federal pensions

Refer to the Service Canada website for more information about the federal government plans, including minimum age requirements.

Members must apply to Service Canada for CPP and OAS benefits—the benefits will not be paid unless the member applies. See Service Canada under Pensions in the blue pages of the phone book, or check their website at [servicecanada.gc.ca](https://www.servicecanada.gc.ca).

## Types of pension summary

TYPES OF PENSION	PAID FOR MEMBER'S LIFE?	PAID AFTER MEMBER'S DEATH?	EARLY RETIREMENT REDUCTION APPLIES?	RECEIVES COST OF LIVING ADJUSTMENT?
Single life pension with no guarantee	<b>Yes</b>	<b>No</b>	Yes*	<b>Yes</b>
Single life pension guaranteed 5-, 10-, or 15 years	<b>Yes</b>	<b>Yes</b> if member dies before the end of the guarantee period. <b>No</b> if member dies after the end of the guarantee period.	Yes*	<b>Yes</b>
Joint life pension 100%	<b>Yes</b>	<b>Yes</b> if the spouse is living. <b>No</b> if the spouse is deceased.	Yes*	<b>Yes</b>
Joint life pension 60% and guaranteed 5-, 10-, or 15 years	<b>Yes</b>	<b>Yes</b> if the spouse is living or if the member dies before the end of the guarantee period. <b>No</b> if the spouse is deceased and the member dies after the guarantee period expires.	Yes*	<b>Yes</b>
Temporary Annuity	<b>No</b> (paid to the earlier of the member's reaching age 65 or death).	<b>No</b>	n/a	<b>Yes</b>
Bridge Benefit	<b>No</b> (paid to the earlier of the member's reaching age 65 or wdeath).	<b>No</b>	<b>Yes*</b>	<b>Yes</b>

\* Early retirement reduction depends on the member's age and years of contributory service on retirement. See section 4.4 for details.

## Retirement checklist

### Remember to...

- ✓ Remind your employee they can do their own estimate by signing in to My Account and using the Personalized Pension Estimator.
- ✓ Tell the member to check [worksafe.pensionsbc.ca](https://worksafe.pensionsbc.ca) for retirement planning information
- ✓ Advise the member that if they wish to purchase or transfer their service, they must apply to do so before retiring
- ✓ Have the member provide the plan with proof of age and identity documents
- ✓ Check that the member's last paid day is as close to the end of the month as possible
- ✓ Check whether the last day worked is the same as the last day paid
- ✓ If the member does not use My Account to retire online and you handle the application, submit it to us on the member's last paid day.

