

YOU CAN HAVE MORE

/ BUYING BACK SERVICE

Information for increasing
your pension by purchasing
past service



HOOPP
Healthcare of Ontario
Pension Plan

50
YEARS
OF SERVING
OUR MEMBERS

All information current as of February 21, 2012

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During your working life, you may take time off to raise a family, go back to school, or travel. There may also be times when you worked but didn't belong to HOOPP. In either case, the result may mean you have less contributory service, which will reduce your pension at retirement. To ensure that all HOOPP members have the opportunity to enjoy a comfortable retirement, HOOPP offers a service buyback program to help you maximize your pension service—and receive a bigger pension!

YOU CAN HAVE MORE

This booklet will give you an overview of the main buyback features of HOOPP as of August 2010.

Detailed information about the Plan's provisions and your entitlements can be found in the *Healthcare of Ontario Pension Plan Text* (the Plan Text), the official Plan document, which is available on hoopp.com. In cases where the information provided in this booklet, by your employer or by any other source differs from that contained in the Plan Text, the Plan Text will govern. Decisions based on the information provided in this booklet are your responsibility.

WHAT THE TERMS MEAN

Some terms that we use throughout this booklet have specific meanings in the context of the Plan. We have put these terms in *bold italics* the first time they appear in the booklet and have provided a Summary of Terms at the back of the booklet. You'll also find a comprehensive glossary at hoopp.com.

THE VALUE OF BUYING BACK SERVICE

Build a larger pension when you buy past service. You'll also gain additional *contributory service* in the Plan, increasing your overall pension at retirement.

Take Lisa, for example, who had a two-year waiting period before she started contributing to HOOPP and building contributory service. The more contributory service you have, the larger your pension will be. Lisa works for 27 years and retires at age 55. But during her work career, she had a two-year waiting period, meaning she has 25 years of service.

Let's look at the value to Lisa of buying back those two years of service – we'll assume her *average annualized earnings* at retirement are \$53,000, and that she lives until age 80. These figures, for simplicity, do not factor in any cost of living adjustments (COLA) that would be applied. (If the service you buy back occurred before 2006, it will receive COLA on a guaranteed basis.)

LISA'S PENSION	WITHOUT PAST SERVICE PURCHASE	WITH PAST SERVICE PURCHASE
Basic lifetime pension	\$1,635 / month for life	\$1,825 / month for life
Bridge benefit	\$410 / month for life	\$455 / month for life
Total pension until age 80	\$490,500	\$547,500
Total bridge until age 65	\$49,200	\$54,600
Total HOOPP benefits to 80	\$539,700	\$602,100

In this example Lisa bought her two years of service while aged 42, when she was earning \$40,000 and had 12 years of HOOPP service. Those two years would cost \$9,200, using current buyback rates. For \$9,200, Lisa receives \$62,400 in additional benefits (under the retirement scenario above) – more than six times what she paid for the actual buyback.

ANOTHER EXAMPLE

Let's also take a look at Omar, who worked for a HOOPP employer for 27 years, but who took two years off to pursue his Master's degree. Let's look at the value for Omar of buying these two years of service. We'll assume his average annualized earnings are \$90,000, and that he retires at 55 and then lives until age 80. These figures, for simplicity, do not factor in any cost of living adjustments that would be applied.

IMPORTANT NOTE:

High income earners sometimes have a retirement compensation arrangement component to consider when buying back service. If you are buying back service, buying this component is optional.

OMAR'S PENSION	WITHOUT PAST SERVICE PURCHASE	WITH PAST SERVICE PURCHASE
Basic lifetime pension	\$3,060 / month for life	\$3,415 / month for life
Bridge benefit	\$410 / month until 65	\$455 / month until 65
Total pension until age 80	\$918,000	\$1,024,500
Total bridge until age 65	\$49,200	\$54,600
Total HOOPP benefits to 80	\$967,200	\$1,079,100
<p>Omar bought his two years of service while aged 42, when he was earning \$75,000 and had 12 years of HOOPP service. Those two years would cost \$18,400, using current buyback rates. For \$18,400, Omar receives \$111,900 in additional benefits (under the retirement scenario above) - more than six times what he paid for the buyback.</p>		

WHAT KIND OF PERIODS CAN YOU BUY BACK?

HOOPP allows you to buy back eligible periods of time in the past, so that the service you purchase can count towards your HOOPP pension. Two types of past service are eligible for purchase:

HOOPP service – A period of time you were employed by a HOOPP employer but not enrolled in the Plan, a period when you were on a leave and not making contributions, or a period of former HOOPP service for which you received a benefit.

Other service – Service with other pension plans may be eligible for buyback. Examples include service with an employer that has now joined HOOPP, or pension benefits you transferred out of a plan. Contact HOOPP to see if your service with another plan is eligible for buyback.

HOW DO I PAY?

Generally speaking, members have the option of making a payment with either cash or registered funds, such as funds from an RRSP or locked-in retirement account. HOOPP will let you know which part of your buyback can be paid with registered funds, and, if applicable, which part can be paid in cash, and whether there are any tax consequences.

HOW MUCH DOES IT COST?

Here are some examples of the cost of a year of service, based on different ages and earnings levels, for someone with 10 years of service at the time the purchase is made.

For more details on the costs, based on other age, service, and earnings levels, visit hoopp.com, where you can try out the Buyback Estimator to get an idea of how much it will cost to buy back service.

There aren't any deadlines for buying periods of past service, and as you can see, the longer you wait, the more it costs because the cost goes up with increases in your age and earnings.

If you're going to buy back service, you must do it while you are an active member – in other words, before you retire or terminate from the Plan.

BUYBACK CHECKLIST

Whether you want to buy back service is up to you – if you decide to do a buyback, you are responsible for ensuring HOOPP has all the required documentation and funds prior to the expiry date. Your quote is valid for 90 days from the date of issue.

Please refer to the checklist on the following page to ensure you have completed the process properly.

ANNUALIZED EARNINGS:

	\$40,000 IN AVERAGE ANNUALIZED EARNINGS	\$60,000 IN AVERAGE ANNUALIZED EARNINGS	\$80,000 IN AVERAGE ANNUALIZED EARNINGS
Age 30	\$2,710	\$4,240	\$5,800
Age 40	\$4,210	\$6,590	\$9,000
Age 50	\$6,530	\$10,230	\$13,980

Approximate cost of one year of service.

These examples assume you have 10 years of contributory service at the time you make the purchase.



Are you purchasing past service with HOOPP?

- Return your Past Service Payment form to HOOPP and select the appropriate option.
- If paying for the purchase with cash, send HOOPP a cheque for the required amount.
- If you are paying for the purchase with registered funds, please forward a completed T2033 form directly to your financial institution(s).

Are you transferring funds from your former pension plan to HOOPP?

- Return your Past Service Payment form to HOOPP and select the appropriate option.
- Send the former plan a completed T2151 form.

- If there is a shortfall (the maximum cost is more than what your former plan has available) and you are purchasing the additional service, send HOOPP a personal cheque or send a completed T2033 form directly to your financial institution(s) if purchasing additional service by registered funds (RRSP).

IMPORTANT NOTE:

Follow up with your financial institution or former plan to ensure the funds have been sent to HOOPP. The funds and completed forms must be received prior to the quote expiry date indicated in your quote kit. HOOPP does not follow up with your financial institution(s) or former plan to confirm whether or not the funds have been sent.

SUMMARY OF TERMS

This section provides simplified explanations of the key terms used in this booklet. Exact definitions of most of the terms are provided in the *Healthcare of Ontario Pension Plan Text*, the official Plan document which is available on hoopp.com or by contacting HOOPP.

Annualized earnings (AE):

These are earnings you are credited with in a calendar year that count toward your HOOPP pension. If you work less than one full year your annualized earnings will be based on what you would earn if you worked full time for the whole year.

Average annualized earnings:

This is the highest average of your annualized earnings during any consecutive period(s) of five years of eligibility service before your HOOPP benefit is calculated. Benefits are calculated when you retire, terminate, or die.

Basic lifetime pension:

This is the monthly lifetime payment you will receive from HOOPP at retirement based on HOOPP's pension formulas.

Bridge benefit:

The early retirement bridge benefit is a monthly payment that supplements your basic lifetime HOOPP pension until age 65 when government pensions normally begin. You will receive the bridge if you retire from HOOPP while aged 55 to 64.

Contributory service:

This is the length of time, measured in years and part years, that you have contributed to HOOPP. It includes any past service you buy, service transferred into HOOPP, or service received while disabled.

Eligibility service:

Eligibility service is credited when you build contributory service and is used to determine reductions applied to your pension if you take early retirement. The more eligibility service you have, the smaller the early retirement reductions will be. Eligibility service is also credited to certain members who are not building contributory service.

Pour obtenir la version française du présent livret, veuillez communiquer avec le HOOPP.

All information current as of February 21, 2012



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