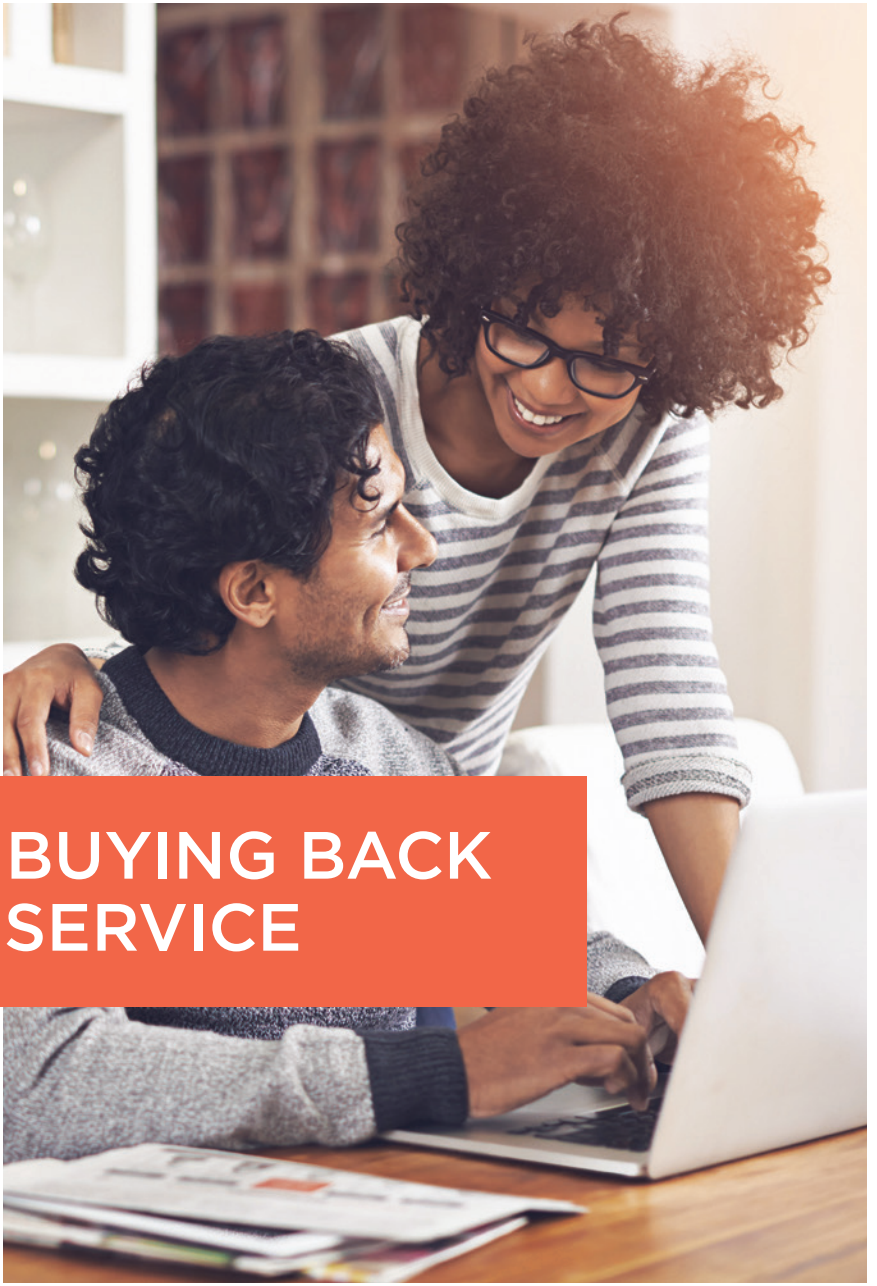

BUYING BACK SERVICE

Information on buying back past service to increase your pension

HOOPP
Healthcare of Ontario Pension Plan

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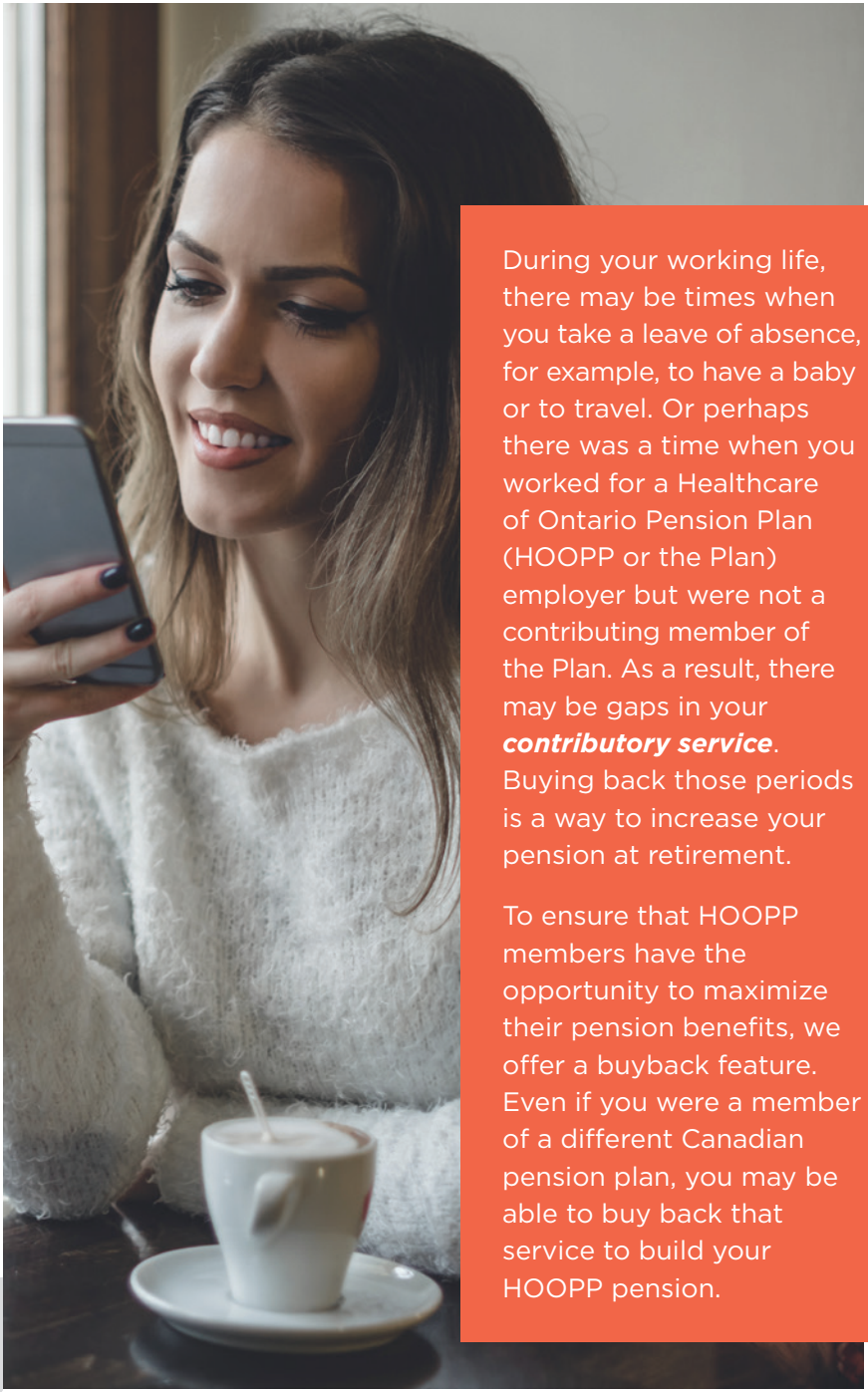


During your working life, there may be times when you take a leave of absence, for example, to have a baby or to travel. Or perhaps there was a time when you worked for a Healthcare of Ontario Pension Plan (HOOPP or the Plan) employer but were not a contributing member of the Plan. As a result, there may be gaps in your ***contributory service***. Buying back those periods is a way to increase your pension at retirement.

To ensure that HOOPP members have the opportunity to maximize their pension benefits, we offer a buyback feature. Even if you were a member of a different Canadian pension plan, you may be able to buy back that service to build your HOOPP pension.

INTRODUCTION

This booklet provides an overview of HOOPP's buyback feature and explains the important role it can play in helping you grow your HOOPP pension.

Important information about the examples in this booklet

All examples and calculations in this booklet are for illustrative purposes. Depending on the example, HOOPP may have made certain assumptions about the fictitious member, including assumptions about their ***earnings, year's maximum pensionable earnings (YMPE)***, no hourly earnings increases, no change in employer and employee contribution rates, and no adjustments for inflation.

Your annual pension will differ from the examples provided in this booklet due to your personal circumstances. Your actual benefit entitlement, based on verified data, will be paid in accordance with the *HOOPP Plan Text* and applicable legislation in effect at the time you retire. For this reason, you should not rely on the examples for decision-making purposes.

Meanings of specific terms

Some terms in this booklet have specific meanings in the context of the Plan. These terms appear in ***bold italics*** the first time they are mentioned in the booklet and a *Summary of terms* can be found at the back of the booklet to help explain them. You'll also find a more detailed glossary on **hoopp.com**.

About HOOPP

HOOPP is a private trust fund operating on a not-for-profit basis, set up for the sole purpose of administering and providing defined benefit (DB) pensions for more than 321,000 healthcare workers in Ontario.

What is a DB pension?

A DB pension provides a monthly income that begins in retirement and is paid for the rest of your life. The amount you receive is based on a formula that takes into account your earnings and the number of years you have been contributing to the Plan.

The value of HOOPP

HOOPP is one of Canada's largest and most respected DB pension plans. As a member of HOOPP, you will not outlive your pension. It can play an important role in contributing to your financial security as you get older.

Since your pension is based on a formula, before you retire you can estimate how much you will receive each and every month. You may also benefit from additional features such as early retirement options and inflation protection.

ADVANTAGES OF BEING A HOOPP MEMBER

1. **You will not outlive your pension.** Once you start receiving your pension, it will be paid for the rest of your life.

2. **Your pension is reliable.** The monthly pension you receive in retirement will not fluctuate with the financial markets. In fact, you will be able to estimate how much you will receive before you retire. That's because your pension is based on a formula that takes into account your earnings and years of service.

3. **The HOOPP Fund is managed by investment professionals.** You and your employer make contributions to the Fund, which is managed by our in-house team of investment experts. Costs are kept low, which means more investment income goes toward paying pensions today and in the future.

4. **Your pension is secure.** HOOPP has been providing pensions since 1960. We are the largest private trust fund in Canada, operating on a not-for-profit basis and governed by a Board of Trustees. Our trustees represent members and employers and have a shared responsibility to administer the Plan in the best interests of all members. Benefits for every member are backed by assets in the HOOPP Fund.

5. **You get more for your money.** With HOOPP, you may have access to additional benefits and features, such as:

   - Survivor benefits to help care for your loved ones when you pass away
   - Inflation protection to help your pension keep up with rising prices*
   - The ability to build your pension at more than 500 employers
   - A ***bridge benefit*** that is payable in addition to your monthly HOOPP pension if you retire early, between the ages of 55 and 65

You can count on HOOPP to deliver on the pension promise.

*Inflation protection is provided at HOOPP's discretion. Learn more about inflation protection and other Plan features on **hoopp.com**.

THE VALUE OF BUYING BACK SERVICE

When you buy back service, you gain additional contributory service and ***eligibility service*** in the Plan, increasing your overall pension at retirement.

When is the best time to buy back service?

You can buy back service at any time before you retire or terminate your membership in the Plan. The sooner you buy back service, the better: as your age, earnings and years in the Plan increase, so does the cost of the buyback.

Please note that deferred members are not eligible to buy back service.

In general, the monthly ***lifetime pension*** you receive in retirement is based on a formula that takes into account your earnings and how much contributory service you have built in the Plan. If you start your pension before age 60, your pension may be reduced depending on your years of eligibility service. For more information about how your pension is calculated, visit **hoopp.com**.

Below is an example of how buying back service today can increase your future pension. Each buyback situation is unique, so the amounts represented here may not be typical.

Example – Buying back a leave period

Lisa

Lisa is a HOOPP member who went on leave for two years. Since she didn't contribute during her leave, she didn't build service in the Plan for two years.

Before she retired, Lisa completed a buyback of this two-year period. As a result, she had 27 years of contributory service when she retired, rather than 25 years. Because Lisa increased her contributory service and eligibility service, she received a larger pension at age 55.

In the example below, we assume that Lisa's average earnings at retirement are $60,000 and she retired on Jan. 1, 2018.

LISA'S PENSION	WITHOUT BUYBACK	WITH BUYBACK OF HER TWO-YEAR LEAVE
Lifetime pension	$2,055/month for life	$2,300/month for life
Bridge benefit	$260/month until age 65	$290/month until age 65
Total lifetime pension payments over 25 years	$616,500	$690,000
Total bridge benefit payments until age 65	$31,200	$34,800
Total HOOPP benefits over 25 years	$647,700	$724,800

Lisa bought back her two years of service when she was age 42 and had earnings of $40,000. At the time, she had 12 years of HOOPP service. Based on buyback rates at the time, those two years cost Lisa $11,950. For that cost, Lisa received nearly $77,100 in additional benefits under the retirement scenario above – nearly six-and-a-half times what she paid for the buyback.

For simplicity, the figures used in the table above do not factor in any cost of living increases that may be applied. Lisa's pension is calculated using the average year's maximum pensionable earnings from 2013 to 2017.

Lisa's pension was calculated based on the terms of the Plan at the time of her retirement. The most up-to-date Plan terms are available on **hoopp.com**.

WHAT PERIODS OF SERVICE CAN YOU BUY BACK?

There are two types of prior service you can buy back: service with a HOOPP employer and prior service with another pension plan.

Service with a HOOPP employer

This includes:

- **A period of time when you were employed by a HOOPP employer** but not enrolled in the Plan. If you did not join HOOPP on the date you were hired by your HOOPP employer, you can buy this period back.
- **A period when you were on a leave** and not making contributions. This could include periods when you were off work on a pregnancy leave, parental leave or other leave.
- **A period of former HOOPP service** for which you received a termination benefit. For example, if you terminated from a HOOPP employer and transferred the value of your pension benefit to a locked-in retirement account (LIRA), you can buy back this period.
- **A period of time you were off work** due to a layoff or strike while you were employed by a HOOPP employer.
- **A waiting period** to join your previous plan if you joined HOOPP due to a divestment.
- **Prior employment service** with a new participating employer. If you work for an organization that joined HOOPP after you were hired, you can purchase the period of time you were employed with that organization before it joined HOOPP.

Prior service with another pension plan

If you were a member of a different Canadian pension plan, you may be able to transfer that service to build your HOOPP pension.

To find out whether a period of past service with another pension plan is eligible to be transferred to HOOPP, please contact Member Services.

FREQUENTLY ASKED QUESTIONS

How do I pay?

In most buyback situations, you have the option of making a payment either with cash or by transferring funds from a registered account, such as a registered retirement savings plan (RRSP) or a locked-in retirement account (LIRA). HOOPP will let you know how you can pay for your buyback and advise you of any tax implications.

How much does it cost?

The cost of your buyback depends on a variety of factors, such as your age, earnings, years of service, and the service that you are purchasing in HOOPP.

If the service you are interested in buying back would help you reach a key milestone, such as 15 years of eligibility service, the cost of the buyback will reflect that value of that service. Reaching such milestones means any early retirement reductions that might be applied to your pension will be significantly reduced.

In general, the sooner you complete your buyback, the lower the cost will be. To get an idea of the cost of your buyback and how much it would increase your pension in retirement, you can use the HOOPP Buyback Estimator on **hoopp.com**.

How do I request a buyback?

Contact Member Services, and we will send you a buyback package that includes a personalized quote and all the forms you will need. Your quote will be valid for 90 days from the date of issue. After that time, you will need to apply for a new quote, as the cost of your buyback may have changed.

Do I have to buy back all of my past service at the same time?

You may decide to buy back all or a portion of your service. If you decide to buy back a portion of your service, HOOPP will apply your buyback to your most recent period of eligible service. You have the option to buy back any remaining service later; however, the cost will go up as your age, earnings, and years of service increase.

If you decide to buy back past service, it will be your responsibility to send HOOPP all required paperwork and make sure that you (either directly or through your financial institution) pay for the buyback before the quote expires. Your buyback package will include all the forms you will need, as well as a detailed checklist, to help ensure that you provide everything that's needed.

TAX IMPLICATIONS OF BUYING BACK SERVICE

Your buyback package will contain information regarding tax implications that you may need to consider with respect to completing a buyback. The following is a summary of some of the applicable tax rules.

Benefit limits

The *Income Tax Act* limits the amount of pension benefits that you can accrue in a calendar year. HOOPP will notify you if your buyback brings these limits into play.

Source of funds

Most eligible periods of past service can be purchased with cash or with registered funds (for example, from a registered pension plan, an RRSP or a LIRA). However, there are some restrictions that apply to periods of former vested service that occurred before 1992:

- Only registered funds can be used to purchase a period of HOOPP service that occurred prior to 1992 for which you received a payment of the commuted value.
- You can only purchase a period of pre-1992 service while you were a member of another pension plan with funds directly from that pension plan.

If there aren't enough funds to transfer directly from your prior pension plan, or if you can't transfer those funds to HOOPP, you may be able to make up the difference with cash or other registered funds. Please note that when buying back service HOOPP cannot accept funds that come directly from a spouse, parent, friend, or another third party on your behalf.

Member responsibility: be sure to follow up!

It's important to follow up with your financial institution or former plan to ensure that the funds have been sent to HOOPP. The funds and completed forms must be received on or before the quote expiry date indicated in your quote package. HOOPP does not follow up with your financial institution(s) or former plan to confirm whether or not the funds have been sent.

Past service pension adjustments

Paying for a buyback with cash usually results in a past service pension adjustment (PSPA), which reflects the value of the pension you purchased.

HOOPP is required to calculate and report PSPAs to the Canada Revenue Agency (CRA) for approval to ensure that the tax limits on contributions for retirement savings are not exceeded. The CRA will reduce your available RRSP contribution room by the amount of the PSPA.

If you don't have enough RRSP contribution room, you may have to withdraw funds from your RRSP to complete the buyback. You may want to consider using registered funds from an RRSP or a LIRA to pay for your buyback to reduce the PSPA or eliminate it entirely.

HOOPP cannot finalize a buyback until the PSPA has been certified by the CRA.

Tax deductibility

If you use registered funds to pay for your buyback, the purchase is not tax-deductible because you have already received a tax deduction for these funds. As a result, a PSPA is not required.

If you use cash to purchase past service that occurred after 1989, the full amount may be tax deductible. HOOPP will issue a tax receipt for the year the PSPA is certified by the CRA. If there is no PSPA, the tax receipt will be issued for the year in which the cash payment is received.

If you use cash to purchase past service that occurred before 1990, different tax rules apply. The amount that you can deduct will depend on whether you were a contributing member of a registered pension plan during the calendar year(s) being purchased. HOOPP will provide you with more detailed information in your buyback quote package.

Interest paid on money borrowed to purchase past service is not tax-deductible.

We recommend that members seek professional tax advice for information regarding tax implications when purchasing past service.

WE'RE HERE TO HELP

You can get information about your pension and the Plan in the following ways.

Online

Visit **hoopp.com** to learn about Plan features and performance, and to sign in to HOOPP Connect, your secure online member site.

Regular communications

Your Annual Statement provides personalized details about your pension. It includes an estimate of the projected pension that you can expect to receive from HOOPP if you stay in the Plan until you retire. Your statement is mailed to you and it is available online via HOOPP Connect. You may choose to receive only the online version.

Our newsletter for members is mailed to you and it is available on **hoopp.com**. To receive your newsletter by email, please contact us.

Member presentations

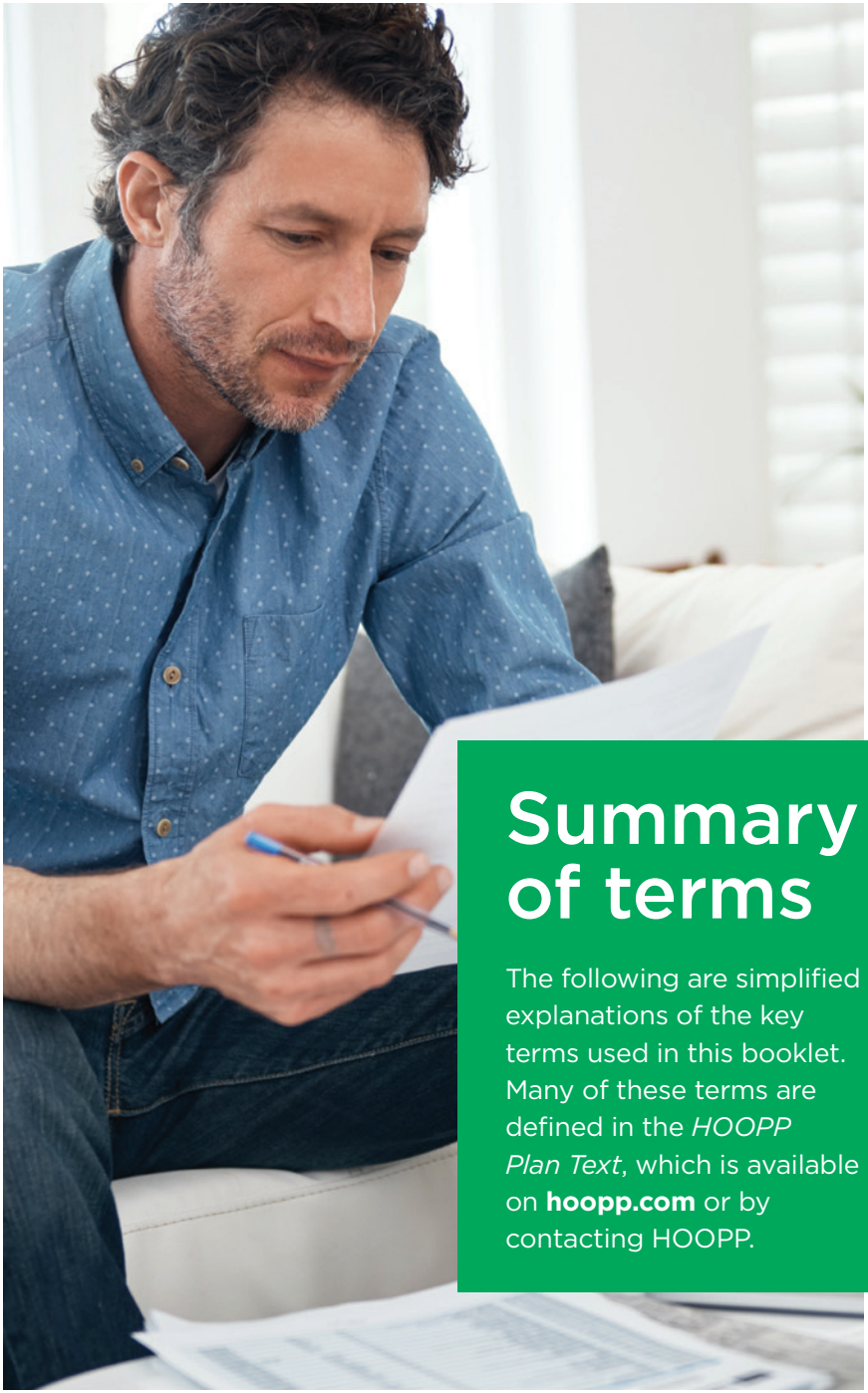
Join us for an engaging seminar to learn more about how your pension works. Visit **hoopp.com** for more information and to register.

Member Services

More information is available by calling Member Services at **416-646-6445** or toll-free in Canada or the U.S. at **1-877-43HOOPP (46677)**, Monday through Friday, 8 a.m. to 5 p.m., Eastern Time.

Privacy

Your privacy is important to us. At HOOPP, safeguarding the privacy of our members is a priority. We collect, use and disclose our members' personal information only for the purpose of administering the Plan; this refers primarily to administering pension benefits and paying pensions after retirement. For more information on HOOPP's privacy policies and practices, please visit **hoopp.com**.



Summary of terms

The following are simplified explanations of the key terms used in this booklet. Many of these terms are defined in the *HOOPP Plan Text*, which is available on **hoopp.com** or by contacting HOOPP.

Bridge benefit: A temporary monthly benefit you will receive in addition to your lifetime pension if you retire early. Your bridge benefit will continue until the earlier of age 65 or when you pass away.

Contributory service: The length of time you have contributed to HOOPP. It includes any buybacks, transfers or free accrual, and excludes non-contributory leaves. Contributory service is used to calculate your pension.

Earnings: HOOPP calculates your earnings for benefit purposes each year using the total contributions received from you to express your pensionable earnings on an annualized basis. If you contribute at more than one employer in the year, your earnings for benefit purposes are calculated using your total contributions from all of your employers. Your pension benefit is calculated using the average of your best five consecutive years of earnings.

Eligibility service: The length of time you have been a member of HOOPP. It includes any buybacks, transfers or free accrual, and excludes certain periods when you did not make contributions to the Plan. Eligibility service is used to determine the reduction (if any) which will apply to your pension if you decide to retire early.

Lifetime pension: The monthly lifetime payment you will receive from HOOPP at retirement, based on HOOPP's defined benefit pension formula. This does not include the bridge benefit for members who retire early.

Year's maximum pensionable earnings (YMPE): An amount set each year by the federal government based on the average wage in Canada. The YMPE is used in determining your required contributions to the Plan and your pension adjustment. To calculate your pension benefit, we use the average YMPE for the five years before you terminate, retire or pass away. This is known as the average year's maximum pensionable earnings.

This booklet contains summary information about the benefits in the *HOOPP Plan Text* in effect on Jan. 1, 2018. You should not rely solely on the information in this booklet to make decisions about your pension. You can find more detailed information about the Plan in the *HOOPP Plan Text*, available on **hoopp.com**. In cases where the information provided in this booklet, by an employer or by any other source differs from that contained in the *HOOPP Plan Text*, the *HOOPP Plan Text* in effect at the relevant time will govern.

Copies of HOOPP member booklets are available on **hoopp.com**.

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

See your future. Now.

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(903084)

1 York Street, Suite 1900
Toronto, Ontario M5J 0B6
hoopp.com

T 416-646-6445
1-877-43HOOPP (46677)
F 416-369-0225

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Healthcare of Ontario
Pension Plan