

# Information on tax rule limits and service purchase



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The information provided in this document concerns only the members of the 6 following plans:

- The Government and Public Employees Retirement Plan (RREGOP);
- The Pension Plan of Management Personnel (PPMP);
- The Retirement Plan for Senior Officials (RPSO);
- The Teachers' Pension Plan (TPP);
- The Civil Service Superannuation Plan (CSSP);
- The Pension Plan of Certain Teachers (PPCT).

The main benefit of service buy-back (redemption) is an increase in your retirement pension. However, the pension reform effective since January 1, 1990 has limited the amount of that increase, even in certain cases of purchase of service prior to 1990, in accordance with the defined benefit limit set by the Canada Revenue Agency or with 2/3 of that limit. It is important to know, however, that until 1992, the plans administered by CARRA were exempted from those limits.

Any pension plan amendment aimed at improving benefits since that date must respect the maximum allowed with respect to benefits.

In addition to the type of buy-back and the years concerned, the date of receipt of the application also determines the maximum benefit allowed.

If you wish to know to what extent you are concerned by those limits, please refer to the following tables.

## MAXIMUM BENEFIT IN 2011 FOLLOWING SERVICE PURCHASE

Years concerned	Maximum benefit per bought back year	Explanation
<b>Prior service (other than as a casual employee) or service credited and refunded under the TTP or the CSSP</b>		
Years before 1990	\$1 701.46 <sup>1</sup>	<b>The employee did not participate in a pension plan:</b> Since the employee could invest more in an RRSP during the year he wishes to buy back, the annual benefit acquired through the buy-back is limited.
	\$2 552.22 <sup>2</sup>	<b>The employee participated in a pension plan:</b> Since the employee could not invest as much in an RRSP because of the maximum deduction allowed, the benefit should not be limited.  However, the benefit acquired through that type of buy-back was revalued in 2000, that is, after January 1992. Therefore, it is limited even if it concerns years before 1990 and if there was a maximum deduction allowed.
1990 and 1991	\$2 552.22 <sup>2</sup>	Since the benefit acquired through that type of buy-back was revalued in 2000, that is, after January 1992, the benefit is limited even if it concerns 1990 or 1991.
Years after 1991	\$2 552.22 <sup>2</sup>	The benefit acquired through this type of buy-back is limited in accordance with the tax legislation.
<b>Service as a casual employee</b>		
1973 to 1987	\$1 701.46 <sup>1</sup>	<b>The employee did not participate in a pension plan:</b> Since the employee could invest more in an RRSP during the year he wishes to buy back, the annual benefit acquired through the buy-back is limited.
	—	<b>The employee participated in a pension plan:</b> Since the employee could not invest as much in an RRSP because of the maximum deduction allowed, the benefit is not limited.  In addition, the benefit acquired through that type of buy-back has not been modified after January 1992
<b>Absence without pay</b>		
Years before 1992	—	The benefit acquired through that type of buy-back has not been modified after January 1992.
Years after 1991	\$2 552.22 <sup>2</sup>	The benefit acquired through that type of buy-back is limited in accordance with the tax legislation.

1. The maximum benefit corresponds to 2/3 of the defined benefit limit. It is not likely that the limit will affect you if your salary is under \$96 334 (\$100 077 for the RPSO).
2. The defined benefit limit will be indexed each year on the basis of the Average Industrial Wage increase in Canada. It is not likely that the limit will affect you if your salary is under \$144 516 (\$150 131 for the RPSO).