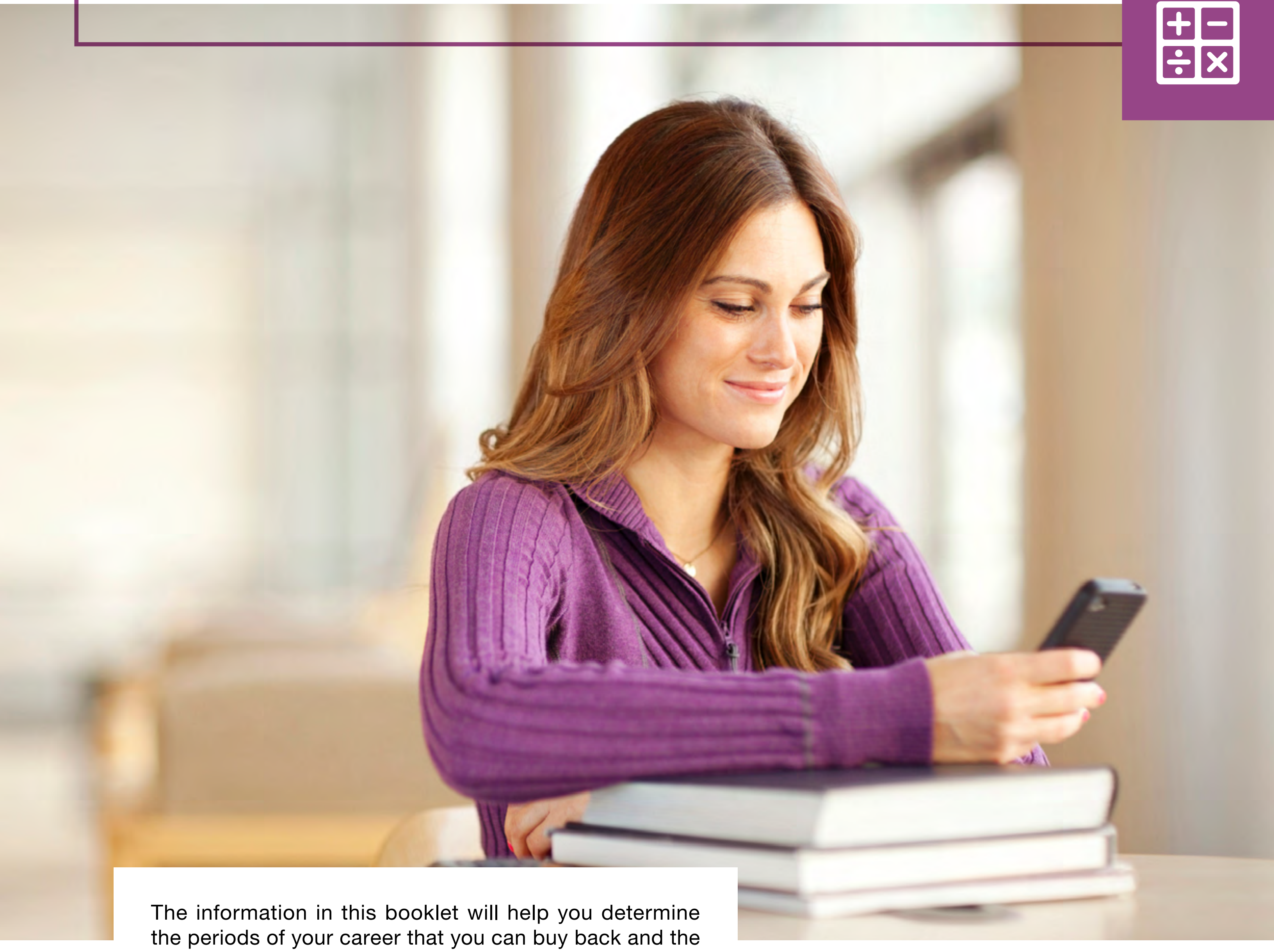
RETRAITE QUÉBEC

Public-sector pension plans

Buy-backs



The information in this booklet will help you determine the periods of your career that you can buy back and the effects of a buy-back from a tax standpoint.

It is intended for members of:

- 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 Pension Plan of Peace Officers in Correctional Services (PPPOCS);
- the Superannuation Plan for the Members of the Sûreté du Québec (SPMSQ).

Read the brochure carefully to find out more about buy-backs of service and their advantages. The information it contains could help you decide to apply for a buy-back that will increase your retirement income. Your employer can assist you with the process, but you must take the first steps. You must also ensure the required documents are sent to us.

The information in this document is not a substitute for the applicable laws and regulations. Rather, it is provided as general information and may differ from plan to plan.

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What is a buy-back?

A buy-back of service is a provision of your pension plan which, under certain conditions, **allows you to have recognized periods of work or absence** during your career in the public or parapublic sector for eligibility or calculation purposes, even if the employer for whom you worked no longer exists.

Buy-backs concern periods of work during which you did not contribute to your pension plan or absences without pay.

> **Note**
>
> The periods of work or absence that have not been recognized under your plan can be found on your Statement of Contributions. Read it carefully, as it is a record of your contributions to your plan and the years of service you have accrued. A complete year is shown as 1.0000. A lower number in the Service for Calculation Purposes column means a buy-back could be possible.
>
> To receive your Statement, you must file an Application for a Statement of Contributions (008A), available on our website.

Which periods can be bought back?

Periods of work

1. Periods of service prior to becoming a plan member and during which you were paid

Particularly, periods of service accrued:

- at a research centre in the health and social services sector;[1]
- on or before 30 June 2011[1] at an organization that became subject to a plan further to an order in council issued after that date;
- as a member of the Lieutenant-Governor's, a Minister's or a member of the National Assembly's staff;
- as an active member of the Canadian Armed Forces;
- as a teacher, whether as a member of a religious order or laicized.[2]

Note that some work periods may not be bought back as service prior to becoming a member of the plan. For example:

- periods during which you were a self-employed, a student worker, or in a coop placement;
- periods for which you received a contribution refund in accordance with the provisions of the RREGOP.

2. Periods of service as a casual employee[3]

These are periods you worked as a casual employee from 1 July 1973 until:

- 31 December **1986**, for employees in the health and social services sector who were on a recall list;
- 31 December **1987**, for employees in the health and social services sectors who were not on a recall list, or employees in the public or education sectors.

1. The days during which you were on maternity leave or receiving salary insurance benefits can also be bought back for these periods.
2. In this case, the buy-back could make you eligible to become a member of the the PPCT. For further information on the PPCT, see *Le RRCE en bref* (French only), available on our website.
3. For these periods of service, it is also possible to buy back the days during which you were on maternity leave or receiving salary insurance benefits.

Since 1 January 1988, every part-time or full-time employee in the public, education or health and social services sectors has been subject to a public-sector pension plan. Therefore, it is no longer necessary to buy back service for periods worked since that date because those employees have already made contributions to their plan.

Note that the periods during which you were self-employed cannot be considered periods of service as a casual worker for the purpose of a buy-back.

Absences

1. Absences without pay

You can buy back **absences without pay** that began after you became a member of the plan, even if the absence was not authorized by the employer (e.g., a strike, lock-out or suspension) and regardless of whether the absence was for a single day or a longer period.

You can also buy back absences that have never been bought back and that are in a period for which we refunded your contributions, provided you were a member of the same plan as you currently are.

Employees can also be entitled to a **parental leave** following the birth or adoption of a child. The length of the leave varies according to your working conditions. Most collective agreements in the public and parapublic sectors provide for parental leaves that can last up to two years.

Compassionate care leaves that were in progress on 1 January 2012 or that began after that date can also be bought back. This type of leave is a maximum of 104 weeks during which an individual is absent from work to care for a family member who was injured in an accident or has a severe illness. While on leave, individuals can pay contributions to their plan to their employer. If they do not, they can ask to buy back that period once they return to work.

2. Maternity leaves that began prior to 1 January 1989

You can buy back maternity leaves that began prior to 1 January 1989, even if they ended before that date. Maternity leaves lasted 17 or 20 weeks, and were granted by the employer based on your working conditions.

3. Absences that do not need to be bought back

Under the RREGOP, short absences without pay that began on 1 January 2002[4] or later do not have to be bought back since the individual on leave continues to contribute to the plan.

These absences are:

- full-time absences of 30 consecutive calendar days or less;
- part-time absences of no more than 20% of a full-time employee's hours (e.g., one day a week);
- **maternity leaves that began after 31 December 1988**, which are automatically recognized under the plan and are credited via your employer's annual report;
- **absences without pay due to illness when you are receiving benefits under a mandatory salary insurance plan**, since the absences are automatically recognized for a maximum period of three years.

4. Under the PPMP, on 1 July 2002, under the PPPOCS, on 1 January 2005 and under the SPMSQ, on 1 January 2008.

What are the advantages of a buy-back?

1. You could be eligible for a retirement pension earlier

The periods you buy back are taken into account when we determine whether you are eligible for a retirement pension. In some cases, a buy back allows you to retire earlier. Furthermore, by increasing the number of years of recognized service, you could decrease or eliminate the reduction due to early retirement.

However, if you are a member of the RREGOP, PPMP, RPSO, or PPPOCS, incomplete years of service accrued since 1 January 1987 (or 1 January 1988 in the case of the PPPOCS) could be credited as a full year for eligibility purposes. The service added for eligibility purposes allows part-time employees to accrue service at the same pace as full-time employees. If you buy back your absences since 1 January 1987, the amount of your pension will increase but the date as of which you are eligible for a retirement pension will not change.

2. The amount of your pension will increase

Generally speaking, the period you buy back will be taken into account when the amount of your pension is calculated. As a result, when you retire, your benefits will be the same as if you had contributed to your plan during the absence.

3. There could be tax advantages

Unless the amounts paid to buy back service come from a registered retirement savings plan (RRSP), they are generally tax-deductible. Furthermore, if you pay in installments, the interest on the payments can be deducted from your taxable income under certain conditions.

Is a buy-back always advantageous?

It is usually to your advantage to apply for a buy-back as soon as your absence ends, if applicable, or **as early as possible**. For several types of buy-backs, the cost is determined using your annual eligible salary on the date your application is filed. A rate, which varies according to your age and the period to be bought back, is applied to that salary. Therefore, if you decide to wait, the cost will gradually increase each year.

If you file an application to buy back an absence without pay within six months of the end of the absence, it could cost less than if you wait.

In the case of a **maternity leave** that began after you became a member of the plan but before 1 January 1989, the service is recognized **at no cost** provided you file an application for a buy back.

However, if your maternity leave occurred before you became a member of the plan or while you were a casual worker, the amount you pay will correspond to the cost of a buy-back of that period of service.

Advantages of the main types of buy-backs[5]

Type of period	Most common buy-back periods	Advantages
Work	– Service accrued as a casual employee	– relatively low cost – increases the amount of your pension – could reduce or eliminate the reduction that applies to your pension. In some cases, your retirement date could be earlier
Work	– Service accrued at a research centre in the health and social services sector – Service accrued at an organization before it became subject to the pension plan	– although costly, the buy-back is advantageous because the amount of your pension will increase – could reduce or eliminate the reduction that applies to your pension. In some cases, your retirement date could be earlier
Absence	– parental leaves following a maternity, paternity or adoption leave that was in progress on **1 January 1991 or that began after that date** (RREGOP, PPMP, RPSO or PPCT) – parental leaves while you were a member of the SPMSQ **that began after 31 December 2005** – compassionate care leaves **in progress on 1 January 2012 or that began after that date** – absences without pay while you were a member of the PPPOCS (if applied for **within six months of the end of the absence**)	– generally advantageous due to its low cost – increases the amount of your pension – in some cases, it allows you to retire earlier
Absence	– absences without pay while you were a member of the RREGOP, PPMP, RPSO or PPCT (other than parental leaves) – absences without pay while you were a member of the SPMSQ (other than parental leaves) – absences without pay while you were a member of the PPPOCS (if applied for **more than six months after the end of the absence**)	– although more costly, the buy-back is advantageous because the amount of your pension increases – could reduce or eliminate the reduction that applies to your pension. In some cases, your retirement date could be earlier

For a quick and easy estimate of the cost of a buy-back, use the Buy-Back Cost Estimator, available on our website.

You can also consult the Tariff schedules for certain service buy-backs on our website.

5. You should assess the effects of buying back service on your situation.

Buying back absences and the 90-day bank

Under your plan, a maximum of 90 days (from your 90-bank) can be added to your years of service when we are determining whether you are eligible for a benefit and calculating the amount of your retirement pension. The days are added **automatically**, **at no cost**, in order to offset your absences without pay. They are considered credited service for the purpose of calculating your pension and, in the case of absences prior to 1987, service for eligibility purposes. (Days you have been absent since 1987 have already been recognized for eligibility purposes.) To avoid buying back days that you do not need to, be sure to take the 90-bank into account.

By law, days you were absent before 1 January 2011 (whether parental leaves or other absences without pay) can be offset by **your 90-day bank**; absences after 31 December 2010 must be related to a parental leave.

If your application for a buy-back concerns periods before 1 January 2011, we will use your 90-bank to cover the more costly absences, if applicable.

When you complete the Application for Buy-Back (727A), you must check Yes when you answer the question asking whether you would like us to take the 90-bank into account.

What are the requirements for buying back service?

As a rule, to buy back service, you must:

- be a member of your pension plan on the date on which we receive your application;[6]
- have had, during the period you would like to buy back, a position at an organization covered by your plan, or that would have been had the plan not ceased to exist;
- meet the specific requirements under your plan for the type of buy-back you wish to make;
- complete the Application for a Buy-Back (727A) and have your employer complete the Attestation de période de rachat (728), and be sure we receive both forms before the retirement date you have chosen;
- if you are on a recall list, file the application as soon as you begin making contributions to the plan;
- file the application no later than 30 December of the year in which you reach the maximum age for plan membership.

How do I apply for a buy-back?

You must complete the first form and have the second completed by any employers concerned. Both forms are available on our website.

- Application for a Buy-Back (727A);
- Attestation de période de rachat (728).

In accordance with the provisions of the *Act respecting the Government and Public Employees Retirement Plan*, you must use the forms listed above. It is your responsibility to have each employer concerned complete and sign an Attestation de période de rachat (728) for each period you wish to buy back. You and your current employer must also enclose the duly completed Application for a Buy-Back (727A), signed by you and your current employer. Be sure to send any supporting documents required with the forms.

To allow us to process your file as rapidly as possible, be sure that all mandatory questions have been answered, that all the information requested has been provided and that your form has been signed. The information is required in order for us to study your file; an incomplete form will be returned to you.

6. To **buy back an absence**, you must be contributing to your plan on the date we receive your application unless, at the end of the absence: 1. You are on maternity or sick leave; 2. You have a transfer agreement; or 3. You are eligible for an immediate pension. Note that, in the latter case, we must have received your application for a buy-back by the time we receive your application for a retirement pension. For further information, refer to Part H of the guide to completing form number 727, available on our website.

If you have questions concerning your situation, please contact:

- the person responsible for pension plans in your human resources department;
- your union, or your professional or managers' association; or
- Retraite Québec's Centre des relations avec la clientèle.

The role of your past and present employers

Even if your current employer is not concerned by the periods you are buying back, he or she must complete and sign Part H of the Application for a Buy-Back (727A) form in order to certify that at the time you file your application, you are a member of your pension plan.

The Attestation de période de rachat (728) must be completed by the employer (whether current or former) for whom you worked during the periods you wish to buy back.

If you file an application to buy back an absence, in addition to providing the requested information, your employer must verify that the participation data declared concerning you is exact. If it is not, the necessary corrections must be made.

When the employer certifies the periods you are buying back, he or she provides us with detailed information that will allow us to correctly identify the service you will be able to buy back, along with its cost.

The name of one of your former employers may have changed further to a merger, or it may no longer exist. If you are having difficulty locating an employer in the public service, contact Retraite Québec's Centre de relations avec la clientèle.

If you worked in the education or the health and social services sectors, you can contact the current establishment in the region you worked, as your former employer may now fall under its purview (e.g., the school board, regional hospital).

If you still cannot locate a former employer, you can:

- authorize us to obtain information from Revenu Québec (e.g., your employment income and the name of your employer during the period you would like to buy back); or
- provide proof of remuneration.

Be sure to carefully read the instructions in the guide accompanying the Application for a Buy-Back (727A) form. Pay close attention to Part F – Authorization to contact Revenu Québec.

The next step

Provided your application meets (in whole or in part) the conditions for a buy-back, we will send you a **Buy Back Proposal**, which describes the terms of the buy-back and indicates:

- the periods you can buy back;
- the total cost;
- your annual pensionable salary at the time the application is filed;[7]
- payment methods;
- the effects from a tax standpoint;
- the related pension adjustment (PA) or past service pension adjustments (PSPAs).

Depending on the periods for which you have applied for a buy-back, you could receive several proposals. The proposals are accompanied with a reply form that you must return to us.

Take the time to study your proposal. In addition to the cost and the advantages, a buy-back has tax effects that must be taken into consideration. Do not hesitate to ask for assistance or advice from your employer, professional association, union or financial advisor.

If your application does not meet the requirements for a buy-back, you will be notified in writing.

7. Verify your annual pensionable salary since it is used to determine the cost of your buy-backs.

Maximum service

The provision called **maximum service** sets the maximum number of years of service that can be used to calculate the amount of the basic pension. Once you reach the maximum, you no longer contribute to the plan.

Under the RREGOP, PPMP, TPP, CSSP and PPCT, the maximum service for calculation purposes is gradually increasing by a year of service each year as of 1 January 2017. On 31 December 2017, it will reach 39 years and on 31 December 2018, 40. Therefore, if we notice that you have reached the maximum service allowed while we are processing your application, we will send you a letter informing you that you will have nothing to pay. The pensionable salary for the period you wish to buy back is used to calculate the amount of your pension, provided it increases the amount.

Furthermore, if as a result of the buy-back you would reach or exceed the maximum service, the cost of the buy-back will be adjusted so that it corresponds only to the service required to reach the maximum.

How long do I have to accept the proposal?

It is only valid for 60 calendar days from the date on which it is issued. The deadline can be found on the letter that accompanies your proposal. If you do not accept your proposals by the deadline, we will consider that you never filed an application.

What payment methods are accepted?

You have the choice of making a lump-sum payment immediately or monthly or yearly payments. Payments can be made by cheque, pre-authorized payments or transfer from a registered retirement savings plan (RRSP). If your employer agrees, it is also possible to have the payments deducted from your salary. Furthermore, if it is stipulated in your working conditions and your employer agrees, you can pay for your buy-back using the sick days you have banked.

If you chose to make a single lump-sum payment, we must be able to deposit it at the latest by the deadline on the letter accompanying the proposal. If we do not receive the full payment by that date, you will be charged interest, regardless of your payment method and even if you transfer amounts from an RRSP or use your sick days. Note that, in order to comply with tax rules, we must receive amounts transferred from an RRSP within six months of the date on which a proposal is accepted.

Interest will apply in the case of monthly or yearly payments.

Once you have decided which periods to buy back and chosen a payment method, **you must indicate your choices on the reply card and return it to us before the deadline**.

Can the cost of the buy-back be used as a tax deduction?

Yes. The amounts paid for a buy-back are generally tax deductible, unless they are transferred from an RRSP. Furthermore, **unlike interest on bank loans**, the interest we add is also tax deductible, provided certain conditions are met.

We issue tax slips at the end of February the year after a payment is made. Note that although you can contribute to an RRSP in the first 60 days of a fiscal year and use the deduction for the previous year, the amounts paid for a buy back can only be used as a tax deduction for the calendar year in which they were paid.

Your proposal contains details concerning the deductions resulting from your buy-back.

When will my file be adjusted?

We will enter in your file any proposals you accept as soon as we receive your reply card.

However, if your buy-back concerns a period prior to 1989 and a Past Service Pension Adjustment (PSPA) had to be calculated, the PSPA has to be certified by the Canada Revenue Agency (CRA). This step is mandatory and completes the buy-back process. For further details, refer to the section below.

Note also that a buy-back is only official once the full amount has been paid.

What tax rules apply?

So that all Canadian taxpayers may have equivalent retirement savings advantages, on 1 January 1990, the CRA set a maximum for RRSP deductions. The RRSP deduction limit, also called available contribution room, is 18% of an individual's earnings from the preceding year (up to the RRSP ceiling).

Therefore, to take into account the fact that certain contributors are members of a pension plan offered by their employer, the CRA has two mechanisms:

- the pension adjustment (PA); and
- the past service pension adjustment (PSPA).

The PA is the value of the pension benefits you accrued during a year of service under a pension plan that we administer. **The PA lowers the maximum you can contribute to an RRSP during the year**. The remaining contribution room consists of the unused RRSP deductions that accrued from year to year.

The PSPA is the value of the pension benefits you accrued under your plan further to the buy-back of post-1989 past service. **The PSPA reduces your unused RRSP contribution room** when the pension benefits you accrue under the plan are increased because post-1989 service has been recognized. For example:

- when an additional period of post-1989 past service is credited to you under your plan as the result of a transfer or a buy-back;
- when benefits increase retroactively.

In these cases, the value of the pension benefits accrued increases, while the past service pension adjustment (PSPA) is calculated in order to reduce contribution room.

In short, the PA lowers the amount you can contribute to an RRSP for the current year, whereas the PSPA reduces your unused RRSP contribution room.

18% of your earnings for the previous year[8]

Less (-)

- PA for the previous year based on your contributions to the plan
- PA further to a buy-back (if applicable)

Plus (+)

Unused contribution room for the previous year

Less (-)

Contributions made to your RRSP during the previous year

Less (-)

PSPA further to your buy-back (if applicable)

Equals (=)

Your contribution room for the current year

8. If the result of 18% - PA is negative, the CRA rounds it up to 0.

Contribution room simplified

	18% of earnings for the previous year
−	PA for the previous year
=	Your unused RRSP contribution room for the current year (Positive or 0; a negative balance is rounded up to zero by the CRA.)

	Your unused RRSP contribution room for the current year
+	Total unused RRSP deduction limits for previous years
−	PSPA
−	Your RRSP contributions for the previous year
=	**Your unused RRSP deduction limit for the current year (positive or negative)**

To find out how much contribution room you have, consult the most recent RRSP deduction statement sent to you by the CRA.

Who calculates the PA and PSPA?

Your employer calculates the PA for regular contributions and enters it on your T4 slip. In the case of a buy-back or transfer of service, as the pension plan administrator, Retraite Québec calculates the PA or PSPA. The amount is included in the buy-back or transfer proposal that is mailed to you.

Note that the PA or PSPA is the value of the benefits accrued under a pension plan. It does not correspond to the contributions made or to the amounts paid to buy back service.

PA or PSPA?

The type of buy-back and the date on which you accept the proposal determine whether a PA or a PSPA is calculated.

For buy-backs related to service after becoming a member of the plan, a PSPA is calculated for years of service after 1989.

For buy-backs related to absences, the date the proposal is accepted is the determining factor:

- If you accept the buy-back proposal **before 1 May of the year following the one in which the absence ended**, we will generally calculate a PA. We will send the information to your employer so that he or she can add it to the PA that must be calculated for your regular contributions, and enter it on the tax papers that he or she must send to the CRA.

  Note that the CRA has set a cap on the number of years of service that can be bought back and for which a PA is calculated. The maximum varies depending on the type of leave. We will calculate a PSPA for the portion that exceeds the maximum.

- If you accept the buy-back proposal **after 30 April of the year following the one in which the absence ended**, we will calculate a **PSPA** and send a copy to the CRA for certification. Generally speaking, a PSPA is certified provided it does not exceed your unused contribution room at the end of the previous year, plus $8000.

For further information, you can obtain the document entitled *A Few Clarifications on Tax Rule Limits and Buy-Backs*, on Retraite Québec's website, or by calling our client services.

Do I have enough contribution room?

If you have made the maximum contributions to your RRSP over the years, you may not have enough contribution room to allow the CRA to certify your PSPA.

In that case, the CRA will contact you and grant you 30 days to resolve the problem.

Retraite Québec will propose the following three options:

- The contribution room will be applied to the most advantageous years of service.
- You can pay for the buy-back in whole or in part by transferring amounts from your RRSP. The PSPA will be reduced by the same amount.
- You can cancel one or all of the buy-backs you applied for.

Note that, in this situation, you cannot make contributions to your RRSP until you once again have contribution room.

Important

If you do not take one of the steps by the deadline, your PSPA will not be certified by the CRA. We will then be obligated to cancel all or part of your buy-back.

Carefully analyze any buy-back proposal we send you, since the tax effects will vary according to the date on which you accept it. The date could be **before 1 May** of the year following the one in which your absence ended (to obtain a **PA**) or **after 30 April** of the year following the one in which your absence ended (to obtain a **PSPA**).

It is in your best interests to apply for a buy-back as soon as possible after your absence ends. By doing so, you will receive your proposal earlier, and could take advantage of a PA instead of a PSPA.

If you have questions relating to income taxes, contact the CRA at **www.cra-arc.gc.ca**.

For general information on how PAs and PSPAs are calculated, contact Retraite Québec.

Contact us

Online

www.retraitequebec.gouv.qc.ca

By telephone

418 643-4881 (Québec region)
1 800 463-5533 (toll-free)

By fax

418 644-8659

By mail

Retraite Québec
Régimes de retraite du secteur public
C. P. 5500, succ. Terminus
Québec (Québec) G1K 0G9

This document is a summary of your pension plan. The information contained herein does not supersede the legislation governing your pension plan.

Version française aussi disponible

Retraite Québec

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