

Shubhneet Ark

Subject: FW: College Pension Plan Purchase of Service Employer Update.

From: Pension Corporation, Communications Branch [mailto:communications.dist@pensionsbc.ca]

Sent: Thursday, June 02, 2005 2:31 PM

Subject: College Pension Plan Purchase of Service Employer Update.

To all College Pension Plan Employers

Post-Secondary Employers' Association

You may have heard we've been working on changes to simplify the purchase of service process. Attached in pdf format is a *Purchase of Service Employer Update* and *Purchase of Service Application Package* which contains information about changes to purchasing service.

Purchase of service information and forms are available on the website at pensionsbc.ca or you can e-mail us at penc.orderproducts@pensionsbc.ca for a supply.

If you have questions or comments about the content, please contact the College Pension Plan at CPP@pensionsbc.ca.

To view and print pdf documents, you may require Adobe Acrobat Reader software. You can download this software free of charge from the Adobe Acrobat site at <http://www.adobe.com/products/acrobat/readstep.html> if required.

We hope this information is helpful.

Communications Branch

Pension Corporation

Purchase of Service EMPLOYER UPDATE

For many plan members, the ability to buy back periods of employment that have not been counted as service with their pension plan is an attractive option. However, the process of purchasing service could be tedious and time-consuming—until now.

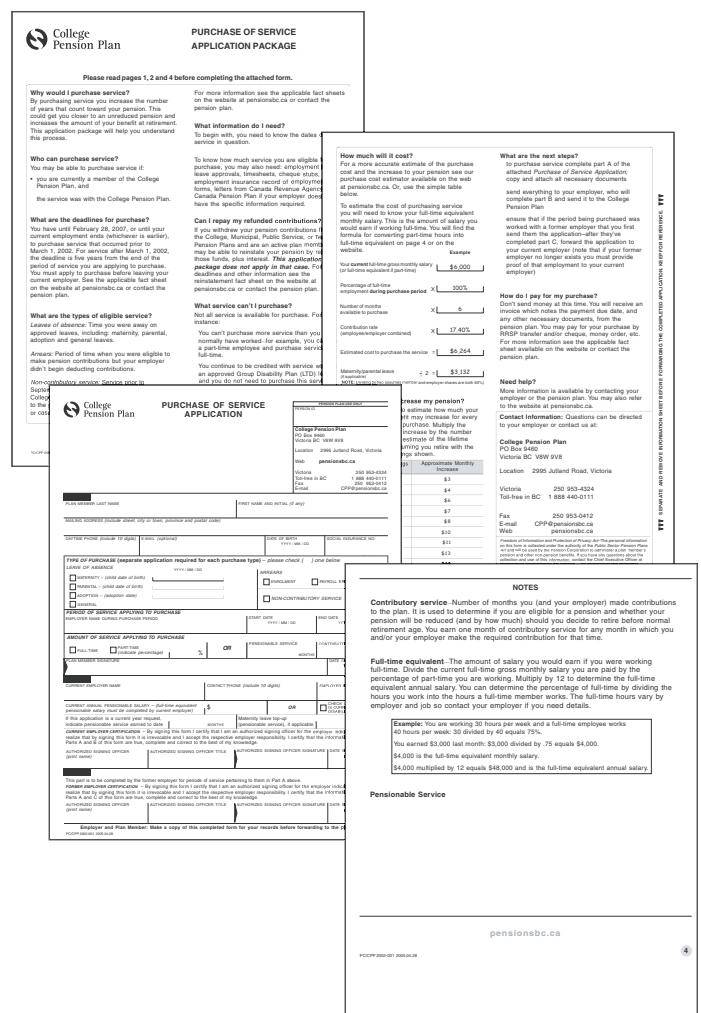
In 2001 the College Pension Plan began working with employers and members on ways to simplify the purchase process. In 2002 the plan rules were changed to simplify the costing method, and a five-year window of time to apply to purchase this historical service was introduced. At the time, we announced that members would have until February 28, 2007 to apply to purchase service that occurred prior to March 1, 2002. (After March 1, 2002, members can purchase service within a rolling five-year window.) Now, in anticipation of the 2007 deadline for most historical purchases, the process and forms have been improved in a way that is user-friendly and reduces effort for both the employer and the member.

New Application Package

The new *Purchase of Service Application Package* provides members with information about purchasing service, and allows them to assess their situation and likelihood of completing a purchase prior to contacting their employer or the plan. The new package contains:

- ♦ easy-to-follow instructions to help members through the process,

- ♦ a simplified formula that members can use to estimate the cost of the purchase,
- ♦ a simplified formula that members can use to estimate the increase to their pension benefit, and
- ♦ a redesigned form that clearly indicates what information the member and employer must each supply.



PURCHASE OF SERVICE APPLICATION PACKAGE

Please read pages 1, 2 and 4 before completing the attached form.

Why would I purchase service?
By purchasing service you increase the number of years that count toward your pension. This could get you closer to an unvested pension and increase the amount of your benefit at retirement. This application package will help you understand this process.

For more information see the applicable fact sheets on the website at pensionsbc.ca or contact the pension plan.

What information do I need?
To begin with, you need to know the dates service in question.

Who can purchase service?
You may be able to purchase service if:
• you are currently a member of the College Pension Plan, and
• the service was with the College Pension Plan.

What are the deadlines for purchase?
You have until February 28, 2007, or until your current employer's term expires, to purchase service that occurred prior to March 1, 2002. For service after March 1, 2002, the deadline is five years from the end of the period of service you are applying to purchase. You must apply to purchase before leaving your current employer. See the applicable fact sheet on the website at pensionsbc.ca or contact the pension plan.

What are the types of eligible service?
Leaves of absence: Time you were away on approved leave, including maternity/parental, adoption and general leaves.
Awards: Period of time when you were eligible to make pension contributions but your employer didn't begin deducting contributions.

What service can't I purchase?
Not all service is available for purchase. For instance:
• You can't purchase more service than you normally have worked for, except, you do, as a part-time employee and purchase service full-time.
• You continue to be credited with service until an approved Group Disability Plan (GDP) is in effect. You do not need to purchase this time.

How much will it cost?
For a more accurate estimate of the purchase cost and the increase to your pension see our purchase cost estimator available on the web at pensionsbc.ca. Or, use the simple table below.

To estimate the cost of purchasing service you will need to know your full-time equivalent monthly salary. This is the amount of money you would earn if working full-time. You will find the formula for converting part-time hours to full-time equivalent on page 4 or on the website.

| | |
|---|---------|
| You earned full-time gross monthly salary (or full-time equivalent part-time) | \$4,000 |
| Percentage of full-time employment during purchase period | 100% |
| Number of months purchase period | 6 |
| Contribution rate (employer/employee combined) | 17.40% |
| Estimated cost to purchase the service | \$8,264 |
| Monthly pension benefit (Pension Plan) | \$3,132 |

What are the next steps?
To purchase service complete part A of the attached Purchase of Service Application; copy and attach all necessary documents and send everything to your employer, who will complete part B and send it to the College Pension Plan.

How do I pay for my purchase?
Don't send money at this time. You will receive an invoice which notes the payment due date, and any other necessary documents, from the pension plan. You may pay your purchase by RSP transfer and/or cheque, money order, etc. For more information see the applicable fact sheet available on the website or contact the pension plan.

Need help?
More information is available by contacting your employer or the pension plan. You may also refer to the website at pensionsbc.ca.
Contact Information: Questions can be directed to your employer or contact us at:
College Pension Plan
PO Box 3450
Victoria, BC V8W 0V8
Location: 2395 Ashford Road, Victoria
Tel: 250-432-4244
Tel-toll free in BC: 1-888-440-0111
E-mail: CPP@pensionsbc.ca
Web: pensionsbc.ca
Fax: 250-953-0412

Contributory service: Number of months you (and your employer) made contributions to the plan. It is used to determine if you are eligible for a pension and whether your pension will be reduced (and by how much) should you decide to retire before normal retirement age. You earn one month of contributory service for any month in which you and/or your employer make the required contribution for that time.

Full-time equivalent: The amount of salary you would earn if you were working full-time. Divide the current full-time gross monthly salary you are paid by the percentage of part-time you are working. Multiply by 12 to determine the full-time equivalent annual salary. You can determine the percentage of full-time by dividing the hours you work into the hours a full-time member works. The full-time hours vary by employer and job so contact your employer if you need details.

Example: You are working 20 hours per week and a full-time employee works 40 hours per week. 20 divided by 40 equals 50%.
You earned \$3,000 last month. \$3,000 divided by .75 equals \$4,000.
\$4,000 is the full-time equivalent monthly salary.
\$4,000 multiplied by 12 equals \$48,000 and is the full-time equivalent annual salary.

Notes:
• This form is a contract under the authority of the Public Pension Plan Act and the Pension Plan Regulations. It is subject to the terms and conditions of the Pension Plan and the Pension Plan Regulations. It is not to be construed as a contract of insurance or any other financial product.
• The Pension Plan is not a contract of insurance or any other financial product.
• The Pension Plan is not a contract of insurance or any other financial product.

Pensionable Service

pensionsbc.ca

CPP-POS-EMP-01-2005-02

Improvements to the Website

Purchase of service information is now easier for employers and members to locate on the College Pension Plan website. Navigation is improved and materials consolidated into one area. Members can look for the bright yellow graphic that identifies purchase of service information.



The online Purchase Cost Estimator has been improved and is now available to help members estimate their pensions.

- ◆ The Purchase Cost Estimator and the Increase to Pension table have been combined so that members can determine the cost and its impact on their pensions in one step.
- ◆ There is a new “estimated payback period” form to help determine how long it will take to recover the cost of a purchase of additional service.
- ◆ Personal information is only required if the member wishes to proceed with an application.
- ◆ After doing an estimate, the member can print a completed application and submit it to their employer for review/approval.

If a member doesn't have access to the website, they can use the new *Purchase of Service Application Package* to manually estimate this same information.

Clearer Instructions for Current and Former Employers

The new *Purchase of Service Application* clarifies the responsibilities of both the member's current and former employers.

It is the member's responsibility to provide their current employer with proof of their past employment and service by contacting their former employer directly (if they are still in business), or by using supporting documents.

The former employer verifies the employment and service and signs Part C of the new *Purchase of Service Application*. If unable to verify any of this information, the former employer returns the application to the member and advises them to search for additional supporting documentation.

If the former employer is no longer in business, the member must supply their current employer with documentation to support their application.

Once the employment and service have been verified by the former employer or by the supporting documentation, the member's current employer must confirm the member's current annual pensionable salary, sign Part B of the application and forward to the College Pension Plan for processing.

Research Guidelines

One goal of the purchase of service simplification project is to minimize the amount of time employers and plan members spend researching purchase of service applications. Certifying service on the member's application can require minutes to days. Situations vary case by case and you should use your best judgment on how much research time is appropriate based on the individual circumstances. Where employment records and periods of service are difficult to verify (because records are inaccessible, misplaced or destroyed), consider using the following employment resources:

- ◆ offer of employment letter,
- ◆ leave approval form or letter,
- ◆ historical timesheets,
- ◆ paycheque stubs,
- ◆ copies of T4s,
- ◆ Employment Insurance – Record of Employment,
- ◆ letter from Canada Revenue Agency, or
- ◆ letter from Canada Pension Plan.

Changes Coming Soon

NEW STATEMENT OF COST PACKAGE

The *Statement of Cost* package that is sent to employees is also being simplified and will be implemented in July. The new package includes:

- ◆ a statement that explains the purchase of service details, including tax implications,
- ◆ a simplified formula that employees can use to estimate the increase to their pension benefit,
- ◆ payment instructions,
- ◆ a simplified purchase invoice, and
- ◆ a simplified form for transferring funds from an RRSP.

SIMPLIFIED RE-APPLICATION PROCESS

Previously, when a member received a purchase quote but chose not to buy the service and then later reapplied, their employer was required to repeat the research effort.

Now, members will be able to use the new *Statement of Cost* form to request an updated quote. If the period of service has already been verified, employers only need to enter the member's current annual pensionable salary, sign the form and forward it to the College Pension Plan. If the member misplaces their *Statement of Cost* form, contact us and we will send a copy.

These changes will be reflected in your *Instructions for Employers* manual in the near future.

If you have questions, please contact:

College Pension Plan

Phone:

Victoria 250 953-4324
Toll-free in BC 1 888 440-0111

Fax:

250 953-0412

E-mail:

CPP@pensionsbc.ca

Mailing Address:

College Pension Plan
PO Box 9460
Victoria BC V8W 9V8

Web:

pensionsbc.ca

Please read pages 1, 2 and 4 before completing the attached form.

Why would I purchase service?

By purchasing service you increase the number of years that count toward your pension. This could get you closer to an unreduced pension and increases the amount of your benefit at retirement. This application package will help you understand this process.

Who can purchase service?

You may be able to purchase service if:

- you are currently a member of the College Pension Plan, and
- the service was with the College Pension Plan.

What are the deadlines for purchase?

You have until February 28, 2007, or until your current employment ends (whichever is earlier), to purchase service that occurred prior to March 1, 2002. For service after March 1, 2002, the deadline is five years from the end of the period of service you are applying to purchase. You must apply to purchase before leaving your current employer. See the applicable [fact sheet](#) on the website at pensionsbc.ca or contact the pension plan.

What are the types of eligible service?

Leaves of absence: Time you were away on approved leaves, including: maternity, parental, adoption and general leaves.

Arrears: Period of time when you were eligible to make pension contributions but your employer didn't begin deducting contributions.

Non-contributory service: Service prior to September 1, 1999 in which you worked for a College Pension Plan employer but didn't contribute to the plan, such as during a probationary period, or casual work prior to joining the pension plan.

For more information see the applicable [fact sheets](#) on the website at pensionsbc.ca or contact the pension plan.

What information do I need?

To begin with, you need to know the dates of the service in question.

To know how much service you are eligible to purchase, you may also need: employment letters, leave approvals, timesheets, cheque stubs, T4s, employment insurance record of employment forms, letters from Canada Revenue Agency or the Canada Pension Plan if your employer does not have the specific information required.

Can I repay my refunded contributions?

If you withdrew your pension contributions from the College, Municipal, Public Service, or Teachers' Pension Plans and are an active plan member, you may be able to reinstate your pension by repaying those funds, plus interest. ***This application package does not apply in that case.*** For deadlines and other information see the [reinstatement fact sheet](#) on the website at pensionsbc.ca or contact the pension plan.

What service can't I purchase?

Not all service is available for purchase. For instance:

- You can't purchase more service than you would normally have worked—for example, you can't be a part-time employee and purchase service to full-time.
- You continue to be credited with service while on an approved Group Disability Plan (LTD) leave, and you do not need to purchase this service.
- You cannot purchase service that exceeds income tax limits for pension and RRSP contributions—note that you may wish input from a financial advisor (see "Tax considerations?" on Page 4).

How much will it cost?

For a more accurate estimate of the purchase cost and the increase to your pension see our [purchase cost estimator](#) available on the web at pensionsbc.ca. Or, use the simple table below.

To estimate the cost of purchasing service you will need to know your full-time equivalent monthly salary. This is the amount of salary you would earn if working full-time. You will find the formula for converting part-time hours into full-time equivalent on page 4 or on the website.

| Example | |
|---|--|
| Your current full-time gross monthly salary (or full-time equivalent if part-time) | \$6,000 |
| Percentage of full-time employment during purchase period | X 100% |
| Number of months available to purchase | X 6 |
| Contribution rate (employee/employer combined) | X 17.40% |
| Estimated cost to purchase the service | = \$6,264 |
| Maternity/parental leave (if applicable) | ÷ 2 = \$3,132 |

(NOTE: Dividing by two assumes member and employer shares are both 50%)

How much will it increase my pension?

Use the table below to estimate how much your monthly pension benefit may increase for every month of service you purchase. Multiply the approximate monthly increase by the number of months. This is an estimate of the lifetime pension payable, assuming you retire with the average annual earnings shown.

| Average Annual Earnings at Retirement | Approximate Monthly Increase |
|---------------------------------------|------------------------------|
| \$30,000 | \$3 |
| \$40,000 | \$4 |
| \$50,000 | \$6 |
| \$60,000 | \$7 |
| \$70,000 | \$8 |
| \$80,000 | \$10 |
| \$90,000 | \$11 |
| \$100,000 | \$13 |
| \$110,000 | \$14 |

What are the next steps?

- to purchase service complete part A of the attached *Purchase of Service Application*; copy and attach all necessary documents
- send everything to your employer, who will complete part B and send it to the College Pension Plan
- ensure that if the period being purchased was worked with a former employer that you first send them the application—after they've completed part C, forward the application to your current employer (note that if your former employer no longer exists you must provide proof of that employment to your current employer)

How do I pay for my purchase?

Don't send money at this time. You will receive an invoice which notes the payment due date, and any other necessary documents, from the pension plan. You may pay for your purchase by RRSPP transfer and/or cheque, money order, etc. For more information see the applicable [fact sheet](#) available on the website or contact the pension plan.

Need help?

More information is available by contacting your employer or the pension plan. You may also refer to the website at pensionsbc.ca.

Contact Information: Questions can be directed to your employer or contact us at:

College Pension Plan

PO Box 9460
Victoria BC V8W 9V8

Location 2995 Jutland Road, Victoria

Victoria 250 953-4324
Toll-free in BC 1 888 440-0111

Fax 250 953-0412
E-mail CPP@pensionsbc.ca
Web pensionsbc.ca

Freedom of Information and Protection of Privacy Act—The personal information on this form is collected under the authority of the *Public Sector Pension Plans Act* and will be used by the Pension Corporation to administer a plan member's pension and other non-pension benefits. If you have any questions about the collection and use of this information, contact the Chief Executive Officer at 2995 Jutland Road, Victoria BC V8T 5J9 or by telephone at 250 387-1002.

PURCHASE OF SERVICE APPLICATION

| PENSION PLAN USE ONLY | |
|---|--|
| PERSON ID | |
| College Pension Plan PO Box 9460 Victoria BC V8W 9V8 | |
| Location | 2995 Jutland Road, Victoria |
| Web | pensionsbc.ca |
| Victoria | 250 953-4324 |
| Toll-free in BC | 1 888 440-0111 |
| Fax | 250 953-0412 |
| E-mail | CPP@pensionsbc.ca |

INSTRUCTIONS FOR PLAN MEMBER

- Read pages 1, 2 and 4 before completing this form.
- Do **not** send payment; the pension plan will send you an invoice.
- Complete part A, copy and attach all required documents, then forward this form to your employer.
- Refer to *What are the next steps?* on page 2 if the service being purchased was worked with a former employer.
- Direct questions to your employer, or contact us.

PART A To be completed by the **PLAN MEMBER** – please print clearly

| | |
|--|---------------------------------|
| PLAN MEMBER LAST NAME | FIRST NAME AND INITIAL (if any) |
| MAILING ADDRESS (include street, city or town, province and postal code) | |

| | | | |
|-----------------------------------|-------------------|---------------------------------|----------------------|
| DAYTIME PHONE (include 10 digits) | E-MAIL (optional) | DATE OF BIRTH YYYY / MM / DD | SOCIAL INSURANCE NO. |
|-----------------------------------|-------------------|---------------------------------|----------------------|

| | | | |
|---|----------------|--|--|
| TYPE OF PURCHASE (separate application required for each purchase type) – please check (✓) one below | | | |
| LEAVE OF ABSENCE | | ARREARS | |
| <input type="checkbox"/> MATERNITY – (child date of birth) _____ | YYYY / MM / DD | <input type="checkbox"/> ENROLMENT | <input type="checkbox"/> PAYROLL ERROR |
| <input type="checkbox"/> PARENTAL – (child date of birth) _____ | | <input type="checkbox"/> NON-CONTRIBUTORY SERVICE | |
| <input type="checkbox"/> ADOPTION – (adoption date) _____ | | | |
| <input type="checkbox"/> GENERAL | | | |

| | | |
|---|------------------------------|----------------------------|
| PERIOD OF SERVICE APPLYING TO PURCHASE | | |
| EMPLOYER NAME DURING PURCHASE PERIOD | START DATE YYYY / MM / DD | END DATE YYYY / MM / DD |

| | | | |
|---|---|-----------|---|
| AMOUNT OF SERVICE APPLYING TO PURCHASE | | | |
| <input type="checkbox"/> FULL-TIME | <input type="checkbox"/> PART-TIME (indicate percentage) _____ % | OR | <input type="checkbox"/> PENSIONABLE SERVICE MONTHS |
| | | | <input type="checkbox"/> CONTRIBUTORY SERVICE MONTHS |

| | |
|-----------------------|-------------------------------|
| PLAN MEMBER SIGNATURE | DATE SIGNED YYYY / MM / DD |
|-----------------------|-------------------------------|

PART B To be completed by **CURRENT EMPLOYER** – please print clearly

| | | |
|-----------------------|-----------------------------------|---------------------------------|
| CURRENT EMPLOYER NAME | CONTACT PHONE (include 10 digits) | EMPLOYER NO. (include 5 digits) |
|-----------------------|-----------------------------------|---------------------------------|

| | | | |
|---|----|-----------|--|
| CURRENT ANNUAL PENSIONABLE SALARY – (full-time equivalent pensionable salary must be completed by current employer) | \$ | OR | <input type="checkbox"/> CHECK (✓) IF PLAN MEMBER IS CURRENTLY ON GROUP DISABILITY (e.g., LTD) |
|---|----|-----------|--|

| | | |
|---|-----------|--|
| If this application is a current year request, indicate pensionable service earned to date _____ MONTHS | OR | Maternity leave top-up (pensionable service), if applicable _____ MONTHS |
|---|-----------|--|

CURRENT EMPLOYER CERTIFICATION – By signing this form I certify that I am an authorized signing officer for the employer indicated above. I also realize that by signing this form it is irrevocable and I accept the respective employer responsibility. I certify that the information completed in Parts A and B of this form are true, complete and correct to the best of my knowledge.

| | | | |
|--|----------------------------------|--------------------------------------|-------------------------------|
| AUTHORIZED SIGNING OFFICER (print name) | AUTHORIZED SIGNING OFFICER TITLE | AUTHORIZED SIGNING OFFICER SIGNATURE | DATE SIGNED YYYY / MM / DD |
|--|----------------------------------|--------------------------------------|-------------------------------|

PART C To be completed by **FORMER EMPLOYER**, if required – please print clearly

This part is to be completed by the former employer for periods of service pertaining to them in Part A above.

FORMER EMPLOYER CERTIFICATION – By signing this form I certify that I am an authorized signing officer for the employer indicated above. I also realize that by signing this form it is irrevocable and I accept the respective employer responsibility. I certify that the information completed in Parts A and C of this form are true, complete and correct to the best of my knowledge.

| | | | |
|--|----------------------------------|--------------------------------------|-------------------------------|
| AUTHORIZED SIGNING OFFICER (print name) | AUTHORIZED SIGNING OFFICER TITLE | AUTHORIZED SIGNING OFFICER SIGNATURE | DATE SIGNED YYYY / MM / DD |
|--|----------------------------------|--------------------------------------|-------------------------------|

Employer and Plan Member: Make a copy of this completed form for your records before forwarding to the pension plan

NOTES

Contributory service—Number of months you (and your employer) made contributions to the plan. It is used to determine if you are eligible for a pension and whether your pension will be reduced (and by how much) should you decide to retire before normal retirement age. You earn one month of contributory service for any month in which you and/or your employer make the required contribution for that time.

Full-time equivalent—The amount of salary you would earn if you were working full-time. Divide the current full-time gross monthly salary you are paid by the percentage of part-time you are working. Multiply by 12 to determine the full-time equivalent annual salary. You can determine the percentage of full-time by dividing the hours you work into the hours a full-time member works. The full-time hours vary by employer and job so contact your employer if you need details.

Example: You are working 30 hours per week and a full-time employee works 40 hours per week: 30 divided by 40 equals 75%.

You earned \$3,000 last month: \$3,000 divided by .75 equals \$4,000.

\$4,000 is the full-time equivalent monthly salary.

\$4,000 multiplied by 12 equals \$48,000 and is the full-time equivalent annual salary.

Pensionable Service—The actual time you worked while contributing to the plan. You earn one full month of pensionable service when you work full-time for a month. If you work half-time, you receive half a month of pensionable service. Pensionable service is used to determine your benefit amount.

Tax considerations? When you purchase service the value of your pension increases. Canada Revenue Agency (CRA) places limits on how much you can deduct for contributions made to RRSPs and registered pension plans. If you purchase service that occurred in 1990 or later the pension plan will contact CRA for approval of past service pension adjustments and report any amended pension adjustments. Generally, if you pay for your purchase by RRSP transfer there are no tax implications, though you should always seek the advice of a qualified financial advisor. More information is available on [CRA's website](#).

pensionsbc.ca

Retain this sheet for your information