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# 2 PURCHASING SERVICE

Purchasing service means paying for periods of employment that have not been counted as service with the College Pension Plan. Purchasing service may increase a plan member's pension benefit.

## 2.1 Non-contributory service

Active plan members may be eligible to purchase periods of service when they worked for a College plan employer but did not contribute to, or accrue service in, the College Pension Plan.

A member is responsible for the entire cost of purchasing non-contributory service.

If a member should have contributed to the plan but did not, there may be arrears owing—see section 2.4.

### 2.1.1 Eligibility to purchase non-contributory service

Non-contributory service refers to actual time worked during a period when the employee was not eligible to enrol in the plan, or was eligible, but chose not to enrol.

Active plan members may be eligible to purchase all or a portion of a period of non-contributory service, provided the service:

- was with a College plan employer,
- was for a period of employment as a senior administrative staff member or as a person providing education services to students (including librarians), and
- occurred prior to September 1, 1999.

If the member wishes to purchase only a portion of their service, you will need to indicate the amount of service on the *Purchase of Service Application* form (include the dates).

Plan members may not purchase service:

- for which they waived enrolment on or after September 1, 1999,
- during which they were not employed with a College Pension Plan employer,

- for which the member contributed to another registered pension plan,
- for a period during which they were on strike,
- which would cause the member’s pensionable service to exceed:
  - 12 months in a calendar year, or
  - 35 years in total.

### **2.1.2 Deadlines to purchase non-contributory service**

There is a deadline applied to purchases of non-contributory service:

- An active member must apply to purchase a period of non-contributory service before March 31, 2007 or termination of employment, whichever occurs first.

### **2.1.3 Cost to purchase non-contributory service**

The plan member is responsible for both the employee and employer portions of the cost. The employer may choose to pay a portion of this cost.

If you will be paying for a portion of the cost of a non-contributory service purchase, you must arrange this with the member and make sure payment is made by the due date shown on the member’s *Statement of Cost*.

### ***Current salary and current contribution cost method***

The current salary and current contribution cost method is used for purchases where the employee’s position was covered by the College Pension Plan.

The cost to purchase is determined by calculating the employee and employer contributions required for the amount of pensionable service to be purchased, using the plan’s current employee and employer contribution rates and the member’s current pensionable salary.

“Current” means at the time of application to purchase.

### **2.1.4 Value of Increase to Pension (VIP) service**

The Value of Increase to Pension (VIP) category was eliminated April 1, 2001. Members who were advised before elimination of the VIP category that they could re-apply at retirement must apply to the College plan to purchase under the VIP category before March 31, 2007.

## 2.2 Leave of absence

Active plan members, who were enrolled prior to taking a leave of absence may be eligible to purchase that leave if it was approved by their employer.

The two main categories of leave are:

- maternity and parental (including adoption) leaves, and
- general leaves (including educational leave, sick leave, compassionate care leave and leave approved for any other reason, other than maternity and parental).

### 2.2.1 Eligibility to purchase leaves

#### *Maternity and parental leaves*

It is the employer's responsibility to verify the leave period. The plan member must provide you with the birth certificate or adoption papers to verify the child's birth date. The College Pension Plan does not need to see these documents.

- Members may purchase maternity leaves that ended on or after March 14, 1981 and parental leaves that ended on or after March 22, 1991. Only birth mothers are eligible to purchase maternity leaves. Birth and adoptive mothers and fathers are eligible to purchase parental leave.
- The maximum leave service that members can purchase is three years total for maternity, parental and adoption leaves ending after December 31, 1991, combined, with each leave not to exceed one year from the child's date of birth or adoption.
- It is the responsibility of the employer to verify the maternity/parental leave period and to ensure *Employment Standards Act* requirements in effect at the time of the requested period of service are met. The plan member must provide you with the birth certificate or adoption papers to verify the birth date. The College Pension Plan does not need to see these documents.
- If a member chooses to pay for the employee portion of a maternity or parental leave taken under the requirements of the *Employment Standards Act*, the employer who granted the leave is required to pay for the employer portion of the leave cost.
- Leaves taken for maternity or parental reasons which exceed the maximums may be purchased under the general leave rules. These are often referred to as "extended" maternity and parental leaves.

## ***General leaves***

A member may purchase any general leave that has been approved by you, or the employer at the time the leave occurred.

The limit on the amount of leave which can be purchased is five years during the member's plan membership for leaves completed after December 31, 1991.

### ***Full and partial leaves***

The calculation of service and salary and the leave cost depends in part on whether the member receives full, partial or no salary during the leave period.

### ***Leave of absence with full salary***

When a member is on a leave and continues to receive full salary, both you and the plan member continue to contribute to the plan, and pensionable and contributory service are credited in the normal manner. There is no purchase of service available or required in these situations. From the pension plan's perspective, it's as if the member continued to work during that time.

### ***Leave of absence with partial salary***

Plan members who take a leave of absence with partial pay may be eligible to purchase the difference between the service they would have received if paid their normal salary and the amount of service they were actually credited with based on the salary they were paid while on leave.

### ***Periods of reduced pay***

Plan members who worked at less than their full assignment for a period of time may be eligible to purchase the difference between the normal, full assignment and the amount actually worked. Canada Revenue Agency (CRA) categorizes these as "periods of reduced pay" and sets out the following rules:

- the plan member must have been employed by you for not less than three years,
- only periods of reduced pay after the three-year requirement is met are eligible, and
- the plan member must have worked at the full assignment at some time during their employment with you prior to the leave period.

General Leaves that ended prior to December 31, 1991, are not included when determining a member's post-1991 five year maximum purchase limit.

If the full assignment for the plan member is less than 100 per cent full-time, the plan member may purchase only that portion needed to bring it up to the plan member's full assignment, not to full-time.

### ***Deferred salary***

If you offer a deferred salary program, the purchase period is for general leaves without pay. The member's contributions and service for the period prior to the leave should be reported and paid, for pension purposes, at full salary and service without deferral.

### ***All leave types***

The full period of the leave must be purchased unless, as a result of the purchase, the plan member's pensionable service would exceed:

- 12 months in a calendar year,
- 35 years in total, or
- the three-year (maternity/parental leave) or five-year (general leave) maximum leave purchase limits described above.

In these circumstances, the portion of the leave up to the maximum may be purchased.

Plan members may not purchase as leaves:

- a period during which the member was credited with service in another registered pension plan, or
- a period during which they were on strike.

### **2.2.2 Deadlines to purchase leaves**

There is a deadline applied to purchases of leaves of absence.

- Application to purchase a period of leave that ends on or after March 1, 2002 must be made within five years of the end of the leave period or before termination of employment, whichever occurs first.
- Application to purchase a period of leave that ended before March 1, 2002 must be made on or before March 31, 2007 or termination of employment, whichever occurs first.

Members must apply to purchase service before terminating their employment.

A member who does not apply to purchase a leave before terminating employment will never be able to purchase

that leave, even if the member again becomes an active plan member.

The member is not required to return to work after the leave, but must be an active member to apply to purchase. This means that if a plan member is not going to return to work after a leave, application must be made while on leave (and therefore an active member) in order to be eligible to purchase.

### 2.2.3 Cost to purchase leaves

“Current” means at the time of application to purchase.

The cost to purchase any leave of absence is calculated using the “Current Salary and Current Contribution” cost method. Under this cost method, the cost to purchase is determined by calculating the employee and employer contributions required for the amount of pensionable service to be purchased, using the plan’s current employee and employer contribution rates and the member’s current pensionable salary.

If a member chooses to pay for the employee portion of a maternity or parental leave taken under the requirements of the *Employment Standards Act*, the employer is required to pay for the employer portion of the leave cost.

The member is responsible for paying both the employee and employer costs for all other leaves unless you choose to pay a portion of the costs.

Members can estimate the cost to purchase service using the online purchase cost estimator at [pensionsbc.ca](http://pensionsbc.ca), or they may estimate the cost manually using the formula on page 2 of the *Purchase of Service Application Package*.

## 2.3 Reinstatement

Active College Pension Plan members who left employment and took a refund of contributions from the College Pension Plan may be eligible to reinstate that service by repaying their contributions plus interest. College Pension Plan members may also be eligible to reinstate a refund taken with the Municipal Pension Plan, Public Service Pension Plan, or the Teachers’ Pension Plan, providing they qualify under the *Interplan Pension Transfer Agreement*. Members should apply directly to the College Pension Plan. The plan will determine whether or not the Interplan eligibility criteria have been met and will advise the member accordingly.

The eligibility and terms for reinstatement are set by the pension plan that paid the refund, even if the plan member now belongs to a different plan. Members should consult the rules of that plan before making application. Please see the *Pensionfacts* for each plan's rules, online at [pensionsbc.ca](http://pensionsbc.ca).

Refunds taken from the Municipal, Public Service or Teachers' pension plans can only be reinstated if the service is immediately transferred to the College Pension Plan under the *Interplan Pension Transfer Agreement*.

Effective April 1, 2007 members will only be eligible to apply to reinstate refunds taken from the plan in which they are active.

### 2.3.1 Eligibility to reinstate a refund

Members must apply to reinstate service before terminating their current employment.

Plan members may reinstate refunds for periods of College Pension Plan service that ended before January 1, 1998.

There is no limit on the number of refunds that can be reinstated. Reinstatements must be purchased at the "Fund Rate" of interest cost (see section 2.3.3 for details.)

The full refund must be reinstated unless, as a result of the reinstatement, the plan member's pensionable service would exceed:

- 12 months in a calendar year, or
- 35 years in total.

A plan member cannot reinstate:

- refunds for periods of service which ended on or after January 1, 1998, or
- commuted value payments.

### 2.3.2 Deadlines to reinstate a refund

To be eligible to reinstate a refund:

- A person who becomes an active member on or after March 1, 2002 may apply to reinstate a College Pension Plan refund within five years of the time contributions to the plan recommence or before termination of employment, whichever occurs first. Effective April 1, 2007 such members will only be eligible to apply to reinstate refunds taken from the plan in which they are active.

- A person who was an active member on February 28, 2002 may apply to reinstate a College Pension Plan refund on or before the earlier of March 31, 2007 or termination of employment, whichever occurs first.

A member who does not apply to reinstate a refund before terminating employment will never be able to reinstate that refund, even if the member again becomes an active plan member.

### 2.3.3 Cost to reinstate a refund

The cost to reinstate a refund is the amount of the refund, plus interest, between the date the refund was taken and the date the funds are repaid to the plan. All reinstatements are calculated using the “Fund Rate” of interest—the net earned rate of the pension fund for the years in question.

## 2.4 Arrears

Arrears occur when a plan member and the employer should have made contributions to the pension plan, but did not. If you are aware of a possible arrears situation for one of your employees, you should notify the employee and submit an application form on behalf of the employee. There are two types of arrears: enrolment arrears and payroll arrears.

See section 7 for information on recovering arrears.

### 2.4.1 Eligibility to purchase arrears

#### *Enrolment arrears*

Enrolment arrears occur when:

- a plan member for whom enrolment in the plan is mandatory does not start making contributions when first required,
- a plan member whose enrolment was optional does not complete a written waiver to opt out of the pension plan and does not commence contributions, or
- a plan member whose enrolment is optional elects to enrol but does not start making contributions from the date of election.

Payment for enrolment arrears is optional for plan members.

Payment of enrolment arrears is mandatory for employers but optional for plan members. You must pay on receipt of the *Statement of Cost*.

When only the employer portion of the arrears is paid, only one-half pensionable service and full contributory service is credited to the plan member. When both the employer and plan member portions are paid, the plan member is credited with full pensionable service and contributory service for that period.

### ***Payroll arrears***

Payroll arrears occur when an employer has neglected to continue making deductions for a plan member. This can happen when the employer has:

- not made the required deductions on salary paid during a partially-paid leave of absence,
- failed to resume deductions when an employee, after a period of time when deductions were discontinued, should have started contributing again (for example, after a maternity leave), or
- for any reason does not make the required deductions and does not remit the required contributions for an active plan member (for example, there is a problem with your payroll system).

Payment of payroll arrears is mandatory for both you and the plan member. They must be paid on receipt of the *Statement of Cost*. You must remit the required employee and employer contributions, and collect the employee contributions from the plan member.

Payroll arrears are mandatory for both employers and plan members

### **2.4.2 Deadlines to purchase arrears**

There is a deadline applied to purchases of enrolment arrears.

- Active members who receive a notice of enrolment arrears on or after March 1, 2002 must apply within five years of the date the arrears notice is sent, or prior to termination of employment, whichever occurs first.
- Active members who received a notice of enrolment arrears before March 1, 2002 must apply on or before March 31, 2007, or prior to termination of employment, whichever occurs first.

If application is not made prior to the deadlines, the member will no longer be eligible to purchase the arrears period.

### **2.4.3 Cost to purchase arrears**

The cost to purchase arrears is calculated using the “Current Salary and Current Contribution” rate cost method. Under this cost method, the cost to purchase is determined by calculating the employee and employer contributions required for the amount of pensionable service to be purchased, using the plan’s current employee and employer contribution rates and the member’s current pensionable salary. (“Current” at the time the arrears cost is calculated.)

## **2.5 Child-rearing break**

Plan members who take time off work to raise their own child may be able to have up to five years of this “child-rearing” time recognized as contributory service in the College Pension Plan.

Unlike purchasing a leave, members do not pay any money to be credited with child-rearing time. Rather, the time is counted as contributory service as long as the member meets the eligibility requirement (see below). Additional contributory service could benefit plan members by assisting them to become entitled to a pension. Also, if plan members plan to retire under age 60, additional contributory service from child-rearing time could help them meet the age plus service requirement for an unreduced pension, or for a lower reduction.

### **2.5.1 Eligibility for child-rearing time**

To qualify for child-rearing time, a plan member must:

- accumulate pensionable service in the College Pension Plan before and after taking time off to raise a child,
- quit work or take an employer-approved full-time leave of absence specifically to raise a child,
- not have accrued entitlement to a benefit under any registered pension plan during the child-rearing period, and
- pay back any refund of contributions they might have taken before the child-rearing period.

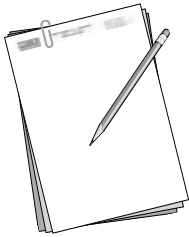
If the member purchases a leave taken for child-rearing under the leaves of absence rules, the member will already have contributory service credited for that period, and will not have additional contributory service credited for child-rearing time.

### 2.5.2 Applying for child-rearing time

The plan member should apply to the plan, using the *Child-rearing Declaration* form. The member must sign the form and include copies of the child's birth certificate or adoption papers.

## 2.6 Applying to purchase service

### 2.6.1 When is an application form required?



For leaves, non-contributory service and arrears, plan members cannot apply directly to the pension plan. They must submit a *Purchase of Service Application* form to you with Part A complete. If Part A has not been completed, return it to the member and have them fill it out.

For reinstatements, plan members can apply directly to us using a *Reinstatement of a Refund Request for Cost* form.

The member must complete a separate application for each purchase type, with the exception of multiple general leaves of absence that occur during the same reporting segment (i.e., September to December and January to August); these can be requested on one application. Attach details of dates and service for each leave period. We will combine the periods of service and provide one *Statement of Cost* to the plan member.

### 2.6.2 Members on leave prior to retirement

If a member is on a leave of absence just prior to retirement and wishes to purchase service:

- The member should apply to purchase that leave (and any other unpaid purchases) prior to their retirement date.
- If the member wishes to complete the purchase prior to retiring, they should apply approximately two months prior to their retirement date.
- The member must pay by the due date indicated on the *Statement of Cost*—once the due date is past, the member will not be able to purchase the service.
- If the pension is processed before the purchase has been completed, it will be amended as soon as the purchased service is credited to the member's account.

Remember, plan members must be active (including being on a leave of absence) to apply to purchase service.

### 2.6.3 Purchase cost estimates

The member should not forward any funds to the corporation until they have received a final costing from the College Pension Plan.

The member should calculate an estimated cost and determine the estimated increase to pension prior to submitting the application; you may be asked to assist your employees with estimates. An estimated cost allows members to determine if they wish to proceed with the purchase before making a formal application, and before having you complete the employer portion of the application form.

Plan members can obtain these figures in two ways.

1. **Online purchase cost estimator:** There is an online purchase cost estimator on the corporation's website at **pensionsbc.ca**.

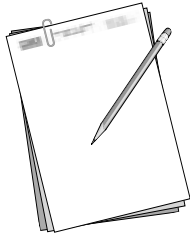
The online purchase cost estimator will provide the member with an approximate cost to purchase service, the estimated increase to their monthly pension if they purchase service, and a payback feature, which lets the member know how many monthly pension payments they need to receive in order to recoup the cost of purchasing service.

Members who use the online purchase cost estimator and have decided to proceed with the application may print directly from the estimator. The application form will be populated with the purchase details as entered by the member.

2. **PDF version:** A *Purchase of Service Application Package* is located under the "Purchase of Service" section on the **pensionsbc.ca** website. The package provides a formula which a plan member can use to manually estimate the cost to purchase service, as well as an Increase to Pension table for the member to determine the amount their monthly pension may increase if the purchase is made.

The member should not forward any funds to the corporation based on estimates from the purchase cost estimator or that they have manually calculated. Members can only make payment when they receive a *Statement of Cost* from the College Pension Plan.

## 2.7 The purchase of service application package



### 2.7.1 The purchase package overview

The purchase application package has been developed to help the member better understand purchase of service and their role in the purchase process.

### 2.7.2 Purchase of service information for the member

The *Purchase of Service Application Package* provides answers to questions regarding purchasing service, in addition to a brief description of the types of purchases (arrear, leaves of absence, and non-contributory service) and eligibility.

The package also provides working tools to help determine the estimated cost to purchase service and the increase to their monthly pension should they decide to purchase the service. These tools have been provided so the member can decide if the purchase is feasible, and if they wish to proceed with the application. This should be done before they forward the application to you.

The *Purchase of Service Application Package* also provides information as to the next steps in the purchase process, such as paying for the purchase and tax considerations.

### 2.7.3 Reviewing and verifying the purchase application form

It is critical that you verify and submit purchase applications to us without delay when a member applies to make a purchase.

When a *Purchase of Service Application* form arrives in your office:

- Ensure that all applications are **date stamped** on the day they arrive in your office. This date is deemed to be the “Application Received Date” and will be used by College Pension Plan staff to determine the applicable rates to apply to a purchase cost and/or determine if the application has been received before a pertinent deadline, for example, termination or the 2007 purchase deadline.
- Ensure the member has completed Part A of the *Purchase of Service Application* form in its entirety. It is the member’s responsibility to provide you with as much information as possible for the period of service they wish to purchase.

- It is your responsibility to **verify** the information submitted by the employee on the *Purchase of Service Application* form. See section 2.7.5 for detailed information.
- Researching a purchase request will vary case by case, however, you should use your best judgment on how much research time is appropriate, based on 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 verification resources (you may have to request this information from your employee):
  - 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 the Canada Pension Plan.

#### **2.7.4 Current vs. former employer**

- It is the employee's responsibility to provide you 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 as listed above.
- The former employer verifies the employment and service and signs Part C of the application form. 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 you with documentation to support their application.
- Once the employment and service have been verified by the former employer, or by the supporting documentation, you must confirm the member's current annual pensionable salary, sign Part B of the application and forward to the College Pension Plan for processing.

## 2.7.5 The purchase application form

### 2.7.5.1 Part A—To be completed by the plan member

The member must complete all applicable areas; in some instances members may need assistance to determine the dates and the amount of service eligible for purchase. Keep in mind that the member must exercise due diligence in attempting to find the necessary information before requesting your assistance.

Members must complete the following critical fields:

- Plan member name and address.
- Social Insurance Number.
- Type of Purchase—the member may have to review detailed information provided on the *Pensionfacts* for each purchase type to determine the type of purchase and eligibility. *Pensionfacts* are located under the “Purchase of Service” section on the **pensionsbc.ca** website.
- Period of Service Applying to Purchase—some members may find it difficult to determine the actual dates for the period of service. In some instances you may assist the member in locating these dates; however, the member must exercise due diligence to find the dates prior to contacting you.
- Amount of Service Applying to Purchase—the member must choose either full-time or part-time. If part-time has been selected, a percentage of full-time employment must be indicated by dividing the actual hours worked in the year by the possible full-time hours in the year, or the member can indicate the number of months of pensionable and contributory service they believe is available to purchase.

When confirming the information in Part A, remember the following:

- **Current pension plan:** The member can only purchase service that occurred in their current pension plan.
- **Type of purchase:** The member must complete a separate application for each purchase type, with the exception of multiple general leaves of absence that occur during the same reporting segment (i.e., September to December and January to August), which can be requested on one application.

Attach details of dates and service for each leave period. We will combine the periods of service and provide one statement of cost to the plan member.

- **Maternity, parental, and adoption leaves:** You must view and verify the accuracy and authenticity of any documents related to the child's date of birth (or adoption) prior to signing the application form. The College Pension Plan does not need to see these documents.
- **Amount of service to purchase:** Confirm the amount of eligible service to be purchased. The member will complete this in one of two ways:
  1. Indicate if they are full-time or part-time; if part-time, the member will indicate the percentage of full-time employment. The College Pension Plan will calculate the eligible service based on the start and end dates and the percentage you have given us; or
  2. Indicate the number of months of pensionable and contributory service eligible for purchase.
- **Period of service to be purchased:** You can confirm this information by checking your employment records or, if these records are unavailable, you may need your employee to provide you with some information such as:
  - 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 the Canada Pension Plan.
- Once you have sufficient information to be confident in confirming the requested period of service, you must complete Part B.

### **2.7.5.2 Part B—To be completed by the current employer**

It is your responsibility to provide us with the Current Annual Pensionable Salary (full-time equivalent). This will be the salary the College Pension Plan will use to determine the cost of the purchase. Pensionable Salary means the base salary received by a member and includes any additional amounts specified by the board.

The following describes what types of earnings, compensation or pay are pensionable and lists some exclusions.

By signing the *Purchase of Service Application* form you are indicating that you understand you will be billed for the employer portion, if applicable.

Additional Information on Pensionable Salary can be located in Section 7 of this Employer Manual.

#### ***Pensionable salary***

- base salary
- department head allowance
- senior instructor allowance
- pay for direct studies for instructors who work a less than full-time assignment to a maximum level of pay for full-time service
- distance education tutor salary for instructors who work less than full-time assignment to a maximum level of pay for full-time service
- vacation pay
- higher salary while acting in a position
- shift differential
- extra wage for first aid qualification
- trade certification
- maternity and parental leave top up

#### ***Non-pensionable salary (including, but not limited to)***

- overtime pay
- lump sum payments in lieu of vacation

For current year purchase requests you must provide us with the number of months of pensionable service the member has accrued to date for the current segment.

If the request is for maternity or parental leave you must provide us with the months of pensionable service the member has accrued as a result of maternity and/or parental leave top up.

By signing Part B, you are confirming the information in Part A, and certifying that the information is true, complete, and correct to the best of your knowledge, based on the purchase eligibility rules for each purchase category (please refer to purchase eligibility for each type of purchase earlier in this section).

Also, by signing the form you are indicating that you accept the respective employer cost responsibility if applicable. For example, if an employee pays for the employee portion of a maternity leave, the employer who granted the leave will be billed for the employer portion of the cost.

We use the current year service information to determine how much service the member is eligible to purchase. Refer to eligibility rules in section 2.1.1.

#### ***2.7.5.3 Part C—To be completed by the former employer (if required)***

If the period of service being purchased was with an employer with whom the employee is no longer employed, the employer for the period being purchased must complete Part C as the Authorized Signing Officer. The current employer is still required to complete Part B of the application form to provide us with the Current Annual Pensionable Salary. If the previous employer no longer exists, and is not an amalgamation, the member must provide you with proof of employment in order for you to verify the period of service.

#### **2.7.6 Forward the application to the College Pension Plan**

Once all sections of the form are completed, the form is sent to us. We will produce a *Statement of Cost* and send it to the member. The member must pay by the due date indicated on the statement in order to be eligible to purchase the service at that cost. If the member does not purchase, they may apply to have the cost recalculated, as long as the deadline for that purchase type has not passed (see deadline information under each purchase type in this section) and the member is still eligible to purchase service.

### 2.7.7 Request for an updated purchase cost

In order to receive an updated cost, members must formally request an update; they can do so by completing the Request for an Updated Cost section on the *Statement of Cost* and sending it to you. You will review the *Statement of Cost* details to ensure that the member is still eligible to apply to purchase service, and then complete the employer section, providing us with the new “Current Annual Pensionable Salary” (Full Time Equivalent), so we can prepare an updated cost using the most current salary. Once completed, sign the form and forward it to the College Pension Plan, we will send out a new *Statement of Cost* to the member.

## 2.8 Paying for purchases

### 2.8.1 Methods of payment

There are several possible methods of payment:

- cash from plan member (in the form of a personal cheque),
- RRSP transfer,
- employer funds,
- employee funds directed from severance payments or retirement allowances, or
- combination of any of the above.

Members should contact CRA directly for tax information.

### 2.8.2 Tax implications

Contributions made to pay for purchases may be tax-deductible. If a member pays in cash (in the form of a cheque) directly to the College Pension Plan, we will issue a receipt to the member to use when filing their income tax return for the year in which the payment is made.

If the purchase is for post-1990 dates the member must have sufficient RRSP room in order to pay by cash. The member must contact Canada Revenue Agency (CRA) to see if they have enough RRSP room. If a member pays for their purchase by cash and they do not have enough room, CRA will deny the purchase.

If a member pays by RRSP transfer, we will not issue a receipt as the funds are already tax sheltered and would have been deducted by the member at the time they were contributed. We will acknowledge receipt of these funds.

If you are paying some or all of the member's purchase, you need to arrange the details of the employer payment with the member. Ensure the payment is made by the due date on the *Statement of Cost* and that the member has completed the "Method of Payment" section on the *Statement of Cost* invoice.

No tax receipts are issued for employer-funded payments, other than severance and retiring allowance payments as set out below.

### 2.8.3 Severance and retiring allowance payments from the employer

If the payment is coming from severance pay or retiring allowance, we will issue a tax receipt to the member for the purchase payment and then you will issue a T4 to the member for the income.

It is important that members understand that purchases made from a severance or retiring allowance may affect RRSP room.

## 2.9 Payment and billing

### 2.9.1 Arrears

For arrears, the employer is automatically billed for the employer portion of the cost. We will send you a letter showing the breakdown of the employee and employer costs.

#### ***Enrolment arrears***

**Employer portion**—you can pay in one of two ways:

- through the regular remittance process by reporting the employer portion of the arrears payment on line 6 of your next employer remittance—ensure you include the arrears payment with your remittance, or
- by a separate cheque.

**Employee portion**—we will send the member a *Statement of Cost* for the employee portion. The member must decide whether or not to pay the employee portion, which may be

We will bill employers and members separately for their portions.

paid by RRSP transfer or by cash, subject to CRA approval. If the member chooses to pay by cash, we will issue a tax receipt directly to the member. If the member chooses to pay by RRSP, we will send them a *Purchase Confirmation Letter*.

### ***Payroll arrears***

In addition to the arrears letter, we will send you the *Statement of Cost* for the employee portion. You must remit both the employee and employer amounts. You are responsible to deduct the employee contributions from the member's pay or arrange for payment with the member. You are responsible for indicating the deduction for the member's portion on their T4 slip. If you require assistance on completing the T4 with this information please call CRA.

### **2.9.2. Leave of absence**

For maternity and parental leaves, the member will be sent a *Statement of Cost* for the employee portion. If the member pays for their portion, an *Employer Purchase Billing Report* is generated and sent to the employer who granted the leave. The employer must pay the employer portion by the due date indicated on the billing letter.

For general leaves, the member will be sent a *Statement of Cost* for the full cost. Although employers are not required by the pension plan rules to pay for any portion of this cost, you may have an arrangement with your employee to pay for all or a portion of it. If so, please forward a cheque by the due date indicated on the *Statement of Cost*.

If the member chooses to pay by cash, we will issue a tax receipt directly to the member. If the member chooses to pay by RRSP, we will send them a *Purchase Confirmation Letter*.

### **2.9.3 Non-contributory service**

The member will be sent a *Statement of Cost* for the full cost. Although employers are not required by the pension plan rules to pay for any portion of this cost, you may have an arrangement with your employee to pay for all or a portion of it. If so, please forward a cheque by the due date indicated on the *Statement of Cost*.

If the member chooses to pay by cash, we will issue a tax receipt directly to the member. If the member chooses to pay by RRSP, we will send them a *Purchase Confirmation Letter*.

#### **2.9.4 Reinstatement**

Reinstatements only have an employee cost because the employer contributions are not refunded when a member takes a refund from the plan.

If the member chooses to pay by cash, we will issue a tax receipt directly to the member. If the member chooses to pay by RRSP, we will send them a *Purchase Confirmation letter*.

### **2.10 Pension transfer agreements**

Pension transfer agreements are negotiated agreements between pension plans that allow plan members to carry certain pension rights—including contributions and years of service—from one pension plan to another. They allow members to transfer the service they earned in a former plan (the “exporting plan”) to their current plan, or the plan to which they last contributed (the “importing plan”).

- To transfer pension rights under an agreement, plan members must leave their contributions on deposit with their plan, rather than take a refund or other plan benefit, when they terminate employment.
- Transferring pension rights under an agreement can improve the overall benefits that a plan member is entitled to receive.

To be eligible to transfer pension rights, the member must meet certain criteria. These depend on the transfer arrangements between the two pension plans. Typically, they include things like:

- deadlines to transfer service and pay any shortfall,
- maximum breaks in service between the two plans, and
- a requirement that the member must not have taken a benefit from the exporting plan.

The plan member should contact the College Pension Plan directly to find out if there is an agreement in place with another pension plan, and how to proceed from there.

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 March 31, 2007, or until your current employment ends (whichever is earlier), to purchase service that occurred prior to April 1, 2002. For service after April 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](http://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](http://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](http://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).

[pensionsbc.ca](http://pensionsbc.ca)

### 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](http://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 <b>current</b> full-time gross monthly salary (or full-time equivalent if part-time)	\$6,000
Percentage of full-time employment <b>during purchase period</b>	X <span style="border: 1px solid black; padding: 2px 10px;">100%</span>
Number of months available to purchase	X <span style="border: 1px solid black; padding: 2px 10px;">6</span>
Contribution rate (employee/employer combined)	X <span style="border: 1px solid black; padding: 2px 10px;">17.40%</span>
Estimated cost to purchase the service =	\$6,264
Maternity/parental leave (if applicable)	÷ 2 = <span style="border: 1px solid black; padding: 2px 10px;">\$3,132</span>

(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 RRSP 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](http://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](mailto:CPP@pensionsbc.ca)  
Web [pensionsbc.ca](http://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.



SEPARATE AND REMOVE INFORMATION SHEET BEFORE FORWARDING THE COMPLETED APPLICATION. KEEP FOR REFERENCE.



## PURCHASE OF SERVICE APPLICATION

PENSION PLAN USE ONLY	
PERSON ID	
<b>College Pension Plan</b> PO Box 9460 Victoria BC V8W 9V8	
Location	2995 Jutland Road, Victoria
Web	<b>pensionsbc.ca</b>
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.

<b>TYPE OF PURCHASE</b> (separate application required for each purchase type) – please check (✓) <b>ONE</b> of the three types below			
<b>LEAVE OF ABSENCE</b>		<b>ARREARS</b>	
<input type="checkbox"/> MATERNITY – (child date of birth) _____ YYYY / MM / DD <input type="checkbox"/> PARENTAL – (child date of birth) _____ <input type="checkbox"/> ADOPTION – (adoption date) _____ <input type="checkbox"/> GENERAL		<input type="checkbox"/> ENROLMENT <input type="checkbox"/> PAYROLL ERROR <input type="checkbox"/> <b>NON-CONTRIBUTORY SERVICE</b>	
<b>PERIOD OF SERVICE APPLYING TO PURCHASE</b>			
EMPLOYER NAME DURING PURCHASE PERIOD		START DATE YYYY / MM / DD	END DATE YYYY / MM / DD
<b>AMOUNT OF SERVICE APPLYING TO PURCHASE</b>			
<input type="checkbox"/> FULL-TIME <input type="checkbox"/> PART-TIME (indicate percentage) _____ %	<b>OR</b>	PENSIONABLE SERVICE MONTHS	CONTRIBUTORY SERVICE MONTHS
PLAN MEMBER SIGNATURE			DATE SIGNED YYYY / MM / DD

**PART B** To be completed by **CURRENT EMPLOYER** – please print clearly – refer to employer manual for clarification

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)	\$	<b>OR</b>
FOR CURRENT YEAR REQUESTS Indicate the amount of pensionable service earned but not yet reported to the plan.	MONTHS	<input type="checkbox"/> CHECK (✓) IF PLAN MEMBER IS CURRENTLY ON GROUP DISABILITY (e.g., LTD)
FOR LEAVE OF ABSENCE REQUESTS Indicate the amount of pensionable service earned during the purchase period (e.g., Maternity top up, partial leaves), if applicable.	MONTHS	
<b>CURRENT EMPLOYER CERTIFICATION</b> – 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
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**Employer and Plan Member: Make a copy of this completed form for your records before forwarding to the pension plan**

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## 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.

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pensionsbc.ca

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