



uOttawa

L'Université canadienne
Canada's university

Buy-backs of previous service – building your pension

What's in this fact sheet?

This fact sheet explains the basics of buy-backs and describes situations in which they can occur. For more information, contact the Human Resources Service, Pension Sector:

Telephone: (613) 562-5800 ext.1206

E-mail: pension@uOttawa.ca

In person: Tabaret Hall, Room 019

What is a buy-back?

A buy-back is the purchase of previous service with the University of Ottawa so that it becomes recognized as service under the University of Ottawa Retirement Pension Plan (the pension plan). The service you buy back is added to your credited service under the pension plan. More credited service means a higher pension and it may also mean retiring earlier.

Whether or not to buy back service is a personal decision. You are responsible for deciding if a buy-back is a good idea for you, and if you can afford it.

To make an informed decision, you need to know the cost of buying back the service and the impact the buy-back will have on your pension. Consider your goals for retirement and your view on how your finances support these goals. You may also wish to consult an independent financial advisor – a professional who will not profit from your decision – before making your decision.

Why buy back?

Your pension benefit from the University is based on your years of credited service in the pension plan. When you buy back, you increase your credited service, which may:

- increase your pension,
- allow you to retire with an unreduced pension at an earlier date if it allows you to reach the 90 Factor earlier,

- let you benefit from a tax break,
- mean a smaller reduction in your pension at retirement if you don't meet the requirements for an unreduced pension when you leave the University between ages 55 and 60, and
- provide a larger survivor benefit for your spouse and/or your beneficiary after your death.

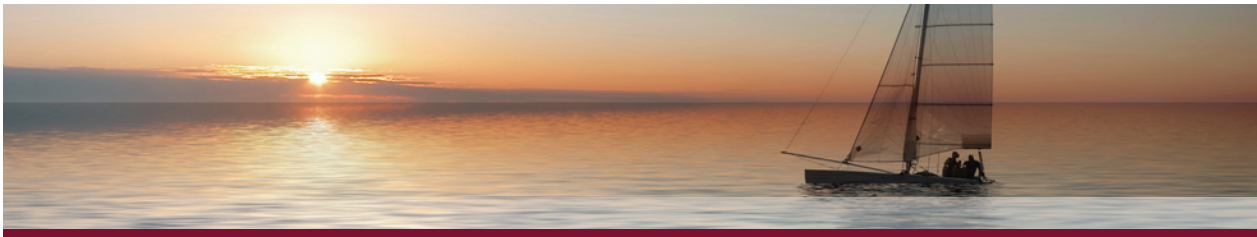
Terms you need to know

Credited service

Your credited service is the days, months and years that you contribute to the University's pension plan including service that you transferred from a previous employer, or service while you were receiving benefits from the University's Long-Term Disability Plan.

90 Factor

When you are at least age 55 and the total of your age and years of credited service is equal to or greater than 90. At the age of 60 or when you reach the 90 Factor (whichever occurs first), you are eligible for an unreduced pension.



Buy-backs of previous service – building your pension

Example – the benefits of buying back

If you buy back...	And your highest average earnings at retirement* are...			
	\$55,000	\$65,000	\$75,000	\$85,000
	Your annual pension will increase by...			
1 year	\$900	\$1,100	\$1,300	\$1,500
2 years	\$1,700	\$2,100	\$2,500	\$2,900
3 years	\$2,600	\$3,200	\$3,800	\$4,400
4 years	\$3,400	\$4,200	\$5,000	\$5,800
5 years	\$4,300	\$5,300	\$6,300	\$7,300

The calculations assume you retire after age 60 and are based on the 2008 integration level.

*The average of your earnings over the 60 highest-paid months recognized by the University for this purpose.

What service can I buy back and how much does it cost?

1. Leaves of absence and periods of reduced workload

You may be eligible to buy back:

- maternity and parental leave, if you did not contribute during your leave,
- other authorized leaves of absence without pay, and
- periods where you worked a reduced workload.

Terms you need to know

Contributions

This is the amount that would have been contributed to the pension plan if you had not taken the leave.

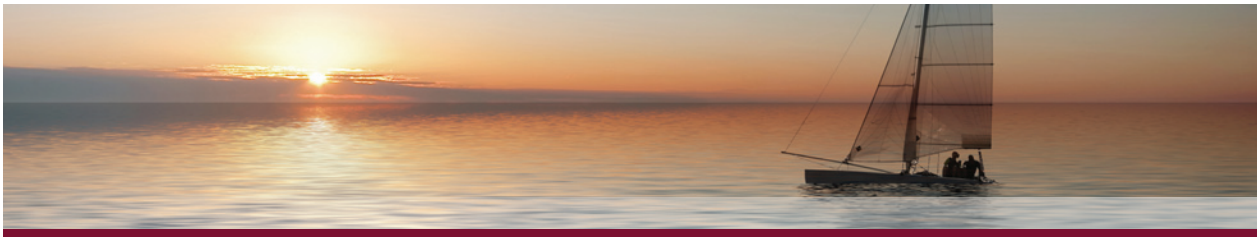
Actuarial value

This is an immediate lump sum estimated to be equal in value to your additional future pension payments following the buy-back. The value is based on the pension plan provisions and assumptions prescribed by the Canadian Institute of Actuaries, which include mortality rates and current market interest and inflation rates.

Cost

For...	Maternity leave and parental leave*	Other authorized absences without pay and periods of reduced workload*
If you choose to buy back within one year of the end of the leave, the cost is...	Your contributions only	Your contributions and the University's contributions
If you choose to buy back more than one year after the end of the leave, the cost is...	The greater of: <ul style="list-style-type: none"> • your contributions and the University's contributions, plus interest, and • the actuarial value of the additional benefit 	The greater of: <ul style="list-style-type: none"> • your contributions and the University's contributions, plus interest, and • the actuarial value of the additional benefit

*The *Income Tax Act* limits the number of years of absence without pay that can be bought back.



Buy-backs of previous service – building your pension

2. Service with the University when you were not a member of the pension plan

You may buy back service during which you worked for the University, but were not a member of the pension plan. These types of service include:

- service before age 30 when you chose not to join the pension plan,
- service while you were a contract employee before you were eligible to join the plan, and
- service while you were contributing to the Association of Part-Time Professors of the University of Ottawa (APTPUO) Defined Contribution Pension Plan.

Cost

The cost is the actuarial value of the additional benefit.

3. Other types of previous service with the University

You may also be eligible to buy back:

- a prior period of pension service with the University before your most recent date of hire, or
- additional service following a transfer of service from another employer where there were not enough funds to recognize the full period in the University's pension plan.

Contact the Human Resources Service, Pension Sector, for more information about buying back these types of service.

Deadlines for buying back

You can choose to buy back previous service anytime before retirement as long as you are a member of the pension plan. Keep in mind, the actuarial cost of a buy-back generally goes up as you approach retirement age. So, it may be cheaper to buy back service sooner rather than later.

Paying for your buy-back

You may pay in either or both of the following ways.

- *In a lump sum:* You may pay for your buy-back in cash or by a direct transfer from your RRSP or the APTPUO pension plan (including any contributions made to the pension plan that have been deemed voluntary contributions).
- *By payroll deduction:* You may pay in instalments through payroll deduction for any period of time, until retirement, as long as you are under age 65. You pay interest on the unpaid balance, if you choose to pay this way. This means the total cost of the buy-back will be higher. And the longer the period you choose over which to pay your buy-back, the more costly it will be.

If you choose to pay by payroll deduction, you can later – on the anniversary date of your buy-back – decide to change the amount of your deductions or make a lump-sum payment. If you make a lump-sum payment, it will be applied against the total cost to shorten your repayment period or, at your request, reduce your payroll deductions. You may also increase your payroll deductions on your anniversary date, which will shorten your repayment period.

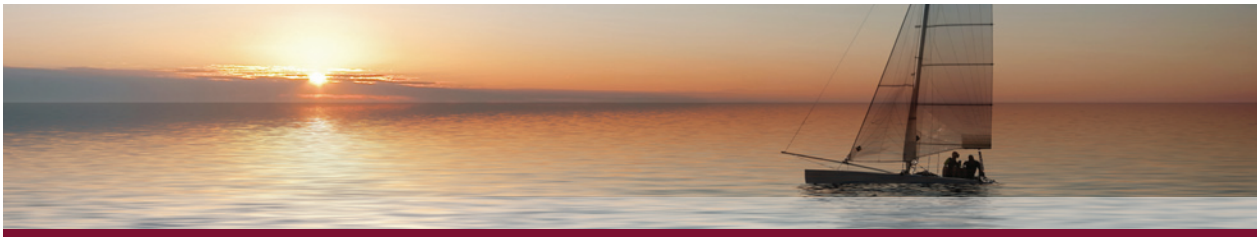
If you die or end your employment before your buy-back is fully paid, your credited service will be adjusted based on the amount that has been paid, unless the balance of the buy-back is paid in full at that time.

Any retiring allowance payable at retirement cannot be used to cover a buy-back cost when you retire.

Terms you need to know

Amortization

You may see this term in some buy-back communication. It refers to paying for your buy-back over a period of time, where the payments include interest.



Buy-backs of previous service – building your pension

Getting a quote on the cost of buying back

Send a request in writing – indicating your employee number – to the Human Resources Service, Pension Sector, to find out what periods you can buy back and how much it will cost.

The quote will include the following:

- the period you can buy back,
- the cost of your buy-back,
- the amount of extra pension it would provide,
- the impact, if any, it has on your eligibility for an unreduced pension,
- a schedule for paying by payroll deduction over a period of time,
- the amount of the Past Service Pension Adjustment (PSPA), if any, which would be applicable if you decide to buy back, and
- the Buying Back Service Complementary Information Sheets to help you understand the tax rules.

The quote provided is calculated based on the interest rates and assumptions in the month in which you make your request. You have 90 days from the date of the quote to inform the Human Resources Service, Pension Sector, of your decision to buy back. After 90 days, the cost will be recalculated, which may result in a different amount.

Terms you need to know

Past Service Pension Adjustment (PSPA)

The Canada Revenue Agency uses the PSPA to ensure that the overall limit on tax-sheltered savings is maintained.

If you do not have enough RRSP room to absorb the PSPA related to the buy-back, you may be required to withdraw money from your RRSP (and pay income tax on the withdrawal) in order to buy back the past service.

Tax implications

Is the cost of a buy-back tax deductible?

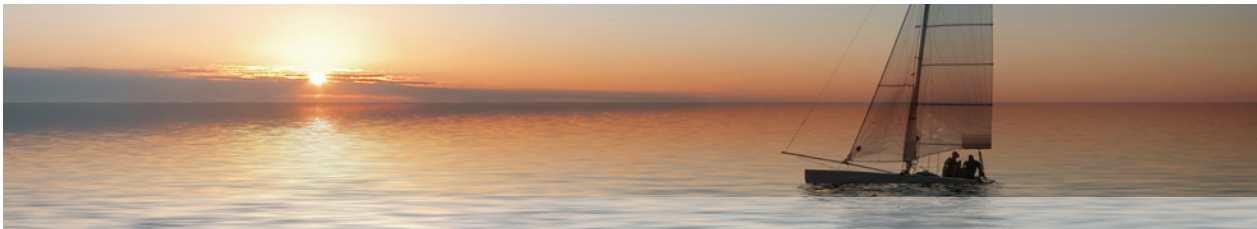
In general, for service after 1989, when you use money other than from your RRSP, you can claim the buy-back cost as a tax deduction based on the regulations set by the CRA and pension guidelines in place. Amounts contributed will be reported on your T-4 slip for the calendar year in which the contributions were paid.

For service before 1990, the rules are more complex. More detailed information on the tax implications of buying back can be found on these Buying Back Service Complementary Information Sheets:

- *Allowable Funds* details which funds you can use to pay for your buy-back.
- *Contribution Deductions* describes what you can deduct for tax purposes.
- *Maximum Benefits* describes the limits applicable to the benefits that can be provided if you buy back service.

You may wish to discuss the tax implications of buying back with your personal financial advisor.

For more information, refer to the Buying Back Service Complementary Information Sheets or contact the Human Resources Service, Pension Sector.



Buy-backs of previous service – building your pension

Buy back how to

Use this checklist to help you through the buy-back process.

<input type="checkbox"/>	<p>Send a request in writing via e-mail or regular internal mail to the Human Resources Service, Pension Sector, for a quote of the service you can buy back. Allow up to six weeks for your request to be processed.</p> <p>Remember to note your new employee number when you send your request. Your new number is a nine digit number that starts with 1 followed by a series of zeros and your old employee number.</p>
<input type="checkbox"/>	<p>Once you receive the quote, you can set up an appointment with a Pension Officer to discuss the details of the quote. Please consider consulting a personal financial advisor for help in determining whether to buy back service and the best payment method for you.</p>
<input type="checkbox"/>	<p>Complete the <i>Buy-back Contract</i> (form number Pension 05-E) and return it to the Human Resources Service, Pension Sector, within 90 days of the date of the quote.</p> <p>Be sure to note your employee number on the contract.</p>
<input type="checkbox"/>	<p>If you are making a cash lump-sum payment, enclose a void cheque with a pre-authorized bank withdrawal form and/or advise us if you will be using your voluntary contributions.</p>
<input type="checkbox"/>	<p>If you are transferring a lump-sum payment from your personal RRSP, have your financial institution complete a <i>T2033</i> form (available from the Pension Sector).</p>
<input type="checkbox"/>	<p>If you are transferring a lump-sum payment from the APTPUO pension plan, complete a <i>Direct Transfer</i> form (available from the Pension Sector).</p>
<input type="checkbox"/>	<p>If you wish to pay by payroll deduction, complete the ‘Amortization Period’ section under “Payment Method” on the <i>Buy-back Contract</i> form indicating the amount per pay you wish deducted.</p>

This fact sheet is for general information purposes only and is not intended to provide you with any personalized financial, insurance, legal, accounting, tax or other professional advice. While the University of Ottawa has made every effort to ensure the accuracy of the information, complete details are contained in policies, documents, contracts, pension plan text, and applicable legislation. These official documents govern the operation of the pension plan and take precedence over the information in this fact sheet in the case of inconsistency or error.



uOttawa

L'Université canadienne
Canada's university