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Your Pension Plan

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Preface

This booklet provides a factual, concise explanation of the major terms of the *Public Service Superannuation Act* (PSSA, or “the Act”), your pension plan. As a new employee or one who has been in the Public Service (PS) for some time, you have a vital interest in the benefits this plan provides to you and your family and in the contributions you and your employer make to provide these benefits.

For some aspects of the Act you will have to make decisions, within given time limits, that will affect your eventual benefits and those of your family. We hope that, by carefully studying this booklet, you will be able to make the choices that are most beneficial to you. These decisions are your responsibility alone: you must learn about the choices available to you and the time within which you have to make them.

Although the information in this booklet applies to the great majority of employees, it isn’t possible to cover every circumstance. If you feel that your situation hasn’t been covered, or if you wish to confirm that a particular provision does or doesn’t apply to you, you should talk to your compensation office.

This booklet is provided for information purposes only and does not constitute a legal document on your rights and obligations. Should there be any conflict between the information in this document and that contained in the *Public Service Superannuation Act* and Regulations, or other applicable laws, the Act and Regulations apply.

Note: *Please see Annex A of this booklet for a list of important addresses and telephone numbers that may be of use to you.*

Introduction

Your pension plan is designed to provide you with a retirement income during your lifetime. In the event of your death, the plan provides an income for your survivor and eligible children.

This plan is generally referred to as a defined benefit pension plan. A defined benefit plan is one in which the benefits payable on death, disability, termination of service and retirement are specified in the plan document, in this case, the *Public Service Superannuation Act* and Regulations. The benefits are directly related to the employee's salary and period of participation (service with contributions) in the plan.

The *Public Service Superannuation Act*

This Act, which provides pensions for public service employees, has been in effect since January 1, 1954. Part II of the Act, the Supplementary Death Benefit Plan, which provides decreasing term life insurance coverage to pension plan contributors, was added a year later. Since then, both the Act and its supporting regulations have been amended many times to respond to changes in the employees' and the employer's needs and to reflect changes in other federal and provincial laws. This booklet includes amendments up to January 1, 2008.

The President of the Treasury Board is the minister responsible for the PSSA, including financial management of the Superannuation Account and the Public Service Pension Fund. Public Works and Government Services Canada, under the direction of its minister, provides the day-to-day administration of the Act. The Office of the Superintendent of Financial Institutions makes periodic actuarial valuations of the Superannuation Account and the Public Service Pension Fund.

Other federal legislation complements the Public Service Pension Plan. Notably, a Retirement Compensation Arrangement (RCA) established under the *Special Retirement Arrangements Act* in 1994 provides those pension benefits that cannot be provided under the PSSA because of income tax rules for registered pension plans. Such benefits are paid from the RCA Account and are payable at the same time and in the same manner as those payable under the PSSA.

How the Public Service Pension Plan Relates to the Canada and Quebec Pension Plans

The Public Service Pension Plan is coordinated with the Canada and Quebec pension plans (CPP/QPP). Coordination affects both contributions and benefits. This means, firstly, that you contribute to your Public Service Pension Plan at a reduced rate on your salary up to the maximum covered by CPP/QPP. Secondly, it means that your pension under the Public Service Pension Plan will also be reduced by a standard formula when you become eligible to draw CPP/QPP benefits at age 65 or when you begin to draw CPP/QPP disability benefits at any age. (See "When will my public service pension be reduced?" p. 11.)

Part I—Benefits

A. Retirement Benefits

The retirement benefits payable to employees under the PSSA are designed to meet the needs of public service employees in their various situations at retirement. The benefits available to you will depend on your age, the years of service to your credit and, in some cases, the reason your employment ended.

To understand fully the benefits to which you may become entitled, read all of the following sections carefully and consult Table I.

Types of Retirement Benefits and Circumstances

How do the PSSA amendments of 1999 affect basic benefits?

As of June 17, 1999, the formula used to calculate basic retirement benefits for current plan members has been improved in your favour. Previously, the calculation was based on average best annual salary over six consecutive years. Now, the salary is averaged over five consecutive years. In most cases, this change will result in higher benefits at retirement.

Note: *The new formula applies only to those who retire on or after June 17, 1999.*

What happens if I have two or more years of pensionable service when I retire?

You will be entitled to either an immediate or a deferred pension, depending on your age at retirement. Or you may be able to choose a transfer value, depending on your age and how many years of pensionable service you have to your credit.

In most cases, the basic benefit (pension) formula below is used to calculate the benefit:

2 per cent	**X**	**number of years of pensionable service**	**X**	**average salary for your 5 consecutive years of highest paid service**

The benefit for any period of part-time pensionable service will be calculated as follows:

2 per cent	**X**	**number of years of part-time pensionable service**	**X**	**average salary for your 5 consecutive years of highest paid service based on full-time salary rate**	**X**	**assigned part-time hours / standard full-time hours**

Notes: **1.** *Pensionable service means the years (complete or partial) to your credit at retirement. It includes any periods of elective service regardless of whether you have paid fully for that service. For purposes of determining whether a service threshold has been met (e.g., 2 years or 30 years), a year of part-time service counts as one year of pensionable service.*

2. *Average salary is your salary during five consecutive years of highest paid pensionable service. It includes any salary you earned after completing 35 years of service, if that salary is the highest. For periods of part-time pensionable service, the equivalent full-time salary rate is used but the pension benefit is adjusted to reflect the assigned hours of part-time work.*

Example:

A person who retires with 35 years of service and an average salary of $40,000 over the best five years would receive two per cent X 35 X $40,000 = $28,000 per annum.

If that same person had 25 years of full-time service, along with 10 years of part-time service working 20 hours during a standard 37.5-hour work week, the calculation would be as follows:

2 per cent X 25 X $40,000 = $20,000
plus
2 per cent X 10 X $40,000 X 20/37.5 = $4,267
Total = $24,267 per annum

Retirement at or after 60 with two or more years of pensionable service, or at 55 with 30 or more years of pensionable service (immediate annuity)

If you retire at or after age 60 with two or more years of pensionable service, or at or after age 55 with 30 or more years of pensionable service, you are entitled to an immediate annuity calculated according to the formula set out above. It will not be reduced in any way, except for the appropriate adjustment for the CPP or QPP at age 65 or earlier if you are receiving disability benefits under either of these plans (see “When my public service pension be reduced,” p. 11). For purposes of determining whether a service threshold has been met (e.g., 2 years or 30 years), a year of part-time service counts as one year of pensionable service.

Retirement before 60 with two or more years of pensionable service (no entitlement to an immediate annuity)

If you retire before you reach age 60 (unless you are between age 55 and 59 and have 30 or more years of service to your credit), then you have the following choice of benefits:

- You may choose a deferred annuity which becomes payable at age 60. This benefit is calculated using the formula described above for an immediate annuity. If you choose this benefit you may, at any time after you reach age 50, request an annual allowance as described below.

- You may choose an annual allowance, which is a reduced pension. This benefit is payable at age 50 at the earliest.

- You may choose to receive your earned pension benefits in the form of a transfer value rather than as a future monthly pension. This benefit is only available if you leave the Public Service before age 50 (see "Transfer value option," below).

- If you have been employed with the Public Service less than two years and have made contributions under the PSSA and you resign voluntarily, you are entitled only to a return of contributions with interest. However, two years from the day on which you began to make contributions under the PSSA, your contributions will be "locked-in," you will no longer be entitled to a return of contributions, and the benefit options set out above will become available to you.

- If you leave the Public Service to work for another employer who has entered into a Pension Transfer Agreement with the federal government, it may be possible for you to transfer your PSSA pension credits to your new employer's pension plan. (See "Pension Transfer Agreements," p. 35.)

How an annual allowance is calculated

An annual allowance is calculated in one of two ways, depending on your age when you retire and the years of service you have to your credit.

Formula 1

The amount of the deferred annuity is reduced by five per cent for every year, to the nearest one tenth of a year, that you are under age 60 at the time the allowance is payable.

Example:

If you are exactly age 54 with 23 years of service, the calculation will be as follows:

60 – 54 = 6 years X 5 per cent = 30 per cent

Your annual allowance would equal your deferred annuity reduced by 30 per cent. If the deferred annuity were $20,000 per annum, the annual allowance would be $14,000.

Formula 2

If you have 25 or more years of service and are at least 50 when you leave the Public Service, an annual allowance is calculated by determining the amount of the deferred annuity and reducing it by the greater of the following two amounts:

- five per cent for every year, to the nearest one tenth of a year, that you are younger than 55 when you retire or when you opt for the benefit, whichever is later;

or

- five per cent for every year, to the nearest one tenth of a year, that your pensionable service is less than 30 years.

Example:

If you are exactly age 54 with 27 years of service, the calculation will be as follows:

55 – 54 = 1 year X 5 per cent = 5 per cent
or
30 – 27 = 3 years X 5 per cent = 15 per cent

Since 15 per cent is the greater reduction, your annual allowance would equal your deferred annuity reduced by 15 per cent. If the deferred annuity were $20,000 per annum, the annual allowance would be $17,000.

In some cases, if you have 25 or more years of service and are 50 or more when you leave the Public Service, the Formula 1 reduction may produce a greater benefit than the Formula 2 calculation. If so, the larger annual allowance is paid. For example, under Formula 1, if you were 58 with 26 years of service, the annual allowance would equal the deferred annuity reduced by the following amount:

60 – 58 = 2 years X 5 per cent = 10 per cent

Under Formula 2, your deferred annuity would be reduced by the following amount:

55 – 58 = –3 (therefore no reduction under the age component)
or
30 – 26 = 4 years X 5 per cent = 20 per cent

Since 20 per cent is the greater reduction under Formula 2, your annual allowance using the formula would equal your deferred annuity reduced by 20 per cent.

However, with this combination of age and service, the annual allowance would be determined using the most beneficial formula. In this instance, you would receive an annual allowance equal to the deferred annuity reduced by 10 per cent (Formula 1).

Permanency of Reduction

If you choose a reduced annual allowance, this reduction is permanent except in the case of disability, as described below.

If you are entitled to either a deferred annuity or an annual allowance but become disabled before you reach age 60, you will receive an immediate annuity instead. In such cases, though, the annuity would be adjusted to take into account any amount you had already received as an annual allowance.

If you are between age 50 and 60 when you retire and are interested in an annuity, you should estimate the long-term value of a deferred annuity, which is payable at 60, and compare it to an annual allowance, which is reduced but payable immediately. Depending on your circumstances, you could gain substantially by choosing an annual allowance.

Transfer value option (termination before 50)

If you leave the Public Service before you reach age 50, you may choose to receive your earned pension benefits as a transfer value rather than as a future monthly pension. A pension transfer value is a calculated lump-sum value of your future pension benefit. Contributors have one year after leaving the Public Service to choose this option.

The benefit to be valued will be the deferred annuity payable at age 60, taking into account potential disability and survivor benefits, as well as indexing. The transfer value will be equivalent to the lump-sum value of the earned pension based on actuarial assumptions. If you are paying elective service instalments, only the service you have bought up to the date of the option will be included in the transfer value. Therefore, it is important in this situation to consider the possibility of paying the balance owing on the election to increase the amount of the transfer value.

The transfer value must be transferred to another registered pension plan, to a locked-in retirement savings vehicle that complies with the requirements of the federal *Pension Benefits Standards Act*, or to a financial institution to buy an annuity.

Where an individual's transfer value exceeds the limits established by the *Income Tax Act*, the excess will be paid in cash to the former employee and taxed at that time.

You should direct all inquiries and requests for more information on the transfer value option to the Superannuation Sector, which has a comprehensive information package about this option.

Retirement because of disability

Disability is defined as a physical or mental impairment that prevents the individual from engaging in any employment for which the individual is reasonably suited by virtue of his or her education, training or experience and that can reasonably be expected to last for the rest of the individual's life.

For you to qualify for retirement on grounds of disability, Health Canada must certify that you meet this definition.

If you retire because of disability at age 60 or older, your benefits will be the same as if you had retired due to age.

If you have to retire because of disability before you reach age 60, you will receive an immediate annuity unless you have less than two years of pensionable service.

If you become disabled and choose an immediate annuity, but later regain your health and can return to work, your immediate annuity is terminated and converted to a deferred annuity payable at age 60. If you then wish to convert the deferred annuity to an annual allowance, you may do so at any time after reaching age 50.

If you are retiring because of disability, ask your compensation office about the procedures to follow.

Voluntary retirement with less than two years of continuous employment

Generally speaking, if you leave the Public Service with less than two years of pensionable service, you are entitled only to a return of contributions plus interest, regardless of your age or reason for retiring. The rate of interest payable on a return of contributions is calculated at the Superannuation Fund rate, compounded quarterly. Interest is calculated to the end of the quarter preceding the date of payment.

Even if you have more than two years of pensionable service when taking into account service under another pension plan, when you voluntarily retire from the Public Service before completing two years of substantially-continuous public service employment, your only entitlement will be a return of contributions plus interest. If, however, you came to the Public Service from the Canadian Forces or the Royal Canadian Mounted Police, or if you transferred your pension credits under the terms of a reciprocal pension transfer (PTA), you can use this previous service to make up the two years, if necessary.

Please consult your compensation office for further information.

Involuntary retirement

If you have to retire involuntarily, you are entitled to choose any of the benefits for which, considering your age and service, you would normally qualify.

As well, if you are laid off, the Treasury Board can waive all or part of the reduction in your annual allowance that would normally occur if you are 55 or older, have less than 30 years of pensionable service and have worked for the Public Service for at least 10 years.

You should consult your compensation office if these are your circumstances and you would like the Treasury Board to waive the reduction in your annual allowance.

Table I on the next page shows the PSSA retirement benefits available under various circumstances.

Table I—Your Pension Entitlement

Identify your circumstances by referring to columns A, B and C.

A	B	C	D
Reason for termination	**Age**	**Pensionable service**	**Entitlement/ service options**
Retirement	60 or over	At least 2 years	Immediate annuity
Retirement	55 or over	At least 30 years	Immediate annuity
Retirement – disability	Under 60	At least 2 years	Immediate annuity
Resignation	50 to 59	At least 2 years	Options: Deferred annuity payable at 60 Annual allowance payable from the later of the date of option or the date of ceasing to be employed.
Resignation	Under 50	At least 2 years	Options: Deferred annuity payable at 60 Annual allowance payable at any time from age 50 to 60 Transfer value
Lay-off	Under 60	At least 2 years	Options: Deferred annuity payable at 60 Annual allowance (at any time between age 50 and 60) Transfer value (if less than 50) **Note:** If you are over 55 with at least 10 years of public service employment, the Treasury Board may waive the reduction in annual allowance.
Any reason	Any age	Less than 2 years	Return of contributions with interest

Choosing Your Benefit

We have covered several situations in which an individual leaving the Public Service must choose between two or more pension benefit options.

You choose your benefit (make your option) by completing a special optional benefit form available from your compensation office. Normally you must complete this form and forward it to the Superannuation, Pension Transition and Client Services (or the Superannuation Sector), within one year from the day you leave the Public Service. (Please see Annex A for the address and phone number.) If you do not make your option within this period, you are considered to have chosen a deferred annuity and cannot subsequently choose any other benefit except an annual allowance.

Can I change my option?

Once you make an option, you may change it only under specific and rare circumstances. For this reason, when you retire, you should examine closely the benefits available to you before you complete the optional benefit form. You should also ensure that you make your option within the one-year time limit; otherwise, you will be deemed to have chosen a deferred annuity.

What happens to my pension if I rejoin the Public Service?

If you are re-employed in a position that does not require you to contribute to the Public Service Pension Fund, you can receive both your pension and also the salary for your new position.

If, however, you do become a contributor (this will depend on the nature and/or the length of your employment), your annuity or allowance will be stopped and, ordinarily, a new one based on the combined periods of service will be payable when you retire again. If you must accept a return of your contributions when you retire again, the return is limited to your new period of service and your previous basic annuity will be reinstated.

Generally speaking, re-employment outside the Public Service has no effect on any of your entitlements under the PSSA, unless you retired on grounds of disability.

Pension Increases (Indexing)

Consumer Price Index

Your basic pension benefits increase each January after you retire to take into account increases in the Consumer Price Index (CPI). The first increase payable the year after you retire will be prorated to reflect the number of full months since your retirement date. If there is no change in the CPI, or if it drops, your pension will not be adjusted that year.

If you retire with entitlement to a deferred annuity, your basic pension, when it is payable, will be increased by the total accumulated percentage increases from your date of retirement.

Effects of re-employment on indexing benefits

If you become re-employed in the Public Service and begin to make contributions under the PSSA, payment of your benefit, including indexing, will cease. When you cease to be employed again, your indexing benefit will be based on the amount of your basic pension at that time. Your retirement date for determining the annual percentage increase will be the most recent retirement date.

The new combination of benefits – that is, your new annuity plus the increase based on the later year of retirement – could be lower than the previous total entitlement. If you are thinking of taking a job in a contributory position, carefully consider if it would affect your total pension benefits.

Coordination of Benefits with the CPP and QPP

Coordination of contributions and benefits

When the CPP and QPP came into effect on January 1, 1966, the contribution rates under the federal employee pension plan were coordinated with those under the CPP/QPP, rather than added to them. Coordination of contributions required an equivalent integration of benefits. PSSA pension benefits are reduced automatically by a standard formula once the pensioner reaches age 65, which is the normal age of eligibility for CPP/QPP benefits, or when he or she begins to draw CPP/QPP disability benefits at any age.

How have the PSSA amendments of 1999 affected the coordination of my pension benefits?

As of June 17, 1999, the formula by which PSSA pensions are coordinated with CPP/QPP has been improved in your favour. Previously, the formula was based on average maximum pensionable earnings for the year of public service retirement and the two preceding years. Now, the average covers the year of retirement and the four preceding years. In most cases, this change will result in a slightly smaller reduction in PSSA benefits through CPP/QPP coordination.

Note: *This new formula applies only to those PSSA pensioners whose pensions are reduced as a result of CPP/QPP coordination on or after June 17, 1999.*

When will my public service pension be reduced?

Normally, the reduction due to this coordination will occur on the first of the month following your 65th birthday, regardless of whether or not you are receiving benefits under the CPP or QPP. Please note that you must apply for CPP or QPP benefits; you don’t receive them automatically. If you begin to receive your public service pension before you reach age 65 and you are not receiving CPP or QPP disability benefits, you will receive your unreduced benefit from the date of your retirement until the first day of the month following your 65th birthday.

If you become entitled to disability benefits under the CPP or QPP before you reach age 65 and are receiving a pension under the PSSA, your public service pension will be reduced immediately. You must inform the Superannuation Sector of such an entitlement to avoid receiving a pension overpayment that you will have to repay later. When you retire, you will also be asked to complete forms declaring whether you are entitled to a CPP or QPP pension, and authorizing the Superannuation Sector to verify this information with the CPP or QPP authorities.

How is the reduction calculated?

The reduction in your public service pension is based on the number of years of pensionable service to your credit under the Public Service Pension Plan and on the average maximum pensionable earnings (AMPE) under the CPP or the QPP for the year of your retirement and the four preceding years. If your average salary used to calculate your public service pension is below the AMPE, your average salary will be used to calculate the reduction.

The formula for calculating the reduction is as follows:

the applicable reduction factor (see the table below)	**X**	**number of years of pensionable public service**	**X**	***the lower of*: the AMPE under the CPP/QPP for the 5 years preceding your retirement, or the average salary for your 5 consecutive years of highest-paid pensionable service**

Note: An amendment to the coordination formula took effect on January 1, 2008. The reduction factor used to calculate your pension at age 65 will be lowered from 0.700 per cent in 2007 to 0.625 per cent by 2012. For plan members reaching age 65 in 2008 or later, the pension reduction at age 65 (or earlier in case of disability) will be smaller beginning in 2008. The year you reach age 65 will determine the reduction factor applied to your pension.

Table II—Reduction Factor Applied to Your Pension when You Reach Age 65

Age 65	**2007 or earlier**	**2008**	**2009**	**2010**	**2011**	**2012 or later**
Year of birth	**1942 or earlier**	**1943**	**1944**	**1945**	**1946**	**1947 or later**
Reduction factor	0.700%	0.685%	0.670%	0.655%	0.640%	0.625%

- Pensionable service is that for which you have made contributions to the Public Service Pension Plan, including any service transferred from another pension plan, and prior service you have elected to count as pensionable service under the PSSA, even if you have not completed all payments in respect of that service.

- The maximum pensionable earnings under the CPP or QPP for the five years ending in 2008 are $40,500 (2004), $41,100 (2005), $42,100 (2006), $43,700 (2007) and $44,900 (2008). This means that the average maximum pensionable earnings (AMPE) that can be used to reduce a pension for a person retiring in 2008 is $42,460.

Example:

If you retire on December 31, 2008, with service extending at least as far back as January 1, 1974, the reduction at age 65 (born in 1943) will be:

0.685 per cent X 35 X $42,460 = $10,179.78 per annum or $848.32 per month.

If your average salary was lower than the AMPE, your actual average salary would be used in the calculation.

Under the old coordination formula (0.700 per cent), your corresponding PSSA reduction would have been somewhat greater, at $10,402.70 per year. This means that under the new applicable reduction factor, your pension will be reduced by a smaller amount (a difference of $222.92 per year). For more information about the amendment to the coordination formula with the CPP or QPP, please visit the Secretariat’s website at http://www.tbs-sct.gc.ca.

Note: *The PSSA reduction that relates to periods of part-time pensionable service is prorated.*

Benefits in the Event of a Separation or a Divorce— *The Pension Benefits Division Act* (PBDA)

If your marriage or relationship of a conjugal nature breaks down, the pension benefits you have acquired during the course of that marriage or during the period of cohabitation in a relationship of a conjugal nature may, on application, be divided according to the terms of the PBDA.

Who is eligible for a division of pension benefits?

Married persons who have separated or divorced, and persons who have lived in a relationship of a conjugal nature for a minimum of one year and have separated, are eligible.

Either party may apply for a division. To do so, the person must make a formal application, which must be accompanied by a court order or agreement between the parties providing for the division of benefits. If the application is based on an agreement, the couple must have been separated for at least one year.

What happens if the division is approved?

If the division is approved, a lump sum representing the share of the value of the benefits being divided will be transferred either to a specified kind of retirement savings vehicle chosen by the party in question, or to a life insurance company to purchase a life annuity. This lump sum can never exceed 50 per cent of the value of the benefits being divided. Your pension benefits will be reduced to reflect that division.

Can I object to the division?

Yes. You will be notified of any application made to divide your benefits, after which you can file an objection with the Minister of Public Works and Government Services Canada, provided you do so within 90 days after the notice of application was sent out. Please note that the grounds for objection are very specific. They are as follows:

- the court order or agreement between the parties has been changed or is no longer valid;
- the terms of the court order or agreement between the parties have been satisfied, or are being satisfied, by some other means; or
- the court order has been appealed or the terms of the agreement between the parties are being challenged in court.

Additionally, the responsible Minister may refuse to approve a division if he or she is satisfied based on evidence submitted that it would not be just to do so.

More information

If you need more information about the PBDA, please contact the Superannuation Sector. (See Annex A for the address and phone number.)

B. Benefit for Your Survivor

As a rule, once you have a pensionable service credit of two or more years, your survivor and children become entitled to an immediate allowance in the event of your death. This is true whether you are employed or retired at the time of your death. If you were retired, it doesn’t matter whether you were receiving an annuity or entitled to a deferred annuity.

By the PSSA amendments of 1999, the survivor benefit has been extended to include a survivor of the same sex. The same-sex survivor of a plan member who dies on or after September 14, 1999, may now be entitled to a survivor benefit. The section on “Relationship of a Conjugal Nature” explains this in greater detail.

Where the contributor has less than two years of pensionable service at the time of death, the survivor is entitled only to a return of contributions with interest. Please see the section on Supplementary Death Benefit.

Survivor Benefit

The survivor benefit is usually equal to half of your basic pension entitlement—that is, half of your pension calculated before it is reduced to reflect an annual allowance or to coordinate it with the CPP or QPP. Your survivor can receive benefits under the CPP or QPP and also receive a full survivor benefit under the Public Service Pension Plan.

If you marry after retirement, your survivor would not normally be entitled to a pension. However, you may elect, within one year of marrying or within one year of becoming entitled to payment of a deferred annuity or annual allowance, to provide your survivor with a benefit by taking a reduction in your own pension.

In June 2000, Parliament adopted the *Act to Modernize the Statutes of Canada in Relation to Benefits and Obligations*. This Act amended the PSSA so that a plan member living with a person in a relationship of a conjugal nature may now elect to provide his/her survivor with a benefit. The plan member can do so by taking a reduction in his/her retirement pension. The details of this new optional benefit must be specified by regulation.

More information about this option is available from the Superannuation Sector. (Please see Annex A for the address and phone number.)

If you should die within one year of marriage, no survivor benefit is payable unless the President of the Treasury Board is satisfied that your health at the time of marriage was such that you expected to survive for at least one year.

Divorce and Separation

If you are divorced, your former spouse will not be entitled to a survivor benefit. (See “Benefits in the Event of a Separation or a Divorce – *The Pension Benefits Division Act*,” p. 13.) If you are separated from your legal spouse, but not divorced, your spouse is entitled to a survivor benefit.

Relationship of a Conjugal Nature

If you have lived in a relationship of a conjugal nature, the person with whom you have so lived may be entitled to a survivor benefit.

The claimant must prove that he or she lived with you in a relationship of a conjugal nature for at least one year before your death. The relationship must have started before you left the Public Service and have continued up to the time of your death.

For your survivor to receive benefits under the pension plan, the claimant must be prepared to provide documented proof that a relationship of a conjugal nature actually existed. This proof normally takes the form of statutory declarations from disinterested persons who know the circumstances of the relationship, along with bills or receipts, mortgage papers, leases, joint bank accounts, credit accounts or any other relevant documents.

Where a contributor has both a legal spouse and an eligible survivor with whom he/she has lived in a relationship of a conjugal nature, the survivor's benefit will be apportioned between them. Each survivor's share of the benefit will be based on length of cohabitation with the contributor.

Waiver of a Survivor Benefit

Your survivor can waive entitlement to a survivor benefit if doing so results in payment of a minimum benefit or a double-rate child's allowance (see "Allowances to Children" below). The deadline for waiver of entitlement is three months from the date of notice of entitlement.

Note: *When a survivor waives entitlement to a survivor benefit, no benefit is payable upon the death of the plan member.*

Minimum Benefit

You, your survivors or your estate or succession cannot receive, in total, less than the amount of your PSSA contributions over the years.

Circumstances where a minimum benefit is paid and how it is calculated are as follows:

- If you had at least two years of pensionable service and if, at the time of death or later, no further benefits are payable to any survivor, an amount equal to the greater of a return of contributions plus interest, or five years of basic annuity payments, less whatever has already been paid (excluding indexing benefits), is payable to the beneficiary you have named under the Supplementary Death Benefit Plan.

- If you have not named a beneficiary, the beneficiary does not survive you, or you did not participate in the Supplementary Death Benefit Plan, the amount is payable to your estate.

- If the amount is less than $1000, it will be paid to a person or persons designated by the President of the Treasury Board.

Allowances to Children

A child can be your natural child, your stepchild or a child you have adopted either legally or in fact. To be eligible for an allowance, your child must normally be under age 18. Children between 18 and 25 may receive allowances if they are enrolled in a school or other educational institution full-time and have attended continuously since their 18th birthday or the date of your death, whichever is later.

Eligible children are entitled to allowances equal to one tenth of your basic pension. If you have no survivor, the children will receive allowances equal to one fifth of your basic pension.

The maximum combined amount of children's allowances payable with respect to one contributor is four fifths of the survivor benefit or, if there is no survivor, four fifths of the contributor's basic pension. If there are more than four children, the maximum combined amount payable may be divided among the children.

Benefits are payable to your survivor and children immediately, regardless of whether you die during employment or after your retirement.

Normally, the survivor benefit and children's allowances are paid directly to the survivor. If the children are not living with the survivor, the children's allowances are paid to the person responsible for their custody and control. Allowances for children over 18 are normally paid directly to them.

Submitting Personal Documents

The determination of benefits may be delayed if the Superannuation Sector does not have the necessary documents on age and survivor status. Claimants should, therefore, make every effort to ensure that the Sector has proof of age for themselves and their children and any certificates or other information they think would help clarify their entitlement to a survivor benefit. Claimants may submit this information to the Superannuation Sector confidentially if they wish. (Please see Annex A for the address and phone number.)

Table III below outlines the PSSA survivor benefit available under various circumstances.

Table III—Survivor Benefit

Contributor with at least two years of pensionable service*

Circumstances	Entitlement
Survivor only	Immediate allowance (.01 X average salary X years of pensionable service)
Survivor and children	Survivor: immediate allowance Children: immediate allowance for each (.02 X average salary X years of pensionable service X 0.1) Total of children's allowances not to exceed four fifths of survivor allowance.
Children only (no survivor)	(.02 X average salary X years of pensionable service X 0.2) Total not to exceed four fifths of contributor's basic pension

Circumstances	Entitlement
No eligible survivor or children	Greater of return of contributions with interest or amount equal to five years' annuity payments minus any benefits already paid to or with respect to the contributor. When there is no eligible survivor or children, amounts are paid either to a beneficiary named under the Supplementary Death Benefit Plan or to the estate.

* In cases where the contributor has less than two years of pensionable service at the time of death, the survivor is entitled only to a return of contributions with interest. Please see the following section on Supplementary Death Benefits.

C. Supplementary Death Benefit

The Supplementary Death Benefit Plan, which is Part II of the PSSA, provides a form of decreasing term life insurance protection designed to cover you and your beneficiary during the years you are building up your pension. This plan applies to almost all public service employees who contribute to the Public Service Pension Fund.

Amendments of 1999

As of September 14, 1999, the PSSA Supplementary Death Benefit Plan was amended as follows:

- **Increase in paid-up benefit:** The paid-up benefit available to participants at age 65 has increased from $5,000 to $10,000.

- **Extension of paid-up benefit:** The paid-up benefit has been extended to elective participants who retired on or after April 1, 1995, with an entitlement to an annual allowance within 30 days of ceasing to be employed.

- **Delay of coverage reduction:** The 10 per cent annual coverage reduction that formerly began at age 61 has been delayed until age 66. In effect, this amendment extends full coverage by five years and prolongs the period of coverage to age 75.

- **Premium rate reduction:** The premium rate for participants has been reduced by 25 per cent from $0.20 to $0.15 per month for each $1,000 of coverage.

Coverage

The plan provides a benefit equal to twice your annual salary. If that amount is not a multiple of $1,000, your benefit coverage is adjusted to the next highest multiple of $1,000. The amount of your benefit automatically goes up as your salary goes up.

The benefit declines by 10 per cent for each year beyond the age of 65. For example, if you are covered for $60,000 at 65 and your salary does not change, your coverage declines to $54,000 at age 66, $48,000 at 67, and so on.

The yearly reduction will take effect on April 1 or October 1, whichever date comes first after your birthday.

With the reduction rate described above, benefits would ordinarily disappear when you are 75, but for the following two special provisions.

Participants still employed, or those who cease to be employed and are entitled to an immediate annuity or an annual allowance payable within 30 days after they cease to be employed, are entitled to a paid-up coverage of $10,000 when they reach age 65. This means that the participant, whatever his or her actual coverage at 65, has $10,000 of that coverage without contribution. This paid-up benefit is retained for life at no cost.

If a participant dies after reaching age 65 while still employed in the Public Service, the minimum coverage is the greater of $10,000 or one third of the person's annual salary. If one third of the salary is not a multiple of $1,000, it will be adjusted to the next higher multiple of $1,000 in order to determine this benefit.

Cost

Contributions are at the rate of 15 cents a month for every $1,000 of coverage. This means that if you earn $31,760 a year, you would contribute $9.60 a month or $115.20 a year and would be covered for $64,000. After you reach age 66, your contributions will go down as your coverage declines.

There is no maximum contribution period under this plan, nor is there provision for a return of contributions. Your contributions are deducted from your cheque each month. If you are on leave of absence you will still contribute and be covered. Your compensation office will tell you how to remit your contributions.

The government contributes one twelfth of the cost of the benefits paid in respect of deceased employees and pensioners to the Supplementary Death Benefit (SDB) Account and pays the full cost of the $10,000 paid-up benefit.

Continuity of Coverage

What happens to my coverage when I leave the Public Service?

If you leave the Public Service, you may retain this benefit if you wish. You must have at least two years of service without substantial interruption or have participated under the Supplementary Death Benefit Plan without interruption for two years or more. You must also elect to retain the benefit in the year before leaving the Public Service, or within 30 days after leaving. You can use a period of time in the Canadian Forces or as a regular Forces participant under Part II of the *Canadian Forces Superannuation Act* to make up the two-year period. If you decide to retain your benefit, you will be covered for the exact amount for which you are covered at the time you leave the Public Service, subject to the reductions after you reach 65.

If you leave the Public Service with an entitlement to an immediate annuity, or with an annual allowance payable within 30 days of ceasing to be employed, you are deemed to have elected to continue your participation in the Supplementary Death Benefit Plan. In other words, you don’t have to take any action; the required contributions will be deducted automatically from your monthly pension. If you wish, you may cancel your coverage or reduce it to $10,000. You will receive information on how to do this when you retire. (Please see the section “Cancelling coverage,” below.)

This automatic coverage does not apply to those entitled to an annual allowance payable more than 30 days after ceasing to be employed. Please see the section on the next page about making an election to continue coverage.

What does my coverage cost after I leave the Public Service?

The cost will depend on the type of pension benefit you receive. If you leave with an immediate annuity, an immediate annual allowance payable within 30 days after you leave, or with a disability annuity at any age, the rate is the same as if you had stayed in the Public Service. If you are 65 or over when you leave, you can keep only the reduced coverage you have at that date and your coverage and contributions will continue to decline yearly until only the paid-up portion of $10,000 remains, if applicable.

If you leave the Public Service with a pension benefit other than an immediate annuity or a disability annuity, or an annual allowance payable within 30 days after you leave, you will have to make an election to continue coverage, as described below. In this case, you will also have to contribute at an increased rate if you wish to retain your protection. Your compensation office can tell you about these commercial rates, which vary according to your age at the time you leave the Public Service.

In effect, with commercial rate coverage, you have to pay the full cost of your coverage without any contribution from the government. For example, a person leaving the Public Service at age 50 with coverage of $80,000 (final salary of $40,000) would have to pay approximately $964.00 a year to retain this protection. In addition, no paid-up coverage is provided, and coverage is reduced to zero at age 75.

Election to continue coverage

If you have to make a formal election to continue your coverage under the Supplementary Death Benefit Plan, you must do so in writing on the prescribed form, which you can obtain from your compensation office. You must sign the form and have it delivered or send it by mail to the Superannuation Sector within the time prescribed (from one year before, to 30 days after, the date you leave the Public Service). If you are entitled to a deferred annual allowance, a deferred annuity, or a transfer value, your first payment must accompany the form. The Superannuation Sector will check your election and issue a document to confirm that you are an elective participant.

You will be asked for proof of age if you have not already submitted it. Those who re-enter the Public Service will cease to be elective participants if they again become contributors to the PSSA, and their contributions will be adjusted accordingly.

If you receive an immediate annuity upon retiring, or an annual allowance within 30 days of ceasing to be employed, you may elect at any time to reduce your SDB coverage to $10,000. In such a case, you will make contributions on that amount only until you reach age 65, after which the $10,000 coverage is free. You must make an election to reduce coverage in this way on a form available from the Superannuation Sector. Please note that such an election is irrevocable.

Cancelling coverage

Action taken by a plan member to cancel participation in the Supplementary Death Benefit plan will be considered an irrevocable election. You should note that once you have chosen to cancel your coverage, this coverage can ***never*** be reinstated. Participants eligible for $10,000 paid-up coverage at age 65 should consider reducing coverage to $10,000 as an alternative to full cancellation of coverage.

How do I pay for my coverage after I leave the Public Service?

If you leave with an immediate annuity or an immediate annual allowance and become an elective participant, your contributions will be deducted automatically from your pension cheque each month.

In all other cases, you should send the full contribution for the first year of coverage when you send in the necessary documents to make an election. Make the cheque, money order or bank draft payable to the Receiver General for Canada. In subsequent years, you must, as an elective participant, contribute within the time prescribed. If the Superannuation Sector does not receive your contributions within 30 days from the due date, your coverage ceases. The Superannuation Sector will provide instructions on how to remit the required contributions. (Please see Annex A for the address and phone number.)

Once you begin receiving your deferred annuity or deferred annual allowance, your contributions will be deducted from your monthly pension cheque and you no longer have to send contributions to the Superannuation Sector.

Beneficiaries

Who receives the Supplementary Death Benefit?

As a participant in the Supplementary Death Benefit Plan, you may designate one of the following as your beneficiary:

- any person 18 or more years of age at the time of designation;
- your estate or succession;
- any charitable or benevolent organization or institution; or
- any educational or religious organization or institution that is supported by donations.

To designate a beneficiary, you must complete the Naming or Substitution of a Beneficiary form. You may, at any time, change your beneficiary by completing a new designation form and submitting it to the Superannuation Sector at the address on the form.

Note: *Please remember that any minimum benefit payable under Part I of the PSSA will be paid to the beneficiary you have designated under the Supplementary Death Benefit Plan, if you remain an SDB participant and your beneficiary survives you.*

How is the benefit paid?

Normally, the supplementary death benefit will be paid directly to the beneficiary you have named if your beneficiary survives you. If you have not named a beneficiary, it will be paid to your estate or succession.

However, there are some exceptions. For example, a male employee who was married and was a Supplementary Death Benefit Plan participant on December 19, 1975, who did not cease participation and who did not name a beneficiary before his death, will have the death benefit paid to his widow, provided that the marriage took place on or before December 19, 1975. If no widow survives, the death benefit is payable to his estate.

Under certain circumstances, all or a portion of the death benefit can be applied directly against the expenses for the maintenance, medical care or funeral of a participant. For example, part of the death benefit could be used to pay a funeral bill, or to reimburse a person or group who has already paid the funeral expenses. The expenses must be “reasonable.” Please note that this provision is intended primarily to cover difficult situations, such as those where there is no estate or one with insufficient assets, or where a long delay in settling the estate is expected.

Part II—Contributions and Service

A. Contributions for Current Service

PSSA Contribution Rates

What is the rate of contribution for current service?

Because of the coordination of the Public Service Pension Plan with the CPP and QPP, employees contribute to the public service plan at two rates: on salary below the maximum covered by the CPP/QPP and on salary above.

Basically, CPP/QPP covers annual salary up to a maximum, which for the year 2008 is $44,900. In 2008, for instance, you will contribute to the public service plan at rates of 4.9 per cent of your salary below, and 8.4 per cent of your salary above, $44,900. Your public service contribution rate covers both basic pension and pension indexing.

Sometimes public service employees receive other payments, such as allowances, in addition to their basic salary. Some of these payments constitute salary for pension purposes and some do not. Your compensation office can tell you whether you must contribute on any such allowance.

Payments under the PSSA for current service and, in some cases, for prior elective service are deductible for income tax purposes. To determine the extent of deductibility, consult your Canada Customs and Revenue Agency office.

Table IV—Contribution Rates for PSSA, 2006–13

From January 2006 to 2013, the contribution rates for active members of the federal public sector pension plans are as follows:

Contribution Rates 2006–13								
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
On earnings **up to** maximum covered by the CPP/QPP	4.3%	4.6%	4.9%	5.2%	5.5%	5.8%	6.1%	6.4%
On any earnings **over** the maximum covered by the CPP/QPP	7.8%	8.1%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%

Is there a limit to the period of years of pensionable service I may accrue?

Yes, you may only accrue up to a maximum of 35 years of pensionable service. This 35-year maximum includes the following types of service:

- service for which you contributed to the PSPP through deductions from your salary;
- past service you have purchased;
- past service you have transferred from another pension plan;
- pensionable service accrued with other federal government pension plans for which you are receiving or are entitled to receive a pension, such as the Canadian Forces pension plan or the Royal Canadian Mounted Police (RCMP) pension plan.

When you reach the maximum of 35 years of pensionable service, your PSPP contribution rate reduces to one per cent of your salary. This lower contribution amount ensures your future pension is fully protected from inflation. Although you will not accrue additional years of pensionable service after reaching 35 years, the salary paid to you during this period will be used in the calculation of the best five-year average salary on which your PSPP pension will be based.

You must also stop contributing to the plan on January 1 following the year that you reach age 71. Salary and service occurring after you stop contributing will not be included in your pension benefit. Your indexing benefit will be based on the date you ceased to contribute to the pension plan.

Contributions on Leave Without Pay

Do I contribute for periods of leave without pay?

Ordinarily, contributions for periods of leave without pay are deducted from your salary, in equal instalments, over a period equal to twice the period of your absence, when you return to work.

You may also choose to pay the whole amount in a lump sum within 30 days of the date of your return to work.

However, if you are on extended leave to serve on loan with a public service union, the government of another country, or an international organization, you must pay your contributions in advance – either annually, semi-annually or quarterly – to the Superannuation Sector (see address in Annex A) . If your leave without pay falls into any of these categories, consult your compensation office about the amounts required and the method of payment.

What do I contribute for periods of leave without pay?

If you go on authorized leave of absence without pay for less than three months, you will still contribute at the single rate (the employee contribution only) and the service will be credited to you. For periods of more than three months, you will contribute at the single rate for the first three months of the leave period and at either the single rate or the double rate (both the employee and employer-matching contributions) for the balance of the leave, depending on the type of leave. For these longer periods, you may choose not to contribute after the first three months, in which case the service will not be credited to you. An election not to contribute for leave without pay can only be made during the period beginning three months after the leave commenced and ending three months following return to duty. If you elect not to count leave without pay, you may still choose to count it later on in your employment by electing to do so, but the costs will differ. See your compensation office for more information.

Are there limits on how much leave without pay may be counted for pension purposes?

Yes. As a result of *Income Tax Act* requirements for registered pension plans, the PSSA restricts the amount of pensionable leave without pay, other than sick leave without pay, to a career maximum of five years. The government will track any leave without pay that you take on or after January 1, 1996, to ensure that you don’t exceed the five-year maximum.

An exception to the five-year rule relates to periods of leave without pay for parenting reasons. In addition to the maximum of five years of unpaid leave of absence countable for pension purposes, plan members may also be credited under the plan with up to three more years of leave without pay for parenting purposes. Only parenting leave without pay that falls in the year following the birth or adoption of a child may be included for purposes of computing the additional three-year limit.

Another exception to the five year rule is that of “on-loan” situations, where the services of a public service employee are loaned out to another employer by formal agreement between the two employers. For example, the restriction on the amount of pensionable leave without pay does not apply in cases where an employee is on loan serving with an international organization or as a full-time paid official of a bargaining agent representing public service employees. When considering serving with another employer, you should consult your compensation officer to determine the period of leave without pay you are allowed under certain circumstances.

B. Elective Service

Current vs. Elective Service

You acquire pensionable service on a current or an elective basis.

Current service is service for which you contribute to the public service pension plan each day during your employment.

Elective service is any period of employment, either in the Public Service or with some other employer that occurred before you became a contributor to the public service pension plan.

It also includes active war service and certain types of civilian war service. As the term implies, you must make a special election in order to count elective service towards your pension.

When do I start to build up current service?

If you are employed in the Public Service and work an average of at least 12 hours a week, you may start to build up pension credits as soon as you are appointed. In some instances, you must be employed continuously for up to six months before you may start to contribute. All of the service for which you contribute will be included in your pensionable service credits at retirement.

The term “Public Service” covers employees of all federal government departments. It also includes employees working for the following organizations:

- the Senate, the House of Commons or the Library of Parliament;
- certain agencies and corporations that have been designated as part of the Public Service for pension purposes; and
- certain agencies participating in the Public Service Pension Plan under the PSSA by virtue of their own statutes.

The following groups do not contribute to the Public Service Pension Fund:

- part-time employees working an average of less than 12 hours a week;
- part-time employees who have been employed in the Public Service since July 3, 1994, and who have not chosen to contribute within the prescribed period;
- employees locally engaged outside Canada;
- employees covered by another Canadian government pension plan (notably, the pension plans under the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act*);
- employees working on an "as-required" basis; and
- seasonal employees and employees appointed for a term of six months or less, until they have completed six months of substantially continuous service.

Some employees, such as sessional employees and employees of certain commissions, must meet certain conditions and be specifically designated as contributors.

How can I benefit the most from my pension plan?

All pension benefits payable under the plan relate directly to service and salaries. As the number of years of pensionable service to your credit increases and you reach higher levels of salary, the benefits that you and your family can expect to receive increase accordingly. This is so even when you cease contributing at the full rate after 35 years of pensionable service. Although your contributions drop to one per cent, the salary you earn after that time will be used to calculate the average annual salary for pension purposes, if this is to your advantage.

It is important that you know how to increase your pensionable service credits and how much it would cost you to do so.

Each continuing year of employment in the Public Service for which you make ordinary contributions is a year of pensionable service. In addition, if you had one or more periods of employment, either in the Public Service or with another employer, before becoming a contributor under the Act, you may be able to obtain credit for that service on an elective basis.

Such periods of prior service, if they can be counted under the Act, are known as elective service. As the term implies, they are periods of service for which you may make a special election to count them as periods of pensionable service. You may make an election at any time while you are employed in the Public Service and contributing to the Public Service Pension Fund. Costs and other requirements may vary, depending on when you make the election.

Advantages of electing for prior service include:

- increased service, which increases your pension;
- increased protection for your beneficiaries;
- the possible completion of 35 years of service at an earlier date; and
- the possibility of retiring earlier.

The main types of elective service, the method to determine the cost of each type and the conditions to be met are covered in the following sections of this booklet.

Types of Elective Service

You may make an election to obtain credit for several types of prior service, as discussed below.

Prior public service

You may elect to count virtually any prior full-time service in the Public Service, including periods of leave without pay during contributory service that you previously chose not to count.

You may also elect to count prior part-time service that occurred after December 31, 1980, as long as you were engaged to work an average of at least 12 hours a week.

Service with the Canadian Forces or the Royal Canadian Mounted Police

You may elect to count prior service under the *Canadian Forces Superannuation Act* and/or the *Royal Canadian Mounted Police Superannuation Act*, subject to the conditions described below.

Service as a member of Parliament

You may elect to count prior service during which you were subject to the *Members of Parliament Retiring Allowances Act*. The conditions for counting this type of service are also described below.

Pensionable employment outside the Public Service

If you previously worked for any employer with an approved pension plan, or a pension plan that can be approved for PSSA purposes, you may be eligible to count any part of that employment during which you were subject to the pension plan. However, the pension plan must also have been registered for *Canadian Income Tax Act* purposes when the service occurred. To be eligible, this pensionable employment must have taken place immediately before your public service employment. If the employment ended more than six months but less than two years before you entered the Public Service, special consideration is required to determine whether the service falls into this category.

Other types of elective service

You may be able to elect for a few other types of prior service, such as war service. You should consult your compensation office if you have any questions about whether a period of prior service with any employer is elective.

Calculation of Elective Service

How much will I have to pay for elective service?

The formula used to determine the cost of a period of elective service is, in principle, the same as the one applied to ordinary current service. You are considered to have received a certain salary during each year of elective service and a certain contribution rate is prescribed for each year. Your contribution rate may be single or double, depending on whether the type of service requires you to pay the employee contribution only or both the employee and employer-matching contributions. The final lump-sum cost normally includes four per cent simple interest, calculated from the middle of each fiscal year of the elective service to the first day of the month in which you make the election.

In addition, the cost of any election for service occurring after April 1, 1970, includes contributions for indexing benefits at a single or double rate, depending on the type of service.

Normal elections

The following paragraphs apply if you forward your election within one year of being notified that you are a contributor. This is called a normal election.

Prior public service

Table V—Contribution Rates for PSSA, 1966–99 for Prior Public Service

Service	Before Jan. 1, 1966	Jan. 1, 1966, to March 31, 1970	April 1, 1970, to Dec. 31, 1976	Jan. 1, 1977, to Dec. 31, 1999
Contribution rates	Male: 6.5% Female: 5%	6.5% less the CPP/QPP rate	7% less the CPP/QPP rate	7.5% less the CPP/QPP rate

Table VI—Contribution Rates for PSSA, 2000–08 for Prior Public Service

Service	Jan. 1, 2000, to Dec. 31, 2005	Jan. 1, 2006, to Dec. 31, 2006	Jan. 1, 2007, to Dec. 31, 2007	Jan. 1, 2008, to Dec. 31, 2008
On earnings **up to** the maximum covered by the CPP/QPP	4.0%	4.3%	4.6%	4.9%
On any earnings **over** the maximum covered by the CPP/QPP	7.5%	7.8%	8.1%	8.4%

During each year of the elective service, the salary rate on which the calculation is based is your salary rate when you last became a contributor, provided you make your election within a year of the date on which you are notified that you have become a contributor under the PSSA. Four per cent simple interest is also added, calculated from the mid-point of each fiscal year of elective service to the first of the month in which you make the election.

Pensionable service with the Canadian Forces and the Royal Canadian Mounted Police

The cost of paying for service of this kind depends on your status under the Act to which you were previously subject—that is, the *Canadian Forces Superannuation Act*, the *Defence Services Pension Continuation Act*, the *Royal Canadian Mounted Police Pension Continuation Act* or the *Royal Canadian Mounted Police Superannuation Act.*

If you are entitled to an annuity under one of these Acts, you may surrender your pension entitlement under that Act and elect to combine your previous service with your service under the PSSA, so that all of your service is subject to the terms of the PSSA. However, you must make this election before leaving the Public Service. You must also pass a medical examination, as explained below.

You must also repay to the former plan all pensions received after your first year as a contributor under the PSSA. Furthermore, you must continue to pay any amount you may still owe under the former plan.

Note: *Certain people are entitled to pensions under the above-named Acts even though they did not contribute. If you are in this category and surrender your pension, in addition to repaying any pension benefits received, you must also contribute for the service in order to count it under the PSSA. The cost is based on your salary rate when you most recently became a contributor under the PSSA; interest is added from the time the service occurred until the date you made the election under the PSSA.*

The rates of contribution that apply to prior public service are used in this calculation. See tables V and VI above.

If you are not entitled to a pension or similar benefit under one of these Acts and wish to count the service under the PSSA, you may also do so. The cost of the service will depend on whether you received any lump-sum payment under the other Act.

If you are in any of these categories, you should seek more information from your compensation office.

Service under the *Members of Parliament Retiring Allowances Act*

The cost of counting prior service under this plan depends on whether you became entitled to a pension or a withdrawal allowance (lump-sum payment) on ceasing to be subject to the plan.

If you are entitled to a pension, you may elect to transfer your service to the PSSA at any time before you leave the Public Service. To do this, you must surrender the pension and repay, with interest at four per cent per annum, any pension you received after your first year as a PSSA contributor. You must also pay any contributions still owing under the Members of Parliament (MPs) plan and pass a medical examination.

If you received a lump-sum payment under the MPs plan, you will contribute under the PSSA at the single rate, based on your salary when you most recently became a PSSA contributor. In this case, you must make your election within one year of becoming a PSSA contributor, and pay interest.

Pensionable employment outside the Public Service

For any period of pensionable employment with a previous employer outside the Public Service, you are considered to have received a salary equal to your salary on most recently becoming a contributor under the PSSA, if you make the election within one year of becoming a contributor. You have to contribute at the double rate, as indicated in the following tables.

Table VII—Contribution Rates for PSSA, 1966–99 for Prior Pensionable Service Outside the Public Service

Service	**Before Jan. 1, 1966**	**Jan. 1, 1966, to March 31, 1970**	**April 1, 1970, to Dec. 31, 1976**	**Jan. 1, 1977, to Dec. 31, 1999**
Contribution rates	Male: 2 X 6.5% Female: 2 X 5%	6.5% less the CPP/QPP rate X 2	7% less the CPP/QPP rate X 2	7.5% less the CPP/QPP rate X 2

Table VIII—Contribution Rates for PSSA, 2000–2008 for Prior Pensionable Service Outside the Public Service

Service	**Jan. 1, 2000, to Dec. 31, 2005**	**Jan. 1, 2006, to Dec. 31, 2006**	**Jan. 1, 2007, to Dec. 31, 2007**	**Jan. 1, 2008, to Dec. 31, 2008**
On earnings **up to** the maximum covered by the CPP/QPP	2 X 4%	2 X 4.3%	2 X 4.6%	2 X 4.9%
On any earnings **over** the maximum covered by the CPP/QPP	2 X 7.5%	2 X 7.8%	2 X 8.1%	2 X 8.4%

Sometimes contributions paid into a registered retirement savings plan or registered pension plan can be transferred directly to the Public Service Pension Fund with no deduction of income tax at source.

Note: *Please keep in mind that you must surrender any annuity entitlement you may have with another employer, if the other employer paid for it in whole or in part, before you can elect for the service under the PSSA. You should remember too that, if you leave the Public Service voluntarily with less than two years of continuous employment, you are entitled only to a return of contributions with interest.*

Consequently, if you intend to leave within that period, you should consider whether it is in your interest to surrender the entitlement under the outside plan. This provision does not apply if your separation from the Public Service is involuntary. You should, of course, ensure that the service in question can be counted under the PSSA before you surrender the entitlement. Check this with your compensation office.

Late elections

If you do not make an election within one year of becoming a PSSA contributor, you may still be able to make a late election. The contribution rates used to determine the cost remain the same, but the salary rate used is the salary payable to you on the date of the election. In many cases, this could cost you substantially more.

The higher charge reflects the additional value of the benefits you may expect to receive because of salary increases. As discussed later in this booklet, a late election can only be accepted if you have passed a medical examination. You must forward an application for late election to the appropriate address within one month of the date you signed the election form.

Elections for periods of leave without pay

The cost of electing for periods of authorized leave without pay that you chose not to count on return to work will be based on your salary at the time of making the election. They will be at the single or double rate, depending on the type of leave. Interest will be added in the same way as it is for other elective service; that is, four per cent simple interest from the date of the service to the month of election.

Medical Examinations

With few exceptions, if you elect to purchase prior service you will have to undergo a medical examination. If you make a late election, you must pass a medical examination. If you don’t pass, the election is void.

For a normal election – that is, one you make within one year of becoming a PSSA contributor – you may not need a medical examination. In other circumstances, the election can continue in force even if you fail the examination. You should discuss these exceptional circumstances with your compensation office.

If, as a former member of the Canadian Forces or the Royal Canadian Mounted Police, or as a former member of Parliament, you elect to surrender an annuity entitlement under the *Canadian Forces Superannuation Act*, the *Royal Canadian Mounted Police Superannuation Act* or the *Members of Parliament Retiring Allowances Act* in order to count the service under the PSSA, you must pass a medical examination when you make that election.

You must undergo the examination not more than 90 days before or six months after the date of the election.

Cost Estimates

Before electing, you should obtain an estimate of what your prior service will cost. Contact your compensation office shortly after you become a contributor.

The office will give you whatever information you need and an estimate of the cost well before the expiry date. However, if your expiry date is approaching and your estimate has been delayed for some reason, you will have to consider electing without an estimate. The PSSA doesn’t require an estimate, so failure to receive one won’t affect your expiry date for making a normal election.

How to Make an Election

If you are making a normal election, you must complete a special election form and send it to the address shown on the election form before the normal election period expires. Action will be taken to start deductions, where necessary, and then the election will be forwarded to the Superannuation Sector, Public Works and Government Services Canada, for verification.

If you are making a late election, you must complete the election form and forward it within one month of the date on which you signed it.

For either a normal or a late election, you must complete the election form while still employed as a PSSA contributor. Any election not forwarded within the prescribed time will be invalid.

How to Pay for an Election

You may pay for prior service in a lump sum or by instalments. As the instalment method is more costly than a lump-sum payment, you should compare the two totals before deciding. The instalment method costs more because the monthly instalment includes a mortality charge to cover the cost of insurance and interest on the unpaid balance. In the event of your death, neither your estate nor your survivor have to make any more payments as the cost of this service is considered to be paid in full.

Special circumstances and elective service payments

As a general rule, additional interest is charged on any overdue instalments. Accordingly, if you are not paying through salary deductions, you should send in the instalments on time. If you change departments, check to make sure the instalments continue to be deducted from your salary. If you retire on pension before paying all your instalments for prior service, your pension will be calculated to include all your elective service, but the unpaid instalments will be deducted monthly from your pension benefit. If, on leaving the Public Service, you choose to receive a deferred annuity at age 60, you must remit your instalments regularly between the time you leave and the time your pension starts.

If you intend to opt for a transfer value, you must pay the remaining cost of any elective service you wish to have included in the benefit before you opt.

Can I revoke an election?

You may revoke an election only in certain unusual situations, so you should consider any election carefully. Even if a revocation is approved, you may be charged a subsistence fee for the insurance that resulted from the election while the election was in force. Normally, if a person revokes an election and later wishes to count either part or all of the service that the revoked election covered, the second election is treated as a late election.

Some General Points About Elections

An election may be for all or part of a period of prior service. If it is for only a part, it usually must be for the part that occurred most recently. Your compensation office can provide you with information about exceptions to this requirement. You may extend your election to cover additional periods without penalty by completing another election within the normal one-year time limit.

You may not elect for service that is based in whole or in part on employer contributions and is counted for pension purposes under another employer's pension plan, unless you lose or surrender the pension or benefit entitlement under the other plan.

Under *Income Tax Act* rules for registered pension plans, a plan may not recognize past periods of elective service that occurred after December 31, 1989 for pension purposes unless income tax officials certify a past service pension adjustment (PSPA) for that service.

If you are not able to obtain a certified PSPA, your election will be declared void and any elective service payments you may have made will be refunded to you. As there may be other tax implications to making an election, you may wish to check with your Canada Revenue Agency office. In particular, you should determine to what extent your elective contributions will be deductible for tax purposes.

Pension Transfer Agreements

The PSSA permits transfer agreements providing portability of accrued pension benefits and service between the Government of Canada and eligible employers. PSSA amendments of 1996 set new rules for PTAs.

PTAs provide for the transfer of the actuarial value of accrued pension benefits.

The rules for transfer agreements also include several changes in eligibility requirements, notably the following:

- There is no limitation on breaks in service between employers.
- Ordinarily, the pension plan into which the transfer is to be made must have at least 10 members.
- The medical requirement is less stringent.

More information

For further information on PTAs and their eligibility requirements, please contact the Superannuation Sector. (See Annex A for the address and phone number.)

Note: *See Annex B of this booklet for the list of PTAs.*

Part III—Funding of the Public Service Pension Plan

Funding Before April 1, 2000

Employer and employee contributions to the Public Service Pension Plan have been held in the Superannuation Account forming part of the accounts of Canada. Since 1969, the entire balance of the Superannuation Account has been credited with interest as if it had been invested in Government of Canada long-term bonds. No amounts have ever been invested in other vehicles available in financial markets (e.g., stocks).

Contributions made before April 1, 2000, will remain in the existing Superannuation Account and will continue to be credited with interest as if invested in Government of Canada bonds. Pension benefits for plan members’ service before April 1, 2000, will continue to be drawn from the existing account.

The investment of contributions that were made in respect of service prior to April 1, 2000, is permitted. This can only be done at the discretion of the Minister of Finance.

Funding After April 1, 2000

As of April 1, 2000, new contributions under the Public Service Pension Plan by employees and the employer will be deposited into a newly created Public Service Pension Fund. A new Public Sector Pension Investment Board, operating independently of the government and plan members, will invest these new contributions in the financial markets. It is expected that, over the long term, market investment of contributions will generate higher returns.

Cost-Sharing

The employer and the employees have always shared the costs of the Public Service Pension Plan. Historically, the government has assumed a larger share of costs – approximately 60 per cent on average. Since 1988, owing to the coordination of employee contributions with the CPP/QPP, the cost-sharing ratio between the government and the plan members has gradually widened from the historical 60/40 ratio to more than 70/30 by 1999.

Increasing employee contribution rates ensures that pension plan members and the Government of Canada, as employer, contribute to the pension plans in a more balanced way. By 2013, it is projected that employees will contribute approximately 40 per cent of the current service cost of the plan.

Under the PSSA amendments of 1999, the Treasury Board has authority to set employee contribution rates as needed for the public service pension plan after the year 2003. There are two significant limitations on this authority:

- No increase in employee contribution rates may exceed 0.4 per cent (i.e., four tenths of one per cent) of a plan member's salary in any single year.
- Employee contribution rates will not increase past the point where the employees are paying more than 40 per cent of the current service costs of the public service pension plan.

Deficit and Surplus Management

As the sponsor of the PSSA, the federal government has always assumed responsibility for the cost of benefits that exceed the regular contributions made by employees and the government. Thus the government made up any deficits that occurred when actual plan experience differed from the actuarial assumptions used to determine the necessary government contributions. For instance, if the rate of interest actually earned was lower than the predicted rate, the federal government contributed additional amounts to ensure benefits were fully funded. Under the PSSA amendments of 1999, the government will continue to be sole sponsor of the Public Service Pension Plan. Accordingly, it will also continue to assume sole responsibility for any deficits that may occur in the new Pension Fund.

Surpluses may also arise when certain factors such as investment returns and rates of inflation produce more favourable results than anticipated by the plan's actuaries. Mechanisms for managing surpluses were introduced as part of the 1999 amendments to the PSSA. Should surpluses arise in the future, the amended legislation provides such options as a contribution holiday for the employer, or for both the employer and the employees, reduced contributions or withdrawals from the Public Service Pension Fund. If a surplus arises in the future, the Treasury Board ministers will decide on the most appropriate mechanisms to be used, depending on the circumstances prevailing at the time. The legislation also provides mechanisms for managing the surplus in the existing Superannuation Account by allowing the withdrawal of amounts from this account over periods of up to 15 years.

Because surpluses are determined after taking into account prudent actuarial estimates of future liabilities relative to the main factors affecting those liabilities, the application of mechanisms to manage occasional surpluses does not jeopardize the future benefits of contributors.

Annex A—List of Important Addresses and Phone Numbers

1.	**My compensation officer**	
2.	**My financial advisor**	
3.	**Superannuation Sector**	Public Works and Government Services Canada Superannuation, Pension Transition and Client Services P.O. Box 5010 Shediac NB E4P 9B4 1-800-561-7930
4.	**Treasury Board of Canada Secretariat**	http://publiservice.tbs-sct.gc.ca http://www.tbs-sct.gc.ca
5.	**Canada Pension Plan and Old Age Security**	Human Resources Development Canada Income Security Programs 1-800-277-9914 TDD/TYY: 1-800-255-4786
6.	**Quebec Pension Plan**	P.O. Box 5200 Québec QC G1K 7S9 1-800-463-5185 TDD/TYY: 1-800-603-3540 http://www.rrq.gouv.qc.ca/en
7.	**Canada Customs and Revenue Agency**	See the Government pages of your local telephone directory.

Annex B—Pension Transfer Agreements

List of employers and effective dates

	Name of Employer	***Effective Date***
1	Ville de St-Hubert	July 8, 1999
2	Public Service Alliance of Canada	July 19, 1999
3	City of Fredericton	December 20, 1999
4	Journal de Montréal	December 21, 1999
5	Ontario Public Service Employees' Union	January 19, 2000
6	Province of Nova Scotia	June 1, 2000
7	Confédération des syndicats nationaux (CSN)	July 26, 2000
8	The following Fishery Commissions: ➢ Great Lakes Fishery Commission ➢ Inter-American Tropical Tuna Commission ➢ International Pacific Fisheries Commission ➢ International Pacific Halibut Commission ➢ Northwest Atlantic Fisheries Organization ➢ Pacific Salmon Commission	October 15, 2000
9	Province of Manitoba (Civil Service Superannuation Board)	September 15, 2000
10	Canada Mortgage and Housing Corporation	December 20, 2000
11	Metropolitan Life Insurance Company	March 3, 2001
12	The Co-operative Superannuation Society	March 3, 2001
13	The Native Benefits Plan Pension Committee	May 10, 2001
14	Royal College of Physicians and Surgeons of Canada	May 11, 2001
15	City of Saint John	May 16, 2001
16	Société de transport de la Communauté urbaine de Québec	June 5, 2001

	Name of Employer	*Effective Date*
17	Province of British Columbia (Board of Trustees for the British Columbia Public Service Pension Plan)	June 14, 2001
18	Province of British Columbia (Board of Trustees for the British Columbia Municipal Pension Plan)	June 14, 2001
19	Province of British Columbia (Board of Trustees for the British Columbia Teachers' Pension Plan)	June 14, 2001
20	Province of British Columbia (Board of Trustees for the British Columbia College Pension Plan)	June 14, 2001
21	Province of Newfoundland and Labrador	June 23, 2001
22	Province of Ontario (Ontario Pension Board)	July 2, 2001
23	Province of Prince Edward Island	July 2, 2001
24	Northwest Territories (Participating Employers under the Northern Employees Benefits Services Pension Plan)	July 2, 2001
25	University of Moncton-personnel de soutien, techniciens, personnel administratif ou professionnel.	July 5, 2001
26	University of Moncton-professeurs, professeures et bibliothécaires	July 5, 2001
27	Province of Manitoba (participating municipalities under the Manitoba Municipal Employees Pension Plan)	July 10, 2001
28	Ville de Montréal-Nord	July 19, 2001
29	Canadian Broadcasting Corporation	July 29, 2001
30	Halifax Regional Municipality	July 29, 2001
31	Colleges of Applied Arts and Technology (Ontario)	August 7, 2001
32	Province of Manitoba (Participating Employers under the Healthcare Employees Pension Plan)	October 3, 2001
33	Université Laval (le Comité de retraite du Régime de retraite des employés et employées de l'Université Laval)	October 3, 2001

	Name of Employer	*Effective Date*
34	Université Laval (le Comité de retraite du Régime de retraite des professeurs et professeures de l'Université Laval)	October 3, 2001
35	University of Western Ontario	November 22, 2001
36	Association of Universities and Colleges of Canada	November 29, 2001
37	Canada Post Corporation	January 7, 2002
38	Communauté urbaine de Montréal (unionized employees)	January 7, 2002
39	Communauté urbaine de Montréal (management employees)	January 7, 2002
40	Province of Quebec (RRE, RRF, RREGOP, RRCE) des enseignants, des fonctionnaires, employés du gouvernement et des organismes publics et certains enseignants.	February 1, 2002
41	Province of Quebec (RRPE) régime de retraite du personnel d'encadrement	February 1, 2002
42	Ontario Power Generation Inc.	February 24, 2002
43	Province of British Columbia (Workers' Compensation Board)	February 24, 2002
44	Concacan Inc. (The Canadian Conference of Catholic Bishops)	March 7, 2002
45	Bank of Canada	March 19, 2002
46	Province of New Brunswick (Public Service Superannuation Act—NB)	June 3, 2002
47	Province of Manitoba (Manitoba Teachers' Society)	June 25, 2002
48	Province of Ontario (participating employers under the Ontario Municipal Employees Retirement System – OMERS)	July 18, 2002
49	Canadian Teachers' Federation	July 18, 2002
50	Hydro-Québec	August 15, 2002
51	Ottawa Macdonald-Cartier International Airport Authority	October 1, 2002
52	Province of Quebec (RRAPSC) Correctional Services	November 4, 2002

	Name of Employer	*Effective Date*
53	The Professional Institute of the Public Service of Canada	December 9, 2002
54	Workplace Safety and Insurance Board (Ontario)	February 3, 2003
55	Ville de Gatineau; applies to participants under the pension plans for the following groups of employees: • Municipal employees, policemen and firemen of Ville de Hull • Manual labourers of Ville de Hull	July 16, 2003
56	Aéroports de Montréal	July 22, 2003
57	Abegweit First Nation	August 5, 2003
58	Ville de Montréal (Arrondissement Montréal); applies to participants under the pension plans for the following groups of employees: • Management • Foremen • Manual Labourers • Municipal employees • Professionals • Firemen	September 8, 2003
59	Université du Québec	October 2, 2003
60	Queen’s University (signed October 15, 2003)	Cancelled effective May 15, 2005
61	Archdiocese of Vancouver	October 15, 2003
62	Canadian Air Transport Security Authority (CATSA)	October 15, 2003
63	Institut National d’Optique	November 27, 2003
64	Mount Allison University	February 10, 2004
65	Canadian Health Services Research Foundation	March 3, 2004
66	University of Prince Edward Island	March 9, 2004
67	National Bank of Canada	October 26, 2004

	Name of Employer	*Effective Date*
68	NAV CANADA	October 27, 2004
69	Comité de retraite du Mouvement Desjardins	Signed December 17, 2004 Agreement will be cancelled effective April 30, 2008
70	Régime de Retraite des employés syndiqués du Fonds de solidarité FTQ	May 13, 2005
71	Régime supplémentaire de rentes des fonctionnaires et employés de la Ville de Gatineau (Secteur Gatineau)	May 30, 2005
72	Régime de Retraite des employés et employées de la Ville de Sherbrooke	July 29, 2005
73	The Pension Plan for Employees of Council of Atlantic Premiers and Participation Employers	October 14, 2005
74	MDS Nordion Division of MDS (Canada) Inc.	December 22, 2005
75	Memorial University of Newfoundland	January 6, 2006
76	The Manitoba Museum	January 10, 2006
77	Canadian Council for International Co-operation	January 27, 2006
78	Université de Montréal	February 10, 2006
79	The University of Ottawa	February 21, 2006
80	Roche Limitée, Groupe-conseil et ses filiales (member of Shaw Group)	April 21, 2006
81	Canada Games Council	April 21, 2006
82	Marine Atlantic Inc.	April 21, 2006
83	Pension Plan for Non-Unionized Employees of VIA Rail Canada Inc.	June 30, 2006

	Name of Employer	*Effective Date*
84	Carleton University	June 30, 2006
85	Régime de retraite de la Corporation de l'École Polytechnique (Montréal)	July 18, 2006
86	Régime de retraite de la Société de Transport de Montréal (1992)	December 5, 2006
87	Régime de retraite de la Société de Transport (Syndicat du Transport de Montréal C.S.N.)	December 5, 2006
88	Export Development Canada	February 28, 2007
89	Bishop's University—Pension Plan for Full-Time Employees	May 29, 2007
90	Government of Alberta – with respect to the Management Employees Pension Plan (MEPP) Public Service Pension Plan (PSPP) Local Authorities Pension Plan (LAPP)	January 21, 2008