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Preface

The purpose of this booklet is to familiarize Plan Members with the key aspects of the Public Service Pension Plan. The last "Plan Member Guide" was printed in 1991, and there have been significant changes to legislation since that time. We trust that this booklet will be a very useful resource for Plan Members desiring to know more about **their** Plan. However, we must always bear in mind that pension plans are subject to changes in legislation and policies. Therefore, due to the ongoing evolution of legislation affecting the Public Service Pension Plan, certain information contained in this Booklet could, at some point, be outdated and/or invalid. We strongly recommend that plan members not make decisions, concerning their retirement, solely on the information contained in this booklet but rather contact their Employer's Human Resource Department and/or Pensions Division. **Furthermore, if there should be a discrepancy between this booklet and the Public Service (Pensions) Act, the Act will prevail.** Copies of the **Public Service (Pensions) Act** are available at the Office of the Queen's Printer.

An Introduction to the PUBLIC SERVICE PENSION PLAN

Welcome to the Plan

We're pleased to introduce you to the Public Service Pension Plan (PSPP) and the benefits it provides. Even if you've just started working for an employer in the plan, and retirement seems a long way off, you should become acquainted with the provisions of the plan as soon as possible. Decisions throughout your working career can have a significant impact on the level of comfort in your retirement years.

Various events may occur which can have a direct impact on your pension. This booklet provides you with an overview of the features of the plan and the implications for your pension should you, for example, move to another employer, take a leave of absence, become disabled, leave your job, or retire.

Detailed information about all pension-related events can be obtained from your employer, and/or, Pensions Division, Department of Finance.

A Brief Description

The Public Service Pension Plan (PSPP) was established on April 1, 1967 by the Public Service Pensions Act. The PSPP is one of four Defined Benefit Pension Plans administered by Government. Under Defined Benefit Plans, pensions are calculated based on a percentage of your years of pensionable service and pensionable earnings.

Overall administration of the PSPP is the responsibility of the Pensions Administration Division, Department of Finance, in cooperation with the employers who participate in the Plan. Currently there are approximately 26,500 plan members in the PSPP, including employees of Crown Corporations, Healthcare Organizations, School Boards and a variety of other organizations owned or controlled by Government. There are approximately 9,200 pensioners. The primary objective of the PSPP is to help plan members prepare for a comfortable retirement.

Employee and employer contributions are directed to the Province of Newfoundland Pooled Pension Fund. These contributions are used to pay benefits. Excess contributions are invested in capital markets. The Pensions Investment Committee, comprised of representatives of Unions, Employers and Government, oversees the investment of these contributions by establishing the mix of the assets in the funds, and by selecting external fund managers. As of December 31, 1999, the PSPP had assets totaling $1.3 billion. Government, in 1998, enacted legislation to provide for annual payments of $40 million to the PSPP. These special payments, coupled with a 1% contribution increase for employees, matched by employers, will prolong the financial viability of the plan to beyond the year 2030. Also, as required by law, the PSPP is evaluated every three years by the province's actuary. The mandate of the actuary is to monitor the plan and make recommendations with a view to ensuring the viability of the plan.

Eligibility for Membership

WHO IS ELIGIBLE TO JOIN THE PLAN?

The Public Service Pension Plan (PSPP) covers all *full-time* employees, of Government and member institutions, under the age of 65.

MUST I JOIN THE PLAN?

If you are employed on a full-time basis (includes seasonal workers) with a Department of Government or with an employer who participates in the PSPP you must join the Plan.

ARE THERE ANY CIRCUMSTANCES WHICH WOULD PRECLUDE MY JOINING THE PLAN ?

Yes. If you are employed in any of the following categories you do not qualify for enrolment in the PSPP:

- Part-time employee
- Employee of Commission of Enquiry
- Temporary employee hired for a period that does not involve four calendar months of continuous employment
- Student (includes nursing and medical student)
- Contractual employee (unless the employment contract specifies that the employee must participate in the plan) Casual employee

WHEN MAY I JOIN THE PLAN?

All eligible full-time employees must join the Plan from the date of employment. Temporary employees, whose employment period will involve four calendar months of continuous service, must join the Plan on the date of employment. (eg. January 1 - March 31, is not eligible while January 31 - April 1 is eligible). Temporary employees, initially hired for a period less than that stated above, must be enrolled in the Plan immediately upon the employer's determination that their employment period will extend into the fourth calendar month. Seasonal (full-time) workers must join the Plan on date of hire. ***(Please note that employees who at one time had an option whether or not to join the Plan and elected not to do so, may join the Plan at anytime and, if they wish, elect to purchase their prior service.)***

Contributions

HOW MUCH DO I CONTRIBUTE TO THE PSPP?

As a member of the Plan, you are required to make contributions toward the funding of your pension benefits. These contributions are made by payroll deduction and are fully tax-deductible. The PSPP is integrated with the Canada Pension Plan. Therefore, your contribution to the PSPP on earnings covered by the CPP, is lower than the contribution on earnings which exceed the CPP ceiling.

As of January 1, 2001 plan members make the following tax-deductible contributions:

- **7.6%** of earnings up to the Year's Basic Exemption as defined under the Canada Pension Plan. The Year's Basic Exemption (YBE) is a portion of earnings upon which no CPP contributions are required. Please note, however, that the YBE is included in salary for the purpose of calculating CPP benefits.

- **5.8%** of earnings in excess of the Year's Basic Exemption up to and including the Year's Maximum Pensionable Earnings (YMPE). The YMPE is the ceiling upon which CPP benefits are based. It changes annually and is set at the beginning of each calendar year.

- **7.6%** of earnings in excess of the YMPE.

CONTRIBUTION FORMULA

Assume the YBE is $3,500 for the year;
Assume the YMPE is $38,300 for the year;

Assume your salary is $39,000 for the year;

Pension contributions will be:

7.6% X $ 3,500	=	$ 266.00
5.8% X $ 34,800	=	$ 2,018.40
7.6% X $ 700	=	$ 53.20
Total Contribution:		**$ 2,337.60**

Assume your salary is $25,000 for the year;

Pension contributions will be:

7.6% X $ 3,500	=	$ 266.00
5.8% X $ 21,500	=	$ 1,247.00
Total Contribution:		**$ 1,513.00**

WHAT CONSTITUTES CONTRIBUTORY / PENSIONABLE EARNINGS?

Contributory or pensionable earnings would be any 'normal remuneration' paid by an employer for the normal working period of the employee. Types of pensionable earnings include Regular Earnings, Pay Equity, Retroactive Pay and earnings while on a Temporary Assignment. However, **Overtime is not pensionable**. For further information please contact your Human Resource Office and/or Pensions Division.

HOW MUCH DOES MY EMPLOYER CONTRIBUTE?

The PSPP is structured such that employer and employees share equally the overall cost of the benefits being earned. Thus, the employer's contribution is equal to the contribution of its employees. It should be noted however that there was a three year period during which the contributions made by certain employers were reduced. To see the impact that this had on pension entitlements please see the examples on pages seven to nine. To identify the years during which your employer's contributions may have been reduced please contact your Human Resource Office and/or Pensions Division.

MAY I MAKE ADDITIONAL VOLUNTARY CONTRIBUTIONS TO THE PLAN?

No. There is no provision in the PSPP to allow individuals to contribute additional funds to the Plan. Employees who wish to maximize their tax-sheltered retirement arrangements may do so by contributing to an RRSP.

Purchase of Prior Service

CAN I PURCHASE PAST SERVICE?

Yes. Under the PSPP you may purchase prior service as long as the service is **pensionable,** as defined by the Act, and as long as you are an employee as defined by the Act, when electing to purchase. Examples of past service include:

- worked service for which contributions were paid and subsequently refunded;
- worked service with an employer under any other Plan, with whom the PSPP has a portability agreement, and where contributions were refunded;
- worked service with an employer under any other Plan, with whom the PSPP has a portability agreement, and where contributions were not paid but the service would be eligible for purchase under the former plan today;
- prior full-time contractual service;
- authorized leaves of absence ***(You should note that you must apply to purchase such periods within ninety days of returning from leave for the calculation of cost to be based upon what you would have paid had the leave not occurred. After ninety days the cost is based upon actuarial values.).***

There are other periods of prior service which may be purchased. Please note that most purchase costs are now calculated using actuarial values. The most significant component, in determining an actuarial cost, is the age of the plan member. **For this reason, we advise that you pursue the purchase of prior service as soon as possible since the cost to purchase may increase as you age.** For further information on purchase of service, including payment arrangements, please see your employer's Human Resources/Personnel representative.

Eligibility for Pension Benefit

HOW MUCH SERVICE DO I NEED IN ORDER TO RECEIVE A PENSION AT RETIREMENT?

You must have at least 5 years of pensionable service. This is the **vesting period** of the PSPP. **Vesting** refers to the right of an employee to a lifetime pension.

Under the PSPP a plan member is not required to have 5 **consecutive** years of pensionable service in order to be vested. The vesting period can consist of a number of periods of service which add up to a total of at least 5 years. (ie. It doesn't have to be consecutive).

HOW IS THE AMOUNT OF MY PENSION BENEFIT CALCULATED?

The formula for calculating your pension entitlement is as follows:

> **2%** of the average of the **best five years** pensionable salary multiplied by your **years and months of credited pensionable service**.

Note: During the years April 1, 1993 to March 31, 1996, service accrual rates were less due to a reduction in the employer's contribution. The impact of the reduction is highlighted in the Examples on pages seven to nine. Please note that for certain employers the reduction did not apply to every year. Please see your Human Resource Department or contact Pensions Division for further details.

As previously noted, the PSPP is integrated with CPP. Therefore your PSPP pension will be reduced the first of the month following your sixty-fifth birthday. At age sixty-five your PSPP pension will be reduced by .6% (.006) of the lesser of; the average salary used to calculate your PSPP benefit, or the average YMPE for the 36 month period immediately preceding retirement multiplied by the years and months of service after April 1, 1967.

HOW IS MY FIVE YEAR AVERAGE DETERMINED?

This depends on whether you are employed on a seasonal or a full-time basis.

Full-time - The average is based upon the total of five individual continuous twelve month segments divided by five. The date of termination dictates what the five individual segments are.

CALCULATION OF FIVE-YEAR AVERAGE

Assume that you are retiring May 31, 2001. Pensionable Earnings for the last 7 periods of June to May were as follows:

1.	June 2000	to	May 31, 2001		$ 28,750
2.	June 1999	to	May	2000	28,350
3.	June 1998	to	May	1999	28,100
4.	June 1997	to	May	1998	27,975
5.	June 1996	to	May	1997	27,850
6.	June 1995	to	May	1996	29,675
7.	June 1994	to	May	1995	27,470

The five year average would be the total of 1, 2, 3, 4, and 6 divided by a factor of 5 as follows:

$ 142,850 ÷ 5 = $ 28,570

Seasonal -

The average is based upon the sum total of pensionable earnings during the last sixty calendar months divided by the number of actual calendar months "worked in" during the last sixty calendar months multiplied by twelve.

CALCULATION OF FIVE YEAR AVERAGE
for Seasonal Plan Member

Assume that you are retiring April 30, 2001. You were employed on a seasonal basis from September to April of each year. Pensionable Earnings for the last 60 calendar months were:

1.September 2000	to	April 30, 2001		$ 18,600	
2.September 1999	to	April	2000	18,325	
3.September 1998	to	April	1999	17,933	
4.September 1997	to	April	1998	17,485	
5.September 1996	to	April	1997	16,850	
					$ 89,193

The five year average is calculated as:

$ 89,193 ÷ 40 months X 12 = $ 26,758

Your pension is then calculated using your **actual** pensionable service

WHAT ARE MY RETIREMENT OPTIONS?

There are various retirement options under the PSPP as follows:

Normal Retirement *Age sixty-five with a minimum of 5 years credited pensionable service.*

Example One: NORMAL RETIREMENT (AGE 65)

Assume that you are retiring at age 65. Your average annual salary is **$30,000**, the average YMPE is $36,422 and you have been credited with 35 years of pensionable service, of which 29 years were credited after April, 1967. Canada Pension Benefits are payable.

Pension:		$30,000 x 2% x 32 years	=	$19,200
	(Apr/93-Mar/94)	$30,000 x 1.1% x 1 years	=	$ 330
	(Apr/94-Mar/96)	$30,000 x 1.8% x 2 years	=	$ 1,080
		Pension Before CPP Reduction		$20,610
Reduction (CPP Integration):		(.006 x 29) x $30,000	=	$ 5,220
Lifetime Annual (PSPP) Pension:				**$15,390**

Assume that you are retiring at age 65. Your average annual salary is **$42,000**, the average YMPE is $36,422 and you have been credited with 35 years of pensionable service, of which 29 years were credited after April, 1967. Canada Pension Benefits are payable.

Pension:		$42,000 x 2% x 32 years	=	$26,880
	(Apr/93-Mar/94)	$42,000 x 1.1% x 1 years	=	$ 462
	(Apr/94-Mar/96)	$42,000 x 1.8% x 2 years	=	$ 1,512
		Pension Before CPP Reduction		$28,854
Reduction (CPP Integration):		(.006 x 29) x $36,422	=	$ 6,337
Lifetime Annual (PSPP) Pension:				**$22,517**

Early Retirement *Age sixty with a minimum of 5 years credited pensionable service.*

Example Two: EARLY RETIREMENT (AGE 60)

Assume that you are retiring at age 60. Your average annual salary is $25,000, the average YMPE is $36,422 and you have 20 years of pensionable service.

Pension:		$25,000 x 2% x 17 years	=	$ 8,500
	(Apr/93-Mar/94)	$25,000 x 1.1% x 1 years	=	$ 275
	(Apr/94-Mar/96)	$25,000 x 1.8% x 2 years	=	$ 900
		Pension Before CPP Reduction		**$ 9,675**

When you start receiving **CPP Benefits at age 65** your PSPP pension will be reduced as follows:

				$ 9,675
	Less	(.006 x 20) x $25,000	=	$ 3,000
Lifetime Annual (PSPP) Pension (Age 65):				**$ 6,675**

Early Retirement ***Age fifty-five with a minimum of 30 years credited pensionable service.***

Example Three: EARLY RETIREMENT (AGE 55)

Assume that you are retiring at age 55. Your average annual salary is **$32,000**, the average YMPE is $36,422 and you have 33 years of pensionable service.

Pension:		$32,000 x 2% x 30 years =	$19,200
	(Apr/93-Mar/94)	$32,000 x 1.1% x 1 years =	$ 352
	(Apr/94-Mar/96)	$32,000 x 1.8% x 2 years =	$ 1,152
		Pension Before CPP Reduction	**$20,704**

When you start receiving **CPP Benefits at age 65** your PSPP pension will be reduced as follows:

		$20,704
Less	(.006 x 33) x $32,000 =	$ 6,336
Lifetime Annual (PSPP) Pension (Age 65):		**$14,368**

Reduced Early Retirement ***Between ages fifty and fifty-five with a minimum of 30 years credited pensionable service.*** ***(Amount of entitlement is reduced by .5 % for each month the member is less than* age fifty-five.)**

Example Four EARLY RETIREMENT (Between Ages 50 and 55)

Assume that you are retiring at age 53 and you have opted to start receiving your PSPP pension benefit immediately. Your average annual salary is $32,000, the average YMPE is $36,422 and you have 33 years of pensionable service.

Pension Before CPP Reduction *(as calculated in example four)*		**$20,704**
Less Reduction for Early Receipt	($20,704 x 24 months) x .5% =	**$ 2,484**
Pension Payable at Age 53:		**$18,220**

When you start receiving **CPP Benefits at age 65** your PSPP pension will be reduced as follows:

		$18,220
Less	(.006 x 33) x $32,000 =	$ 6,336
Lifetime Annual (PSPP) Pension (Age 65):		**$11,884**

Reduced Early Retirement ***Between ages fifty-five and sixty when age plus service totals a factor of eighty-five.*** ***(Amount of entitlement is reduced by .5 % for each month the member is less than* age sixty.)**

Example Five EARLY RETIREMENT

(Between Ages 55 and 60 and Age plus Service Equals 85))

Assume that you are retiring at age 57 and you have opted to start receiving your PSPP pension benefit immediately. Your average annual salary is $32,000, the average YMPE is $36,422 and you have 28 years of pensionable service.

Pension:		$32,000 x 2%	x 25 years	=	$16,000
	(Apr/93-Mar/94)	$32,000 x 1.1%	x 1 years	=	$ 352
	(Apr/94-Mar/96)	$32,000 x 1.8%	x 2 years	=	$ 1,152
Pension Before CPP Reduction:					**$17,504**
Less Reduction for Early Receipt		($17,504 x 36 months) x .5%		=	**$ 3,151**
		Pension Payable at Age 57			**$14,353**

When you start receiving **CPP Benefits at age 65** your PSPP pension will be reduced as follows:

		$14,353
	Less (.006 x 28) x $32,000 =	$ 5,376
Lifetime Annual (PSPP) Pension (Age 65):		**$ 8,977**

WHAT SHOULD I DO IN PREPARATION FOR RETIREMENT?

You should consult with your Human Resources Department and review your Annual Benefit Statement to ensure that you have been credited with all eligible pensionable service. This should be done several months in advance of your anticipated retirement date to allow for an investigation of any discrepancies. The application for pension should be forwarded by your employer at least two months before the date of retirement in order to facilitate a smooth transfer from the employer payroll to the pensioner payroll.

WHAT DOCUMENTS ARE REQUIRED BY PENSIONS DIVISION?

The initial pension calculation is prepared by the employer and forwarded to Pensions Division with the following:

- Termination Form
- Birth Certificate
- Copy of Group Insurance Continuation Form
- Birth Certificate of Spouse and/or Child (*Required before survivor benefits can be paid)*
- Calculation Of Entitlement
- TD(1)
- Marriage Certificate (*Required before survivor benefits can be paid)*
- Direct Deposit Information

Eligibility for Disability Pension

CAN I RECEIVE A PENSION BENEFIT IF I BECOME DISABLED?

The PSPP provides benefits in the event of permanent disability. After exhausting all of your sick leave credits you may qualify to receive a disability pension. Eligibility criteria for this benefit include, but may not be limited to, the following:

- you must be an employee as defined by the Public Service (Pensions) Act;
- you must have accumulated a minimum of five years pensionable service; and
- your disability must be medically certified, to the satisfaction of the Minister of Finance, as likely to be permanent. ***(Plan members should be aware that the assessment of eligibility involves an exchange of medical records between their physician(s) and the Plan's Medical Assessor, and may involve further medical examinations. The approval process can be lengthy.)***

The pension payable under medical disability is based upon the amount of pension earned to the date of retirement on account of disability. Three things that distinguish this benefit from other retirement options are:

- you have a permanent disability that prohibits you from returning to work;
- the benefit is payable with effect from the expiration of sick leave credits;
- there is no minimum age requirement.

Note: Participation in a rehabilitation program is mandatory if recommended by the plan's Medical Assessor.

Survivor Benefits

WHAT IF I DIE BEFORE RETIREMENT?

If you die before you have accumulated at least five years of pensionable service or, if you have accumulated at least five years of pensionable service, and die leaving no survivors, a refund of your contributions and interest will be paid to your estate.

If you die after accumulating five years of pensionable service, but before the payment of your pension has commenced, **your spouse** will have the following options:

i. a lifetime pension equal to 60% of the benefit earned to the date of death, or
ii. a lump sum payment of the greater of :

(a) 100% of the commuted value of your pension entitlement at date of death;
and
(b) the commuted value of the 60% survivor benefit as determined at your date of death.

Please refer to the "Glossary of Commonly Used Pension Terms" for a definition of "commuted value".

The **60% survivor benefit** is payable to your spouse for life and will commence on the first day of the month following the month of your death.

If you have no surviving spouse and you die leaving **children under the age of eighteen years, or age 24 if still in school***, 60% of the benefit earned to the date of death, will be payable until the youngest child reaches age 18, or age 24 if still in school.

* *School includes a recognized school, or post-secondary institution. The child must be in full-time attendance in order to receive the survivor benefit.*

NOTE: GROUP INSURANCE BENEFITS ARE FORFEITED WHEN A SURVIVOR ELECTS TO RECEIVE A BENEFIT IN THE FORM OF A COMMUTED VALUE

WHO IS MY SPOUSE?

The Public Service (Pensions) Act defines spouse as a person of the *opposite sex:*

(i) to whom the employee is married at the time of death or,

(ii) who establishes that the person has cohabited with the employee for at least **twelve consecutive months** immediately prior to the employee's death provided that the person and the employee held themselves out to the public as spouses of each other, and provided that there was **no legal impediment to marriage** between that person and the employee or,

(iii) who establishes that the person has cohabited with the employee for at least **thirty-six consecutive months** immediately prior to the employee's death provided that the person and the employee held themselves out to the public as spouses of each other.

WHAT IF MY SURVIVING SPOUSE DIES LEAVING DEPENDENT CHILDREN?

Upon the death of a spouse **who is in receipt of the 60% survivor benefit** under the PSPP, the benefit will continue to be paid to (or for the benefit of) surviving children. As described above, benefits will continue to be paid until the youngest child reaches age eighteen or, if a child is in full-time attendance at a recognized school or post-secondary institution, benefits will continue until the course of study is completed or the child reaches age twenty-four, whichever occurs first.

WHAT IF I DIE AFTER I RETIRE?

Upon the death of a pensioner, the surviving spouse or, in the absence of a surviving spouse, the dependent children will receive a survivor benefit equal to 60% of the pension. *Unless it has already been applied to your pension, the CPP reduction will be applied, to the survivor benefit.* In the case of a surviving spouse the benefit is payable for life; for dependent children the benefit is payable until the youngest child reaches age eighteen or, if a child is in full-time attendance at a recognized school or post-secondary institution, until the course of study is completed or the child reaches age twenty-four, whichever occurs first.

ARE THERE ANY OTHER PROVISIONS WHICH PROTECT MY INTERESTS IN THE EVENT OF MY DEATH?

Yes. If you and/or your survivors should die before the total of benefits paid out is equal to your contributions plus interest, the difference between the amount of contributions with interest and the total benefits paid will be calculated and paid to your Estate.

Termination of Employment

WHAT IF MY EMPLOYMENT TERMINATES?

Non-vested Member

If, at the time of termination you have less than five years of pensionable service, you have not earned a vested right to a lifetime pension. Therefore, upon termination, your benefits involve only your own contributions and interest. Your options are as follows:

i. receive a cash refund of **your** contributions and interest (less required withholding tax), or

ii. transfer your (employee) contributions and interest directly from the PSPP to an individual RRSP, thus deferring tax implications, or

iii. transfer your termination benefit directly from the PSPP to the pension plan of your new employer (provided that Plan permits such transfers), or

iv. leave your contributions in the PSPP. This would enable you to link your service accumulated to the date of termination, with future pensionable service should you become re-employed in a pensionable position under the PSPP.

Vested Member
If you have accumulated at least **five years** of pensionable service you are a vested member. "Vested" means that you have earned the right to a lifetime pension. The options of a vested member vary according to age and service. ***Please note that if you are eligible for an immediate un-reduced pension, you do not have the option of a commuted value payment.*** **Furthermore, it is important that you read the entire section on "Vested Member" to be certain of the options available to you**. An election form, detailing the options available to you, will be provided upon termination of employment**.**

Upon termination, if you have accumulated five years of pensionable service you may elect **within 180 days after termination**:

i. to transfer the "commuted value" of your pension entitlement to a "locked-in" RRSP, **or**

ii. a return of your (employee) contributions plus interest in respect of pensionable service performed before January 1, 1997; and a transfer of the commuted value of your pension entitlement representing pensionable service performed after January 1, 1997 to a locked-in RRSP, **or**

iii. to transfer your termination benefit directly from the PSPP to the pension plan of your new employer (provided that Plan permits such transfers)**, or**

iv. to leave your contributions in the PSPP and either:

- ➢ receive a deferred pension payable from the earliest eligible retirement age **or,**
- ➢ link the vested service with future service in the event that you are re-employed in a pensionable position under the PSPP

If you have been credited with **ten years** of pensionable service or you have been employed continuously for **ten years**, and are at least **age forty-five,** you may elect **within 180 days after termination:**

i. to transfer the "commuted value" of your pension entitlement to a locked-in RRSP; **or**,

ii. a return of **your** pre 1987 (employee) contributions plus interest and a transfer of the "commuted value" of your pension for service performed since December 31, 1986 to a locked-in RRSP; **or**,

iii. to transfer your termination benefit directly from the PSPP to the pension plan of your new employer (provided that Plan permits such transfers)**; or**

iv. to leave your contributions in the PSPP and either:

- ➢ receive a deferred pension payable from the earliest eligible retirement age **or,**
- ➢ link the vested service with future service in the event that you are re-employed in a pensionable position under the PSPP.

Note: The commuted value will not be less than the value of the employee's contributions and interest. Employees who do not make an option, within 180 days after termination, are deemed to have elected a deferred pension.

NOTE: GROUP INSURANCE BENEFITS ARE FORFEITED WHEN A PLAN MEMBER ELECTS TO RECEIVE A BENEFIT IN THE FORM OF A COMMUTED VALUE

Transferring Pension Credits to Other Pension Plans

There are vehicles that allow pension credits accumulated, under a previous pension plan, to be transferred to the plan of which you are currently a member, provided that the pension contributions with the previous plan have not been refunded. These vehicles are **"The Portability (of Pensions) Act"** and **"Reciprocal Agreements"**.

WHAT IF I CHANGE PENSION PLANS WITHIN THE PUBLIC SECTOR?

The **Portability of (Pensions) Act**, provides for the transfer of service between the following Plans, as long as the contributions paid under the former plan have not been refunded:

- Public Service Pension Plan
- The Uniformed Services Pension Plan
- The Teachers' Pension Plan
- The Memorial University Pension Plan
- Members of the House of Assembly Pension Plan

You must complete a **Portability of Pension Election Form** to initiate the transfer process. Upon receiving this form Pensions Division will calculate the cost of transferring the service. The amount **required** by the importing plan would be two times the contributions that you would have paid based on the annual rate of pensionable salary at your most recent plan entry date under the current plan. The amount **available** for transfer from the previous plan would be the total of the employee and employer contributions plus interest. If the amount available for transfer is less than the amount required you will have the option of paying the difference or, being credited with a lesser amount of service.

WHAT IF I BECOME A MEMBER OF A PENSION PLAN OUTSIDE THE PUBLIC SECTOR?

If you become a member of a pension plan with which the PSPP has a reciprocal transfer agreement; provided that you meet the criteria for transfer, you have the option of transferring your pension credits to the new plan. The main criteria for eligibility for transfer are that you did not receive a refund of contributions and you are not in receipt of any form of pension benefit from the plan of which you were formerly a member. Plan members should be aware of the possibility that due to plan differences or differences in calculation assumptions a lesser amount of service may be credited under an importing plan.

Currently the PSPP has reciprocal arrangements with thirty-one pension plans. Please see page eighteen for a complete list of plans with which the PSPP has a Reciprocal Transfer Agreement.

Marriage Breakdown

WHAT IF I DIVORCE?

Pension benefits, acquired during the marital period, are considered as matrimonial property and, consequently, may be subject to division upon marriage breakdown. A division of pension benefits is not automatic and will occur only as directed by a court order or separation agreement. A pamphlet entitled **"Division of Pension Benefits on Marriage Breakdown"** is available from Pensions Division upon request.

Canada Customs and Revenue Agency and the Public Service Pension Plan

ARE MY CONTRIBUTIONS TAX-DEDUCTIBLE?

The **regular** contributions you make to the PSPP are tax sheltered. When you complete your Income Tax return you may claim your PSPP contributions as a deduction from your income. Within certain limits, your contributions to purchase **prior service** may also be tax deductible.

HOW DO MY PENSION CONTRIBUTIONS AFFECT CONTRIBUTIONS TO MY RRSP?

Under the current tax system contributions to the pension plan do not directly affect contributions to RRSP's. It is the value of the pension entitlement earned in the tax year that will be used by Revenue Canada to determine how much you can contribute to your RRSP in respect of the next tax year. The value of pension earned in the year is reported on your T-4, in Box 52, and is called the **Pension Adjustment or PA.** Revenue Canada will notify you, in writing, of the RRSP contribution room that you have for the tax year. The amount that you can contribute to your RRSP in a given year is 18% of the previous year's earned income (to an annual dollar maximum) **minus** the **PA** for the previous year.

If upon termination your benefit is lesser than your total Pension Adjustment for years since 1989 the Pensions Division will calculate a **Pension Adjustment Reversal (PAR)**. This will reinstate RRSP contribution room for the years after 1989.

Other Questions Frequently Asked by Pension Plan Participants

CAN I STOP CONTRIBUTING TO THE PSPP?

No. As long as you meet the definition of employee as defined by the Public Service Pensions Act, you must contribute.

WHAT RATE OF INTEREST IS EARNED ON MY CONTRIBUTIONS TO THE PSPP?

From 1991 to 1999, interest on employee contributions has been credited at the rate of the major Canadian banks for one year guaranteed investments. Prior to 1991, interest on required contributions was calculated at 5% per annum. From 2000 on, interest will be paid as directed by the Pension Benefits Act and Regulations.

This rate is generally based on 5 year fixed term, term deposit rates.

WHAT IF I CHANGE TO PART-TIME EMPLOYMENT?

A member, whose employment status changes to part-time, is no longer eligible to participate in the PSPP. It should be noted that, under Section 40 (5) of the Pension Benefits Act, a refund of contributions is not permitted. A part-time employee is required to participate in the Government Money Purchase Pension Plan (GMPP), provided that the employer is participating in the GMPP. Furthermore, there is a reciprocal arrangement whereby credits may be transferred between the GMPP and the PSPP.

ARE THERE INFORMATION SEMINARS FOR PLAN MEMBERS?

Yes. The Pensions Division will participate in information seminars as requested by the employer.

ARE PLAN MEMBERS PROVIDED WITH BENEFIT STATEMENTS?

Benefit Statements are prepared on an annual basis and forwarded to employers for distribution to plan members.

CAN GROUP INSURANCE COVERAGE CONTINUE AFTER I RETIRE?

Yes. You can continue in the Group Insurance Plan after you retire **provided you complete a Group Insurance Continuation form prior to terminating employment.** If you terminate and your pension is not payable until a future date (i.e., Deferred Pension) your coverage will be temporarily suspended until the pension is in pay.

Employers Participating
In the
Public Service Pension Plan

GOVERNMENT DEPARTMENTS

Auditor General
Development and Rural Renewal
Education
Environment and Labour
Executive Council and Treasury Board
Finance
Fisheries and Aquaculture
Forest, Resources and Agrifoods
Government Services and Lands
Health and Community Services
House of Assembly
Human Resources and Employment
Industry, Trade and Technology
Justice and Attorney General
Mines and Energy
Municipal and Provincial Affairs
Newfoundland and Labrador Youth Centre
Public Service Commission
Tourism. Culture and Recreation
Works, Services and Transportation

CROWN CORPORATIONS

Board of Commissioners of Public Utilities
C.A. Pippy Park Commission
Canada Newfoundland Offshore Petroleum Board
Churchill Falls (Labrador) Corporation
Municipal Assessment Agency
Newfoundland and Labrador Arts Council
Newfoundland and Labrador Housing Corporation
Newfoundland and Labrador Hydro
Newfoundland Legal Aid Commission
Newfoundland Liquor Corporation
Newfoundland Medical Care Commission
Provincial Advisory Council on the Status of Women
Provincial Information and Library Resources Board
Workplace Health, Safety and Compensation Commission
xwave Solutions Limited

HEALTH CARE ORGANIZATIONS

Avalon Health Care Institutions Board
Burin Peninsula Health Care Board
Central East Health Care Corporation
Central West Health Care Corporation
Dr. G. B. Cross Memorial Hospital
Grenfell Regional Health Services
Health & Community Services Central Region

HEALTH CARE ORGANIZATIONS (Cont'd)

Health & Community Services Eastern Region
Health & Community Services St John's Region
Health Care Corporation of St. John's
Health Labrador Corporation
Newfoundland & Labrador Health Care Corporation
Newfoundland Cancer Treatment & Research Foundation
Western Health Care Corporation

SENIOR CITIZENS HOMES

St. John's Nursing Home Board
- **Hoyles/Escasoni**
- **Masonic Park Nursing Home**
- **Pentecostal Senior Citizens Home**
- **St. John's Community Health Board**
- **St. Luke's Home**
- **St. Patrick's Mercy Home**
- **Salvation Army Glenbrook Lodge**
- **Agnes Pratt Home**

SCHOOL DISTRICTS & EDUCATIONAL INSTITUTIONS

College of the North Atlantic - Clarenville
College of the North Atlantic - Grand Falls / Windsor
College of the North Atlantic - Happy Valley / Goose Bay
College of the North Atlantic - St. John's
College of the North Atlantic - Stephenville
District 1 - Labrador
District 2 - Northern Peninsula Labrador South
District 3 - Corner Brook / Deer Lake / St. Barbe South
District 4 - Stephenville / Port aux Basques
District 5 - Baie Verte / Central / Connaigre
District 6 - Lewisporte / Gander
District 7 - Burin
District 8 - Vista
District 9 - Avalon West
District 10 - Avalon East
District 11 - Conseil Scolaire Francophone
Newfoundland & Labrador School Boards Association

MISCELLANEOUS ORGANIZATIONS

Aramark Canada Ltd
Association of Registered Nurses of Newfoundland
City of St. John's (Firefighters)
Council for Licensed Practical Nurses
Newfoundland & Labrador Association of Public & Private Employees
Public Service Credit Union

Reciprocal Agreements with The Public Service Pension Plan

OTHER PROVINCES

- **British Columbia**
- **Manitoba**
- **New Brunswick**
- **Nova Scotia**
- **Ontario**
- **Prince Edward Island**
- **Saskatchewan**

MISCELLANEOUS

- **Canada Mortgage and Housing Corporation**
- **Canadian Broadcasting Corporation**
- **Canadian Pacific Hotels Pension Plan**
- **Canadian Union of Public Employees**
- **City of St. John's**
- **College of Applied Arts and Technology**
- **Council of Maritime Premiers**
- **Gander, Town of**
- **General Synod of the Anglican Church of Canada**
- **Government Money Purchase Pension Plan**
- ***Government of Canada* ***
- **Halifax County Municipality Full-time Retirement Pension Plan**
- **Prince Edward Island Health & Community Services Agency**
- **Lakehead University**
- **Newfoundland and Labrador Municipal Employee Benefits Incorporated**
- **Newfoundland Power**
- **NewTel Pension Plan**
- **Nova Scotia Association of Health Organizations**
- **Ontario Municipal Employees Retirement Board**
- **Ontario Public Service Employees Union**
- **Province of British Columbia Municipal Pension Plan**
- **Province of British Columbia College Pension Plan**
- **University of Prince Edward Island Pension Plan**

*** Currently Under Review**
(No Agreement currently in effect)

Glossary of Commonly Used Pension Terms

Actuary **-** Actuaries are business professionals who apply their knowledge of mathematics, probability, statistics, and risk theory, to real-life financial problems involving future uncertainty. These uncertainties are usually associated with life insurance, property and casualty insurance, annuities, pension or other employee benefit plans, or providing evidence, in courts of law, on the value of lost future earnings.

Canada Pension Integration **-** the adjustment of your pension to reflect your lower contribution rate up to the YMPE for the period of time you contributed to the Public Service Pension Plan.

Commuted Value **-** The commuted value of a benefit refers to how much a benefit is worth today. Commuted values express the lump sum value of a promised benefit, usually from a defined benefit pension plan. The commuted value takes into account the benefits, interest and mortality. In other words, it is the amount of money that would need to be invested today in order to pay the earned benefit (at date of calculation) with effect from the date that the benefit would have been paid under the pension plan.

Deferred Pension **-** a specified pension determined at the time of termination, which is payable when the plan member reaches the required age.

Defined Benefit Pension Plan **-** a Defined Benefit Pension Plan is characterized primarily by a formula under which retirement (and other) pension benefits are calculated. The amount of the pension benefit is typically based on earnings and credited pensionable service.

Full-time Employee **-** an employee who works the number of hours which constitute full-time employment as determined by a particular employer.

Immediate Pension **-** a pension payable the first of the month following the month in which a plan member retires. Disability pensions are payable with effect from the expiration of sick leave.

Locked-in RRSP **-** has all the essential characteristics of a regular RRSP with the exception of a cash surrender provision. A locked-in RRSP cannot be surrendered for cash but must be used to purchase an annuity payable for life.

Locked-in Pension **-** a legislative requirement that vested benefits under the pension plan must be used to provide a lifetime retirement income and are not available as immediate cash.

Pension Adjustment - the value of pension earned in a year. It is reported in Box 52 of your T-4 and is used by Revenue Canada to determine your RRSP contribution room for the tax year.

Pension Adjustment Reversal - a calculation done to reflect restored RRSP contribution room for the years for which pension contributions have been refunded.

Pensionable Earnings **-** the portion of a plan member's total earnings upon which contributions are based and the pension benefit is calculated (eg. regular earnings, excluding overtime).

Vesting **-** refers to the earned right of a pension plan member to receive benefits funded by employer contributions. Under the PSPP a plan member is considered vested upon accumulating 5 years of pensionable service.

Additional Information

Information concerning the Public Service Pension Plan can be obtained from the Personnel Office of your employer or by writing:

Pensions Administration Division
Department of Finance
Government of Newfoundland and Labrador
P.O. Box 8700
St. John's, Newfoundland
A1B 4J6