

# Civil Service Superannuation Fund



## July 2018 NEWSLETTER ACTIVE MEMBERS

### CHANGES TO PURCHASE OF SERVICE RULES

- **The rules governing the purchase of service that occurred prior to April 1, 2018 (i.e. old service) have changed.**
  - The CSSF allows active members to purchase certain types of service.
  - The most common types of service purchased include maternity/parental leaves, casual service before becoming a permanent employee, and UPP residual service following the UPP conversion in 2006.
- **If you have such service, and you wish to purchase it, you must apply to do so by no later than March 31, 2020.** After March 31, 2020, the ability to request this old service will expire.
- **Our records show that about 40% of all employees have purchased some type of service.**
  - In addition, hundreds of other members have received quotes but decided not to purchase (*cost to purchase was found to be too expensive*). **The cost methodology used to determine the cost of this old service is unchanged.** See grid on page 2 for a current estimated cost.

**PLEASE NOTE** – Payments can be made only by lump sum (i.e. cheque or RRSP transfer).

**Exception** – 1<sup>st</sup> request to purchase late election maternity/parental leave is eligible for bi-weekly payments.

- **For service that occurs on or after April 1, 2018 the costing method has been simplified.**
  - The cost is based on one- or two-times employee contributions, depending on the service type, and there are time limits to purchase service. A future newsletter will outline the new rules.

### DO THESE RULE CHANGES APPLY TO ME?

If you answer **YES** to any of the following questions, **AND have not already purchased that service**, you have **until March 31, 2020 to elect to purchase the service**, otherwise the option to do so shall lapse.

- Did you take a Maternity / Parental / Adoption Leave at some point since becoming permanent?**
- Do you have any of the following types of service?**
  - Prior Eligible Service (*casual employment before you became a permanent employee*)
  - UPP Residual Service (*residual service arising for the UPP conversion to the CSSF*)
  - Part-Time Residual (*residual service arising for the P/T conversion to the CSSF*)
- Did you ever receive a full refund of pension contributions from this plan?**
- Did you ever transfer service into the CSSF from another pension plan (and experienced a shortfall)?**

**Have a question specific to a purchase of 'OLD SERVICE'?**

**Contact PENSIONS & BENEFITS by E-MAIL at:**

**cssf@gov.pe.ca**

## ESTIMATED COST TO PURCHASE ONE YEAR OF SERVICE

(Cost is shown as a % of your Current Gross Salary)

### CSSF PENSIONABLE SERVICE @ REQUEST DATE

	5	10	15	20	25	30
<b>25</b>	8 %					
<b>30</b>	11 %	10 %				
<b>35</b>	13 %	15 %	13 %			
<b>40</b>	11 %	21 %	20 %	17 %		
<b>45</b>	14 %	14 %	35 %	24 %	21 %	
<b>50</b>	18 %	18 %	18 %	43 %	27 %	25 %
<b>55</b>	21 %	21 %	22 %	22 %	57 %	29 %
<b>60</b>	25 %	25 %	25 %	25 %	25 %	25 %

#### NOTES

- All cost estimates are for 1 full year. **If buying a partial year or more than one year of service, adjust your dollar cost accordingly.**
- The results above were produced using salaries ranging from \$40,000 to \$80,000. Incomes < \$40,000 trend 1% lower than percentages shown while incomes > \$80,000 trend 1% higher than percentages shown.

## ESTIMATED BENEFIT OF PURCHASING ONE YEAR OF SERVICE

As mentioned earlier, hundreds of employees have already chosen not to exercise their option to purchase service. The two main reasons members do not purchase service are:

- cannot afford to purchase the service, or
- the cost is too high vis-à-vis the value of the additional pension received in return.

To assist with your self-assessment (i.e. whether you can afford and/or whether the additional benefit is worth the cost) follow these steps:

**Step 1:** Use the grid above to assess if the cost to buy service is affordable.

**Step 2:** Use the following formula, depending on whether your average salary is above or below \$55,900, to assess whether the additional benefit is worth the cost identified in step 1.

Please be aware that your CSSF pension is higher before age 65 than after 65. To **estimate** the additional annual pension benefit that the purchase of an additional year of service could provide, use one of the following calculations:

**EXAMPLE A** – if your *average salary* (found on page 1 of your 2017 pension statement) is **AT OR BELOW \$55,900**:

**Estimated Add'n Benefit BEFORE 65<sup>th</sup> birthday**  
 (Average Salary "x" 2%)  
 (\$40,000 "x" 2%) =  
 \$800 / additional annual pension benefit

**Estimated Add'n Benefit AFTER 65<sup>th</sup> birthday**  
 (Average Salary "x" 2%) - (Average Salary "x" 0.7%)  
 (\$40,000 "x" 2%) - (\$40,000 "x" 0.7%) =  
 \$520 / additional annual pension benefit

**EXAMPLE B** – if your *average salary* (found on page 1 of your 2017 pension statement) is **OVER \$55,900**:

**Estimated Add'n Benefit BEFORE 65<sup>th</sup> birthday**  
 (Average Salary "x" 2%)  
 (\$70,000 "x" 2%) =  
 \$1,400 / additional annual pension benefit

**Estimated Add'n Benefit AFTER 65<sup>th</sup> birthday**  
 (Average Salary "x" 2%) - (\$55,900 "x" 0.7%)  
 (\$70,000 "x" 2%) - (\$55,900 "x" 0.7%) =  
 \$1,008 / additional annual pension benefit

**Consulting a financial adviser may aid in making your decision!**

**Requests to purchase service are accepted only by application!**  
**Applications are available at [www.peicssf.ca](http://www.peicssf.ca). Look for 'Purchase of Service'.**  
**REMEMBER, applications must be submitted no later than March 31, 2020.**