

PensionFacts



You may be able to increase your future pension benefit by purchasing past service

Purchasing past service

If you worked for your employer before the employer joined the Municipal Pension Plan (MPP), you may be able to increase your future pension benefit by purchasing past service.

Past service is a period of time when you worked for an MPP employer prior to the employer joining the Plan, so you did not contribute to the Plan.

Eligibility

You cannot purchase past service if you waived enrolment on or after April 1, 2000. If you contributed to another registered pension plan during the period being purchased, unless you collapse that plan and use the funds to purchase the service, you cannot purchase past service. This does not apply to RRSP contributions.

Deadlines to purchase past service

You must apply to purchase your service within 30 days after your employment with the employer with whom the service occurred ends¹ or within five years from the time you first begin contributing to the Plan, whichever is earlier.

If you take your money out of the Plan

If your employment ends and you choose to withdraw your funds from the Plan or receive a transfer of your pension contributions and you have a purchase application in progress, your withdrawal or transfer will not be finalized until the purchase is complete.

For more information about your options, please see the *Your Pension Plan termination options* fact sheet, available online at mpp.pensionsbc.ca.

1. When your employment ends, it is referred to in the Plan Rules as "termination" of employment. It does not include situations where you have been laid off and you maintain a right of recall under a collective agreement.

Cost

The cost to purchase past service is based on information specific to each member. Cost is based on your age, current salary, whether you are vested (have two years of service in the Plan and are entitled to a pension) and the actuarial value of the increase in your pension benefit. The cost cannot be estimated on the Purchase Cost Estimator on the mpp.pensionsbc.ca website.

The chart below indicates the approximate cost of buying past service based on a variety of ages and salary levels for a **vested** member:

Approximate cost to purchase one year of past service for a vested member

Annual salary at time of purchase	Age		
	35	45	55
\$30,000	\$4,400	\$5,200	\$6,500
\$40,000	\$5,900	\$7,000	\$8,600
\$50,000	\$7,500	\$8,800	\$10,800

Note: You are not vested if you have fewer than two years of service in the Plan and are not entitled to a pension. Purchasing past service may help you to become “vested,” but as a general rule it is less expensive to wait until you are vested to purchase service. Assuming that the past service will vest you, the cost to purchase such service as a non-vested member is approximately twice as much as for vested members.

Example A

- Member started employment with the employer: August 15, 1998
- Employer joined the plan: April 1, 2010
- Member became eligible and elected to enroll: April 1, 2010

The member is eligible to apply to purchase their past service from August 15, 1998 to March 31, 2010. They have until the earlier of March 31, 2015, or within 30 days after their employment with the employer with whom the service occurred ends, to apply to purchase the service. The cost to purchase the service will be based on the member's age, current salary and whether the member is vested or if the purchase will vest the member.

Example B

- Member started employment with the employer: August 15, 1998
- Employer joined the plan: April 1, 2010
- Member became eligible to enroll and waived enrolment: April 1, 2010
- Member elects to join the plan: October 1, 2010

The member is not eligible to apply to purchase their past service from August 15, 1998 to March 31, 2010, or their non-contributory service from April 1, 2010 to September 30, 2010 because they waived enrolment in the plan after April 1, 2000. Non-contributory service is a period of time when you worked for a Municipal Pension Plan employer but didn't make pension contributions. For more information about purchasing periods of non-contributory service, please see the PensionFacts *Purchasing non-contributory service* available on the MPP website.

Default option

In cases where employment records are missing, inaccessible or incomplete, and if both the employer and plan member agree, a default pensionable service option can be accepted. Under the default option, your employer will certify 50 per cent pensionable service and 100 per cent

contributory service on the *Purchase of Service Application* for the period of eligible time you want to purchase.

For more information about the default option, speak with your employer.

Purchasing past service may help you to become “vested,” but as a general rule it is less expensive to wait until you are vested to purchase service

Applying to purchase service

If you want to apply to purchase service, you must complete a *Purchase of Service Application*, available from the MPP website or through your employer. Once you have completed the application, take it to your employer to confirm you were employed with them during the purchase period. When filling out the form, check the box for Type of Purchase as Non-contributory service, and note on the application that the service is past service.

Paying for your purchase

When we have processed your past service purchase application, we will send you an estimate of the cost and its impact on your pension benefit. Based on this estimate, you can indicate whether you would like to purchase all or a portion of the past service period.

If you elect to proceed with the purchase, you need to request a final cost from the plan.

You must pay the full amount of your final cost by the payment due date. You can pay by:

- cash (cheque, money order or bank draft),
- direct transfer from an existing RRSP in your name, or
- a combination of cash and RRSP transfer.

Remember, if you contributed to another registered pension plan during the period being purchased you must collapse that plan and use the funds from it to purchase the service. This does not apply to RRSP purchases.

It is your responsibility to ensure the correct amount reaches the plan on time. If you transfer an RRSP from a financial institution, confirm the exact amount owed is transferred to the plan by the due date. Ensure service fees are not deducted from your purchase of service payment, as this will result in incomplete payment. If you miss the payment deadline, you must reapply to make the purchase and must continue to meet the eligibility requirements, including the original five-year time limit.

Tax implications

When you purchase service, the value of your pension increases, which can affect your tax situation. For information on the tax implications of purchasing service, please contact Canada Revenue Agency by phone or visit their website at www.cra-arc.gc.ca. Also, read the PensionFacts *Your pension and your RRSP room*, available on the plan's website. You may wish to seek advice from a qualified financial planner prior to making the decision to purchase service.

For more information, please contact us.



PensionFacts is published for the Municipal Pension Plan by the Pension Corporation. This publication is based on the relevant plan documents (statutes, regulations and rules). If there is a discrepancy between this publication and the plan documents, the plan documents apply.

Registered Trademark of
Municipal Pension Board of Trustees

Municipal Pension Plan

PO Box 9460
Victoria, BC V8W 9V8
MPP@pensionsbc.ca
Victoria: 250 953-3000
Toll-free: (Canada and U.S.)
1 800 668-6335
Fax: 250 953-0421