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# BUY-BACKS

Commission administrative des régimes  
de retraite et d'assurances

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*This kit contains a general information brochure, an application form for the member, an attestation form for the employer concerned by a period to buy back and a preaddressed return envelope.*

This brochure is intended for the members of the following pension plans:

- The Government and Public Employees Retirement Plan (RREGOP);
- the Pension Plan of Management Personnel (PPMP);
- the Retirement Plan for Senior Officials (RPSO);
- the Teachers Pension Plan (TPP);
- the Civil Service Superannuation Plan (CSSP);
- the Pension Plan of Certain Teachers (PPCT);
- the Pension Plan of Peace Officers in Correctional Services (PPPOCS).

We suggest that you read it carefully to learn about service purchase (buy-backs). The information it contains could motivate you to buy back service in order to improve your retirement income. Your employer can assist you, but you must take the initiative.

In addition, the brochure may help you identify the periods of your career that are purchasable, like a summer job in the public service or a public or parapublic agency, and what could be the impact of a buy-back on your income tax.

*We also refer you to the publication concerning your pension plan that is available on CARRA's Web site ([www.carra.gouv.qc.ca](http://www.carra.gouv.qc.ca)), under "Documentation" "For members".*

## What is a buy-back?

Service purchase is the way by which, subject to certain conditions, you can have your pension plan **recognize** certain periods of your career in the public or the parapublic sectors, either for eligibility purposes or calculation purposes, or for both, even if your employer no longer exists.

These periods can be periods of **work** for which you did not contribute or for which your contributions were refunded. They also can be periods of **absence** without pay.

*Examining your statement of contributions will allow you to find periods of work or periods of absence that have not been credited. The statement of contributions shows the detail of the contributions paid by a member to his pension plan and the years of service he has accumulated. A complete year of service is shown as 1,000. A fraction may indicate the possibility of a buy-back.*

*Statements are sent every three years or on request. To receive yours, simply fill out the "Application for a statement of contributions" (008) form available on CARRA's Web site ([www.carra.gouv.qc.ca](http://www.carra.gouv.qc.ca)), under "Forms" or from your employer.*

## What periods can I buy back?

### PERIODS OF WORK

#### 1. Periods of work *prior* to enrolment in a pension plan and for which you were paid.

You can buy back periods of work:

- usually performed before July 1, 1973;
- for which your contributions to the TPP, the CSSP or an SSP (supplementary pension plan) were refunded under one of those plans;
- as a student;
- as a paid trainee;
- when you were under 18 years of age;
- as an intern or a resident physician;
- in active service in the Canadian Forces;
- as a religious teacher, laicized or secularized or not<sup>1</sup>.

You can buy back up to a maximum of 15 years of periods of work performed prior to your enrolment in a pension plan.

#### 2. Periods of work as a *casual employee*

These are periods of work performed between July 1, 1973 and December 31, 1986 in the health and social services network (1987 in the public service and the education network) as a casual or supernumerary employee or substitute.

#### 3. Periods of work as *member of the staff of a Minister or an MNA* since July 1, 1973

Note that you cannot buy back:

- periods of work as an independent worker;
- periods of work for which your contributions were refunded under RREGOP.

### PERIODS OF ABSENCE

#### 1. Absence without pay

You can buy back periods of **absence without pay** that began after your enrolment in a plan, whether they were authorized by your employer or not (strike, lock-out or suspension) and whether they are isolated days or longer periods.

Note that the employee who is the incumbent of a part-time job cannot buy back the days during which he is not assigned to work. However, he can buy back the absences that occurred when he was assigned to work.

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1. Such a buy-back could make you eligible for the PPCT. For more information on that plan, please refer to the publication entitled *The PPCT* on CARRA's Web site ([www.carra.gouv.qc.ca](http://www.carra.gouv.qc.ca)) under "Documentation" "For members".

Parental leave is also an absence without pay to which an employee is entitled following the birth or the adoption of a child. The duration may vary according to work conditions. Most collective agreements in the public and the parapublic sectors provide for parental leave of up to two years.

## 2. Maternity leave before January 1, 1989

You can buy back periods of **maternity leave** that began before January 1, 1989, even if they ended after that date. These are periods of 17 or 20 weeks of leave granted under work conditions.

### *Absences you do not have to buy back*

- **Short absences** without pay after January 1, 2002<sup>2</sup>, since employees must continue to pay contributions. They are:
  - full-time absences of 30 consecutive calendar days and less;
  - part-time absences of one day a week (20%) or less of a full-time schedule.
- **Maternity leaves that began after December 31, 1988**, since they are automatically recognized by the pension plan.
- **Periods of absence without pay because of disability when you were covered by a mandatory salary insurance plan**, since the pension plan will automatically recognize a period of disability of up to three years.

## What can I obtain from a buy-back?

### 1. Determine your eligibility

The period you buy back will be taken into account to determine your eligibility for a pension. This could allow you to retire sooner or reduce or even cancel a reduction applicable to your pension.

However, if you are a member of RREGOP, the PPMP, the RPSO or the PPPOCS, your plan **will credit you with a complete year of service** for any year of participation since January 1, 1987, but only for eligibility purposes. Part-time employees can therefore accumulate service at the same rate as full-time employees, thanks to service added for eligibility purposes. This means that buying back such a period could increase the amount of your pension but it would not make you eligible sooner.

### 2. Calculate your pension

Also, depending on the type of buy-back, the period could even be taken into account for the calculation of your pension. Consequently, upon retirement, you will obtain exactly the same benefits as if you had paid regular contributions to your pension plan during that period.

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2. July 1, 2002 for the PPMP and January 1, 2005 for the PPPOCS.

On the other hand, buying back a **period of work prior** to enrolment in a pension plan will give you a **pension credit**, which is an annual life annuity that will be added to your basic pension<sup>3</sup>. The value of that pension credit corresponds approximately to 2% of your salary on July 1, 1973 or on your enrolment date.

Pension credits are payable at 65 years of age. However, if you retire earlier, you could ask that payment of your pension credit start on the same date as your pension or on any other date included between your retirement date and your 65th birthday. The amount of your pension credit will then be reduced permanently by 6% per year (0.5% a month) of anticipation.

In addition, the service related to the pension credit will entitle you to additional pensions. However, it must be pointed out that the total benefits granted by service purchase cannot exceed those you would obtain by regular contributions to your plan.

## Is service purchase always worthwhile?

*To obtain the approximate cost of a buy-back quickly and easily, you can use the cost estimator available on CARRA's Web site ([www.carra.gouv.qc.ca](http://www.carra.gouv.qc.ca)). To see the rate structure, go to "Documentation" "For members" to read the publication entitled Fee schedule for certain types of buy-backs.*

Buying back a **period of work** is usually profitable because you will quickly recover the amount you paid for it.

Buying back an **absence** is also profitable, considering the cost, in the following cases:

- parental leave after January 1, 1991 (RREGOP, PPMP, RPSO and PPCT),
- absence without pay under the TPP and the CSSP after July 1, 1983;
- absence without pay under the PPPOCS.

Buying back a period of absence...

- under RREGOP, the PPMP, the RPSO or the PPCT (other than parental leave),
- under the TPP or the CSSP **before** July 1, 1983,

will also be worthwhile only if it reduces or cancels the reduction applicable to your retirement pension or allows you to anticipate your retirement. Otherwise, profitability will depend on your financial situation.

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3. The pension reform that came into force on January 1, 1990 has limited the amount of the increase when your annual salary exceeds a certain amount. For more information on the subject, go to CARRA's Web site under "Documentation" "For members", you will find the publication entitled *Information on tax rule limits and service purchase*.

It is in your interest to apply for buy-back as soon as possible. Buying back an absence within 6 months of its end could lower the cost<sup>4</sup>.

For other types of buy-backs, the cost depends on your salary on the date CARRA receives your application, to which is applied a rate that varies according to your age and the period you wish to buy back. Consequently, postponing your buy-back could increase the cost. If your salary has increased, the cost of your buy-back will increase accordingly, and it will also increase by 20% to 30% when you turn **40, 48 or 55**.

For a **maternity leave** before January 1, 1989 but after your enrolment in a plan, service will be credited at **no cost**, but you must apply. For a maternity leave in a period of work prior to your enrolment or as a casual employee, the cost will correspond to the cost of buying back those periods of work.

### **BUYING BACK PERIODS OF ABSENCE AND THE "90-DAY BANK"**

Upon retirement, your pension plan will **automatically and cost free** add 90 days to your years of service that are incomplete because of absences. Those days will be credited as service for eligibility purposes and service for calculation purposes.

You should take that opportunity and not buy back those 90 days if you do not have to. If you want CARRA to take into account your 90-day bank when studying your application for buy-back, simply answer "Yes" to the question on the subject when filling out your "Application for buy-back" (727A) form.

According to your application and if applicable, CARRA will use your 90-day bank to reduce the cost of your most expensive buy-backs.

You may also choose to wait and answer "No", for example if you are relatively young, if you apply for an inexpensive buy-back (parental leave) or if you plan to take other leaves later in your career. Those future absences could be offset by your 90-day bank.

## **What are the requirements for a buy-back?**

Usually, you must meet the following requirements to buy back service.

- Participate<sup>5</sup> in your pension plan on the date of mailing of your application;
- Be employed, during the period you wish to buy back, by an employer covered by the pension plan, or who would have been had he not ceased to exist;
- Meet the specific requirements of your pension plan for the type of buy-back;
- Apply with the prescribed form, which must be received by CARRA before the date of your retirement;
- Send your application to CARRA as soon as you begin to contribute to the plan if you are on a recall list.

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4. Salary is a factor to consider for members aged 39 or under. If this is your case, your employer or CARRA could help you determine whether it is in your interest to postpone your application.

5. If you buy back an absence, you also have to contribute to your plan when you apply, except if you are not working because you are on disability or maternity leave, have a transfer agreement or are retiring.

## How can I apply for a buy-back?

Simply fill out the

- “Application for buy-back” (727A)

and have the employer concerned by the period fill out the

- “Attestation of a buy-back period” (728A),

which are prescribed forms, and send them to CARRA, accompanied by any required support documents.

### YOUR EMPLOYERS HAVE AN IMPORTANT ROLE TO PLAY

Even if he is not concerned by any of the periods you wish to buy back, your current employer must complete and sign Part F of your “Application for buy-back” (727A) to attest that you participate in your pension plan at the time of your application. The “Attestation of a buy-back period” (728A) form must be completed by the employer concerned by the period you wish to buy back. He may be your current employer or a former employer.

When he attests the periods requested, your employer will provide detailed information that will allow CARRA to determine with precision the service you can buy back as well as the cost.

If the name of one of your former employers has changed following a merger and you are unable to find him, we suggest you contact Services Québec if you worked in the public service. If you worked in the health and social services and the education networks, you can contact the regional institution that may have taken over the administration of your former employer (for example, the school board or the regional hospital, etc.).

Finally, we invite you to read the instructions in the Guide to the “Application for a buy-back” (727A) form.

## How will CARRA answer?

When CARRA accepts, totally or in part, an application for buy-back, it sends the applicant a **service purchase proposal**. That document describes the conditions that will apply to your buy-back and informs you about:

- the periods accepted by CARRA;
- the benefit you will obtain;
- the total cost;
- the terms of payment;
- the impact on your income tax, and the PA or PSPA.

Depending on the periods you wish to buy back, you can receive several proposals. Each is accompanied by a reply form that must be returned to CARRA.

In addition, a decision aid chart that summarizes the main elements of each proposal is provided in order to help you better identify the proposals that are profitable.

A service purchase proposal must be studied carefully. In addition to its cost and benefits, the impact of a buy-back on your income tax must be assessed. Do not hesitate to ask for advice either to CARRA, your employer, your trade union or its equivalent, or your financial advisor.

## Is the validity of the proposal limited?

Yes. A proposal is valid for 60 calendar days, i.e. until the expiry date that appears on the proposal. After that deadline, if you did not accept the proposal, your application is deemed never having been filed.

## How can I pay for my buy-back?

You can pay for your buy-back by an immediate complete payment or by monthly or annual instalments, whatever you prefer. You can pay by cheque or by transfer from a registered retirement savings plan (RRSP) or, if your employer agrees to it, by salary deductions. You also could use your sick leave credit if your work conditions allow it and if your employer agrees.

The immediate complete payment must be cashable on the expiry date of the proposal, at the latest, whatever the source of the funds, including the transfer from an RRSP or your sick leave credit.

If you choose to pay by instalments, interest will be charged.

Once you have decided what periods you will buy back and what method of payment you plan to use, **you must indicate your choice on the corresponding reply forms and return them to CARRA before the expiry date of the proposals.**

## Is the cost of a buy-back tax deductible?

Yes, the amount paid to purchase service is usually deductible, except if the funds come from an RRSP. In addition, if you paid by instalments, the interests payable to CARRA are also tax deductible, **as opposed to the interests for a bank loan.**

CARRA will issue the required receipt at the end of February of the year following the year of the payment. Please note that even if you can contribute to an RRSP for a year within the first 60 days of the next year and still deduct the amount from your income of the previous year, this is not allowed for the amount you paid for a buy-back.

You will find in the service purchase proposals all the information concerning the amounts that are deductible with respect to your buy-backs.

## What is a PA or a PSPA?

Pension adjustment (PA) and past service pension adjustment (PSPA) were implemented on January 1, 1990 by the Canada Revenue Agency (CRA). They are intended to help manage the contribution allowance for retirement income purposes (RRSP contributions, employer pension plans, including buy-backs). The pension adjustments calculated following such investments fill part of the contribution room available.

With regular contributions, the employer calculates the PA that appears on your income tax slips. With buy-backs, however, the pension plan administrator, i.e. CARRA, calculates the PA or the PSPA for the buy-back of any period after 1989.

PAs and PSPAs appear on your service purchase proposal for your information. Note that there is no connection between the cost of your buy-back and the PA or the PSPA.

*For more information about pension adjustments, read the publication entitled What is a pension adjustment (PA) and what is a past service pension adjustment (PSPA)? on CARRA's Web site, under "Documentation" "For members" "Redemption of service". For general information on the calculation of PAs and PSPAs, you may contact CARRA's client services at 418 643-4881 (Québec City area) or 1 800 463-5533 (elsewhere in Québec). For any question concerning income tax, please contact the Canada Revenue Agency at [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca)*

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The information in this document does not supersede the act governing your pension plan and its relevant regulations.

The masculine form is used to designate either sex.

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