



## Important new changes coming to PSSP purchases of prior service in 2017

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### Changes to the rules for purchases of prior service

The Public Service Superannuation Plan Trustee Inc. (PSSPTI) recently undertook a review of how purchases of prior service can occur and has implemented the following changes.

#### Beginning January 1, 2016

- When a Plan member requests to purchase prior service and in those specific instances where their employer is required to pay matching contributions for that purchase of service, the employer matching portion will now be the responsibility of the employer for whom the member worked during the period of service.
- It is important that Plan members are able to clearly identify not only the period of service they wish to purchase, but also who their employer was during that timeframe. Until January 1, 2016, the existing rule will remain in effect which stipulates that it is the Plan member's current employer who is responsible for any employer matching contributions.

#### **Purchases of prior service will now have to be completed within 20 years from the end of the period of service.**

As of April 1, 2017 plan members will no longer be able to purchase service that is older than 20 years from the end date of that period of service.

*Example:*

Bill has a period of service from May through October 1994.

Starting April 1, 2017, as this service is **more than 20 years ago**, Bill will no longer be able to purchase that service.

#### **For purchases of service within the new 20 year limit**

If a Plan member decides to purchase service within 10 years from the end date of the period of service, they must pay the employee contributions plus interest.

The employer for whom they worked during the period of service in question will be required to pay the employer matching contributions.

If a member decides to purchase service within 20 years from the end date of the period of service, but greater than 10 years from the end date of the period of service, the member will have to pay 100% of the actuarial cost of the prior service.

The 20 year limit will also apply to purchases of outside service and repayments of a refund; however, the cost methodologies for those types of purchases will remain unchanged (100% of the actuarial cost and the amount originally refunded plus interest, respectively).

*Example 1:*

Shelley has a period of service from January 2008 to April 2009.

As it is ***within 10 years from the end date of the period of service***, the employer in effect during the period of service dating January 2008 to April 2009 (the period Shelley wishes to purchase), will be required to pay the employer-matching contributions which are 50% of the contributions plus interest.

*Example 2:*

John has a period of service from June 1997 to November 1998.

As it is ***within 20 years from the end date of the period of service but not within 10 years***, John will be able to purchase that service, but he will be responsible to pay 100% of the actuarial cost.