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MEMORANDUM

DATE: June 18, 2013

TO: Human Resource Managers - Agencies, Boards, and Commissions

FROM: Cathy Clarke – Coordinator, Employer Services

SUBJECT: Process for Collection of Pension Contribution Arrears

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Allowing employees on an unpaid leave to re-pay their pension contribution arrears without interest upon their return to work is contradictory to the Income Tax Act and the Public Service Superannuation Act.

The Income Tax Act prescribes a limit as to the amount of pensionable service that can be purchased throughout a career. The amount ranges between 5-8 years depending on individual circumstances. By allowing employees to automatically re-pay pension arrears upon return from a leave, the Nova Scotia Pension Services Corporation (NSPSC) is unable to monitor the 5-8 year buy back eligibility rule. The CRA is also required to certify that the Past Service Purchase Adjustment is allowable in terms of the employee having adequate RRSP room to validate the purchase.

The Public Service Superannuation Act (PSSA) requires that interest be calculated on any repayment of pension contributions.

To effectively manage leaves within your organization and meet the requirements of the Income Tax Act and the PSSA, employees should be provided with the following options:

1. **Pre-pay pension contributions without interest either by a lump sum payment or post-dated cheques.** At the start of their leave, employees should be advised of the amount of contributions they will owe for the duration of the leave and provided with a deadline to forward payment to their employer, e.g. 14 days. If no payment is received then participation in the plan should be stopped and re-instated upon their return to work. This includes matching employer contributions.

   If an employee has selected to pre-pay pension contributions and a salary increase occurs during their leave, employees will need to be advised that additional contributions must be remitted through either a lump sum payment or new post-dated cheques.

2. **Buy back the pensionable service including interest, upon return to work.** Employees can contact NSPSC who will confirm their eligibility, calculate the cost including interest, and advise payment options.

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For employees who are presently on an unpaid leave who have not already provided post-dated cheques or pre-paid their leave, participation in the pension plan should be terminated, including employer contributions, and re-instated upon their return to work. These employees should be advised that their pension plan participation has been stopped and that payment is required within 14 days of the notice in order to be reinstated. They should also be advised that should they choose not to pay, they will have the option to undertake a purchase of pensionable service (buy-back) plus interest upon their return to work.

This change in process for the collection of pension contributions during leaves ensures compliance with the CRA and the PSSA.

If you have any questions, please contact the Nova Scotia Pension Services Corporation at 902.424.5070 or PensionsInfo@gov.ns.ca

Employer Services
Nova Scotia Pension Services Corporation