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nspension Services Corporation

DATE: May 19, 2020
TO: Human Resource Managers – participating PSSP Employers
FROM: Cathy Clarke – Manager, Employer Services
SUBJECT: Nova Scotia Public Service Superannuation Plan: Periods of Absence

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During this unprecedented time, we are receiving many inquiries from employers regarding employee leaves or lay-offs and the options available under the PSSP.

Please see the following summary along with 'frequently asked questions' on page 2.

There are 3 main categories of periods of absences:

1. **Credited Leave** – member on an approved leave, either paid or unpaid, continues to remit pension contributions which are matched by the employer (HRIS Work Status: CRB)

2. **Non-credited Leave** – member on an approved unpaid leave does not remit pension contributions but may be eligible to purchase the leave later (HRIS Work Status: LEA, SIK, etc.)

3. **Lay-off** – membership in the plan is stopped; contributions are not permitted during the lay-off period nor is it purchasable (HRIS Work Status: LOF)

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 postdated cheques. At the start of their leave, employees should be advised of the amount of employee 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, participation in the plan should be stopped and re-instated upon their return to work.

   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.

   The employer pays the matching contributions and remits both employee/employer contributions through the payroll posting files each pay period.

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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Allowing employees on an unpaid leave to re-pay their pension contribution arrears without interest upon their return to work is contradictory to the PSSP plan text.

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.

Frequently Asked Questions (FAQ's)

1. A full-time employee will be participating in a 'flexible work arrangement' and working reduced hours. Do they continue to remit contributions on their full-time salary?

   Answer: If a full-time member is working less than 100%, they are considered part-time. Contributions should be remitted based upon their reduced earnings and the HRIS file should include updated codes to reflect their part-time status.

2. With the COVID-19 situation, unfortunately we need to lay-off one of our full-time staff members until we can provide work for the individual. In relation to the lay-off, I assume that it would be up to the employer's discretion to cease pension contributions over this period?

   Answer: If the employee will not be considered an employee during this period, this would be considered a 'lay-off' as opposed to a 'leave', and their participation in the PSSP must be stopped during the lay-off period. Contributions may not be remitted, nor may the period be purchased.

3. If an employee was laid off and returned to work at a future date, does their vesting reset upon their return to work?

   Answer: Vesting does not reset after a period of lay-off; the member retains the service they had prior to the lay-off and they continue to accrue additional service upon their return to work.