



## Improvement to the three major public sector pension plans

The amendment improving the coordination formula of the Public Service (PS), the Canadian Forces (CF), and the Royal Canadian Mounted Police (RCMP) pension plans with the Canada Pension Plan (CPP) or the Quebec Pension Plan (QPP) was approved in June 2006 and will come into effect in 2008.

This amendment will improve benefits payable at age 65 for those members (including pensioners) turning age 65 in 2008 or later. As a result of this improvement, there will be an impact on the amount pensioners can contribute to a registered retirement savings plan (RRSP), starting in 2009.

### What is the coordination provision?

The three major public sector pension plans are coordinated with the CPP or the QPP. Under this coordination:

- contributions were taken at a reduced rate on the portion of your salary up to the CPP or QPP yearly maximum earnings (\$43,700 in 2007); and
- your pension is reduced by a standard formula at age 65, when you normally qualify for unreduced CPP or QPP benefits (or earlier in case of disability).

### What is the impact?

- If you are a member of one of the above mentioned three federal public sector pension plans who will turn 65 in 2008 or later, the amendment to the coordination formula means that the reduction factor

at age 65 will be smaller. Even though your public sector pension will still be reduced at age 65 due to the coordination with the CPP or the QPP, the reduction will not be as great.

- A greater benefit will generate an increased pension adjustment (PA), which is an amount calculated by your pension administrator based on pension benefits earned. This PA is used in determining the amount of contributions you can make to a registered retirement savings plan (RRSP).
- Under the Income Tax Act, your plan administrator must calculate a past service pension adjustment (PSPA) when benefits relating to accrued pensionable service are improved. The PSPA represents the amount by which the PA amounts since 1990 have increased.
- The PSPA will be reported on a T215 slip issued to you in 2008. This PSPA will reduce your RRSP deduction limit for 2009. The amount of the PSPA will vary depending on how many years you were a member of the pension plan between 1990 and your date of retirement, and on your pensionable earnings during those years.

### For more information

(also refer to the Frequently Asked Questions)

Contact the **RCMP Benefits Administration Centre** at 1 800 661-7595, Monday to Friday between 7:30 a.m. and 6:00 p.m. ET or visit the web site at: [www.pbs-sra.ca](http://www.pbs-sra.ca)

You may also visit the Treasury Board of Canada Secretariat web site at [www.tbs-sct.gc.ca](http://www.tbs-sct.gc.ca)

### What is the improvement?

Starting in 2008, the reduction factor used to calculate your pension at age 65 will be lowered from the current 0.700% to 0.625% by 2012. For plan members reaching age 65 in 2008 or later, the pension reduction at age 65 (or earlier in case of disability) will be smaller commencing in 2008. The year you reach age 65 will determine the reduction factor applied to your pension. It is important to remember that the average maximum pensionable earnings under the CPP/QPP (or your average salary if it is lower) and the years of pensionable service at the retirement date are also factors used in the calculation of the reduction at age 65.

#### Reduction factor applied to your pension when you reach age 65

YOU REACH AGE 65	2007 or earlier	2008	2009	2010	2011	2012 or later
YOUR YEAR OF BIRTH	1942 or earlier	1943	1944	1945	1946	1947 or later
REDUCTION FACTOR (IN ALL 3 PENSION PLANS)	0.700%	0.685%	0.670%	0.655%	0.640%	0.625%



## Frequently Asked Questions

### 1. Will this amendment to the coordination formula affect all plan members?

No, as this amendment will affect only plan members who will reach age 65 in 2008 or later.

### 2. Will I see any changes on my pension cheque in January 2008?

Most pensioners will not see any changes in January 2008 because of the decrease in the reduction factor on their pension cheque. Only those whose pension is being reduced because they are in receipt of CPP/QPP disability payments and who will turn age 65 in 2008 or later will notice an increase in their pension cheques in January 2008.

### 3. What is the financial impact of that amendment on my pension at age 65?

This amendment will improve benefits payable at age 65 for affected plan members. The following will give you examples of the pension reduction at age 65 with 30 years of pensionable service and a retirement date of 2007.

#### PENSION REDUCTION AT AGE 65

"BEST-FIVE" AVERAGE SALARY	AGE 65 IN 2007 (0.7% REDUCTION)	AGE 65 IN 2012 OR LATER (0.625% REDUCTION)
\$35,000 (below the average CPP/QPP maximum)*	\$7,350	\$6,562
\$60,000	\$8,707	\$7,774
\$90,000	\$8,707	\$7,774

\* The CPP/QPP average maximum is \$41,460 for 2007.

Your pension will still be reduced at age 65 (due to the coordination with the CPP or the QPP), however, as a result of this new amendment, the reduction will be smaller than it would have been under the existing reduction factor (0.7%).

- In the case of a "best-five" average salary of \$35,000, the change represents a smaller reduction of approximately \$788 per year.
- In the case of a "best-five" average salary above the CPP or QPP average maximum earnings (\$41,460 in 2007), the change represents a smaller reduction of approximately \$933 per year.

### 4. Why does my plan administrator have to calculate a past service pension adjustment (PSPA)?

As required under the Income Tax Act, your plan

administrator must calculate a PSPA amount when benefits relating to accrued pensionable service are improved. As the value of the pension benefit increases, the PAs reported since 1990 for all affected plan members must be revised. Your plan administrator will calculate a PSPA amount for all plan members who will reach the age of 65 in 2008 or later.

### 5. How will I be advised of the past service pension adjustment (PSPA) amount?

In the spring of 2008, you will receive a copy of the T215 slip, Past Service Pension Adjustment (PSPA) Exempt from Certification that will have been submitted to the Canada Revenue Agency with your PSPA amount shown in Box 2.

### 6. Where and when can I obtain information concerning the RRSP deduction limit?

Information about your RRSP deduction limit will be indicated on your 2008 Notice of Assessment that Canada Revenue Agency will issue to you in 2009. You can also get information about your RRSP deduction limit online at [www.cra.gc.ca/myaccount](http://www.cra.gc.ca/myaccount), or by calling your tax office at 1-800-959-8281. In addition, you can use the automated **Tax Information Phone Service (TIPS)** at 1-800-267-6999 available from mid-September to April 30.

### 7. Can you give me an example of the PSPA amount I can expect?

The PSPA amount will vary depending upon a plan member's yearly pensionable earnings and the number of years of pensionable service between 1990 and the date of retirement. For an individual who will reach age 65 in 2012 or later (reduction factor of 0.625%) and has earned more than the CPP/QPP maximum every year between 1990 and 2007 inclusively, the maximum PSPA amount will represent approximately \$4,470. For an individual who has earned less than the CPP or QPP maximum any year since 1990, the PSPA amount will be adjusted in proportion to his or her pensionable earnings and years of service.

For more information about tax implications, visit the **Canada Revenue Agency (CRA)** website at [www.cra.gc.ca](http://www.cra.gc.ca) or call the tax office at 1-800-959-8281.