

PENSION PLAN

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NEWS



Elective Service

Bill C-78, the federal public sector pension reform bill, passed the Senate and became law on September 14, 1999. As has been outlined in previous communications, that legislation includes provisions for the Canada Post Corporation to establish its own pension plan(s), effective October 1, 2000.

As identified in previous information about pension reform, including the first edition of the *Pension Plan News*, CPC is committed to keeping you informed on the issues that surround the implementation of the new Canada Post Corporation Pension Plan (CPCPP).

This edition of *Pension Plan News* focuses on the Elective Service issue that many of you have identified as important. **(SEE OVER)**

As I mentioned in the previous issue of this newsletter, the corporation is committed to ongoing dialogue about our new Pension Plan, to seek the views of employees as well as the bargaining agents that represent them.

In that spirit, we have held various meetings, including a recent, very productive one with representatives of CPAA, UPCE and CUPW. We expect to have many such meetings, including APOC as well as these three.

The meeting covered some key areas, including how many plans we will actually have — whether a single plan or separate ones for each of the bargaining units and management, or some combination. They were also interested in the investment policy and “governance” — how the plan will be managed. The investment strategy for our plan will follow the rules of the Pension Benefits Standards Act to ensure the plan’s security. The fine details of plan governance, including involvement by employees and/or their representatives and risk sharing, remains open to discussion as the plan takes shape prior to full implementation by October 1, 2000.

Clearly, these are all significant issues with tremendous potential for employee involvement and cooperation among the stakeholders of the plan. And every one of us is a stakeholder. I encourage you to bring any comments or questions forward (see box, next page). This is our opportunity to ensure the new plan is the best possible one for all Canada Post employees.

Anne Joynt
Senior vice-president, Human Resources

What is Elective Service?

Elective Service is prior service with CPC or with another employer that you may be able to include in your total pensionable service, subject to certain conditions, under the Public Service Superannuation Act (PSSA). The most common types of elective service are:

- Prior Public Service (including service with Canada Post);
- Pensionable Employment with an employer outside the Public Service; and
- Service with the Canadian Armed Forces or the Royal Canadian Mounted Police.

There are other types of elective service. If you have questions about any period of prior service, you should consult your local pay and benefits office.

CPC Services

The opportunity to elect for prior CPC service will not be affected by the October 1, 2000 date. Employees will still be able to elect for CPC service, whether it was while CPC was a federal government department or since 1981 when CPC became a Crown Corporation.

Non CPC Service

When the Canada Post Corporation Pension Plan is established effective October 1, 2000, it *will not include elective service opportunities outside of CPC*. If you have other prior service, and you wish to have it count toward your pension entitlement from the CPC Pension Plan, *it is important that you make your election under the PSSA* to have the service recognized as pensionable prior to October 1, 2000, while CPC is still a participant under the PSSA.

Do you still have Questions?

Feel free to ask questions and make your views known to us. Write to Benefits Administration at the following address:

HO PENSION DIVISION
2701 RIVERSIDE DRIVE SUITE B320
OTTAWA ON K1A 0B1

You can also send e-mail to HO, Pension Division.

Things to remember if you intend to make an election under the PSSA:

1. The Superannuation Directorate of Public Works and Government Services Canada must verify all elective service before it can be included in your pensionable service credit
2. In most circumstances, an employee is required to undergo and pass a medical examination. The medical examination is at the contributor's expense. The test of fitness in a medical examination is a) that the employee is capable of providing five (5) years of continuous satisfactory employment, or b) has normal life expectancy.
3. A contributor may elect for all, or a portion of, the identified elective service period.
4. The individual must be an employee, and a contributor under the PSSA, when making the election for past service.
5. The cost of elective service is affected by a number of factors including: the contributor's salary at the date of making the election; elapsed time between the date of the prior service and the date of the election (as interest is added over that period); sex of the contributor; the contribution rate (single or double) depending on the type of service being purchased; and whether the service is full- or part-time. Also, the cost of any election for service occurring after April 1, 1970 includes contributions for indexing benefits.
6. Elective service may be paid for by lump sum, monthly instalments, or a combination of the two. Monthly instalments include interest at 4% and a "mortality factor" so that in the event of your death before all the instalments are made, your election is considered paid in full.
7. In some cases the payments for prior elective service may be tax deductible for income tax purposes. To determine the extent of tax deductibility, consult your district taxation office.
8. Except under very limited circumstances, a valid election for past service under the PSSA is irrevocable.

For further information on all aspects of electing for prior service, contact your local pay and benefits office.