



Buying Back Past Service

There may have been years when you worked for UBC and during which you were eligible to participate in the pension plan, but for whatever reason, you chose not to do so. Now looking back, you wish you had contributed for those years, as those months of pensionable service would have gone towards giving you a better pension at retirement. The good news is that it is not too late; you can do what we call **Buying Back Past Service**.

Buying back past service is when you “buy back” years of service where you were eligible to be a member of the Staff Pension Plan, but you decided not to be, or during which you were a member, but did not contribute to the Plan (e.g. an unpaid leave of absence). Buying back involves paying the Plan the equivalent of the value of the pension benefit you would have accrued if you were a contributing member during those past years of service.

WHEN CAN I BUY BACK SERVICE?

Buying back past service may happen at retirement. Active or Deferred members are eligible to buy back service when they decide to retire, which can be as early as age 55.

Eligible members may only buy back **pre-July 1, 2009** service. During this time, you may have been eligible to join the Plan, but did not join (and have not had a break in employment), or during which you were a member, but did not contribute to the Plan (e.g. an unpaid leave of absence).

HOW MUCH DOES IT COST?

The cost of buying back past service is equal to the value of the pension benefit you are buying back. For example, if you buy back one year of service, and this increases the value of your pension by \$10,000, then the cost of the buyback is \$10,000. Payments must be made within 30 days after your pension starts and must be a lump sum.

OTHER CONSIDERATIONS?

There are legal and tax restrictions on the type of funds that can be used to buy back past service. Funds from registered sources are acceptable. A registered source means a registered retirement savings plan (RRSP). For an RRSP, you would arrange to transfer the money directly from your RRSP to the pension plan.

You can only use funds from a registered source if the service being bought back is from after December 31, 1989. If you are thinking of buying back past service, you will need to set up an RRSP and start contributing to it. You will then be better prepared to buy back your past service upon retirement.

You may also use funds from a non-registered source if the service being bought back is from before January 1, 1990. The maximum tax deduction is \$3500 per calendar year of eligible pre-1990 past service.

Something else to consider is that buying back past service will affect your retirement options. If you choose

to buy back past service you must choose to receive a monthly lifetime pension from the Plan. You may not choose a lump sum payment or a combination of monthly lifetime pension and lump sum payment.

IS BUYING BACK PAST SERVICE RIGHT FOR ME?

The cost can be considerable. It is really a personal decision; based on your own particular situation, it may or may not be advantageous for you to buy back past service in the Plan.

When you decide to retire, please contact the [Pension Administration Office](#) so that we may help you determine how buying back service could affect your monthly pension. We can help calculate what your pension may be with and without buying back past service, at your chosen retirement age.

You may also want to discuss buying back past service with your Financial Advisor. It is important to make an informed decision when considering your retirement future.

BUYING BACK PAST SERVICE: JILLIAN'S STORY

Jillian has been a UBC staff member since 2002, and enrolled in the Staff Pension Plan in 2005. She could have enrolled right away when she was first hired, but back then Jillian was not thinking too much about her retirement future. She actually waited until her compulsory date to enroll, which was three years from her date of hire.

Now, within the last year or so, Jillian has been thinking more about planning for her retirement. She recently attended a workshop offered at the Pension Administration Office, called "Understanding Your Staff Pension Plan," and it went into detail about the SPP and various things to think about when planning for retirement.

One key fact that stuck with Jillian is that the more years of pensionable service that a member has, the larger the member's pension benefit will be. She regrets now not enrolling in the Plan as soon as she could have, back when she first started her UBC career.

Since Jillian is considering retirement in the next few months, she spoke with the SPP team at the Pension Administration Office, and they informed her of the following:

- It is possible for her to buy back the three years of past service when she could have enrolled in the Staff Pension Plan, since those years were before July 1, 2009.
- They showed her some estimated calculations, including scenarios involving what her retirement income might look like with three extra years of service, and without those three years.

Jillian decided that she would talk to her Financial Advisor about whether or not this was advantageous for her to do.

This information sheet has been compiled by the Staff and Pension Board Members of The University of British Columbia Staff Pension Plan from information provided to them. If there is any inconsistency between the contents of this document and the pension plan trust or legislation, the trust and legislation will prevail.

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CHECKLIST

If you are considering buying back past pensionable service:

- Contact the SPP team at the Pension Administration Office to:
 - Determine how much past pensionable service you may be eligible to buy back,
 - Get an estimate of how much it may cost to buy back the past pensionable service
 - See an estimate of how that buyback could affect your monthly lifetime pension at retirement age.
- Talk to your financial advisor about what option may be right for you.
- When you reach retirement age, decide if you want to buy back your past pensionable service.
- Communicate your decision about buying back service to the SPP team.
- Contact us by phone, email, or set up an appointment in person if you have questions.

HELPFUL LINKS

RETIRING

staff.pensions.ubc.ca/life-events/retiring

CONTACT THE SPP

staff.pensions.ubc.ca/contact

IMPORTANT PENSION TERMS

staff.pensions.ubc.ca/resources/important-terms