

# To Buyback or Not to Buyback?

## The decision making process explained

### Buyback Decision Making

\*Is highly nuanced for each member and each of us must consider our career plan and the impact of our buyback decision on that career plan - this bulletin is a guide only and is based on the AC Buyback Policy

Members must initiate the buyback process within 90 days of return to work

#### DB pension buyback decisions

**COST:** the costs for pension buy backs are based on the average compensation over the 3 or 12 months, which ever is greater, immediately prior to the authorized leave. These are called notional earnings. The exact number of days of leave (duration) and the type of leave, Covid leave (employee cost only) or SPLOA (employee + employer contributions) will affect your individual cost.

#### Covid-19 Leave:

- only contribute the employee portion
- Treated like maternity/child care and IMMS pursuant to Canada Labour Code for pension buyback purposes
- select “Leave due to unpaid sickness” when using the buyback calculator

1

#### RETIRE EARLIEST

With unreduced pension: CONSIDER BUYBACK

2

#### CAREER PLAN 35+ YEARS\*

CONSIDER NOT TO BUYBACK

3

#### COST

SPLOA buyback = \$\$\$

Covid buyback = \$

#### Covid-19 leave and SPLOAS

Members have an opportunity to buyback Defined Benefit (DB) pension service and pay for missed contributions to the Defined Contribution (DC) plan for the time on leave for which they received no credit

#### Members receiving WIP or WSIB (WCB) benefits

Receive automatic pension service credit for this time. These members do not have to contribute to the pension plan or buyback for this service.

#### Returning from Layoff

There is no pension service credit for full months of layoff and you cannot buyback this pension service.

**SPLOA:**

- No cost to company so you pay normal contributions (employee portion) plus the company portion (employer portion)
- The older you are the higher the company contribution cost and therefore your buyback cost

**Time Limit:** Members must initiate the buyback process within 90 days of return to work

**How you earn pension credit while at work:**

- Allowable and Qualifying pension service is based on calendar months
- Your normal contribution rate (cost) for pension service credit is 4.5% on earnings up to the YMPE (Yearly Maximum Pensionable Earnings) and 6.0% for earnings above the YMPE
- Members can only accrue 35 years of DB allowable pension service and once achieved can no longer contribute regardless of years worked
- **YMPE:** is a figure established by the government designed to reflect the average annual industrial earnings in Canada and it is the amount of earnings that you pay CPP (Canada Pension Plan) premiums on. The YMPE for 2020 was set at \$58,700

	<b>Covid leave</b>	<b>SPLOA</b>
What do I pay?	Employee Contribution	Employee + Employer Contributions
How much?	\$	\$\$\$
Want to retire as early as possible unreduced	Consider Buyback	Consider Buyback
Plan to work more than 35 years*	Buyback may not be necessary	
If you Don't Buyback (you get)	Receive credit for months you are "active" for at least 1 calendar day	

**“The DB pension service buyback tool on the aeronet: HrConnex Pension site is an excellent way to estimate your buyback cost and the impact on your pension benefit projection.”**

**How you may earn pension credit after returning from leave:**

- Again Allowable and Qualifying pension service is based on calendar months
- You have to buyback to reinstate allowable and qualifying service for months during your LOA you were not on the payroll (active) for at least 1 day
- If you are on a leave for less than a full calendar month you will receive pension service credit for that month and will not have to do a pension buyback

- Note that actual earnings for the month, which are included in determining your Average Annual Compensation (AAC) and your best 36 months, will be lower if you have only worked a few days in a month that is included in your LOA

### Best 36 Months & Average Annual Compensation (AAC)

- Buyback does not affect earnings recorded
- For leaves with block months with \$0 earnings those months are skipped over when determining AAC, but they will be replaced and included for AAC and best 36 months with earnings following and equal in number to your LOA
- Notional earnings do not count towards your best 36 months when you do a buyback
- For WIP and WSIB notional earnings **are** entered for applicable months and apply to AAC

### Other Considerations:

- there are potential income tax limitations on buybacks set by the Tax Act, regulations and the Canada Revenue Agency which include a career total of 5 years of buyback(all types) with an additional 3 years for maternity/parental leave. Eligibility is determined when you apply for the buyback upon your return to work

### Example: SPLOA

- you take the SPLOA for the block month of January 2021 (January 1 to January 30)

- bid a February 2021 block (January 31 to March 1)
- then you will be considered on the payroll for one day in the calendar month of January (January 31) and the Company will credit you with pension service for the month of January
- If SPLOAs are offered for the block month of February and you take one for this period as well then you will be off the payroll for the full calendar month of January and the full calendar month of February and you will not receive pension service credit for these months unless you do a pension buyback

### Example: Covid Leave

- You will be considered on the payroll for 6 days in the calendar month of June and 4 days at the end of September
- Based on administrative practice the company will credit you with allowable service for the month of June and September
- If you want to buyback for July and August the cost, in accordance with the AC Buyback Policy, is based on the full length of the leave
- The cost is determined using the total number of days of a leave (ie. June 7-Sept 26), as opposed to credited months of leave, based on daily prorated notional earnings at the normal employee rates (4.5%/6%)

### For Hybrid members and the DC Plan:

- To pay for missed contributions to the DC portion of the Hybrid plan due to being on leave
- you must complete form ACF850F (HR Connex) within 90 days from return to duty after which period the opportunity to payback service expires

- To action payment for these missed contributions you must return the completed ACF850F to the address listed on the form

## Making Contact:

If you need additional information or wish to initiate a DB pension buyback or payback for missed DC contributions: Call the Employee Care Team 1.833.847.EMPL (3675)

- Option 4: Pensions
  - Option 1: DB Plan (Alight)
  - Option 2: DC Plan (Manulife)

If you do not receive the information you require from Alight or Manulife and need additional bilingual assistance please contact your AC Component of CUPE Pension Committee at: [pensions@accomponent.ca](mailto:pensions@accomponent.ca)