

Buying Back Service

Maximum Benefits that can be provided under a Registered Pension Plan

If you are considering buying back pre-1990 service, you need to know that the Canada Revenue Agency limits the amount of pension benefit that can be provided for pre-1990 service recognized after June 7, 1990.

Pre-1990 service identified as NEW SERVICE is service during which you were not a member of any pension plan (the University of Ottawa or other employer) at any time during the calendar year to which the service refers. NEW SERVICE is treated differently from other service in one important way: currently, the Canada Revenue Agency has rules which govern the maximum amount of pension that can be paid from a pension plan. Benefits provided after June 7, 1990 for NEW SERVICE are limited to a maximum of \$1,962.96 for each year of service. Note that this limit is scheduled to increase in 2019.

Such maximum pension does not apply to pre-1990 service other than NEW SERVICE.

Pre-1990 service other than NEW SERVICE is treated the same as any post-1989 service, inclusive of your current service: the annual benefit that can be provided is limited to \$2,944.44 for each year of service. Again, this limit is scheduled to increase in 2019.

For your reference, the applicable sections of the Income Tax Regulations are 8504(6), 8504(7), 8500(1) and 8504(1).

The Canada Revenue Agency limits are recognized in the cost of the service that you are considering to buy back.