

Special Bulletin for Employers under the Public Service Superannuation Plan

Supplementary Employee Retirement Plan (SERP)

SERP stands for “Supplementary Employee Retirement Plan”. The Income Tax Act (ITA) places a limit on the amount of pension which can be paid from a defined benefit registered pension plan. In the case of the Public Service Superannuation Plan (PSSP), some employees have an average salary at retirement that causes their calculated pension to exceed the ITA limit.

Prior to 2004, authority did not exist to pay the portion of an employee’s calculated pension exceeding the ITA limit. In May 2004, however, the Province passed legislation which allows this portion of an employee’s pension to be paid, in the form of a supplementary pension paid from a source outside of the PSSP.

In order to administer the SERP, regulations had to be approved. This was a very long process which has finally come to fruition with the approval in November 2007 of the Supplementary Pension Regulations.

Under these Regulations, the employer at the time of a member’s retirement is responsible for paying the supplementary pension associated with the SERP. Under the Public Service Superannuation Act, employers considered to be part of the public service in accordance with the Public Service Act must participate in the SERP; however, this does not include governmental units and government business enterprises (as those terms are defined in the Provincial Finance Act), who have the right to opt out, as do employers not considered to be part of the public service.

On Page 2 of this document we provide a comprehensive look at the rules, regulations, and procedures which embody the SERP.

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The Supplementary Employee Retirement Plan (SERP)

Payment of the supplementary pension associated with the SERP

The employer at the time of the employee's retirement is responsible for paying the cost of the supplementary pension under the SERP. For administrative convenience, however, the Province will pay the monthly pension from its Consolidated Fund and in turn be reimbursed by the employer, exactly as happens now for pension-related payments such as those payable under the ERIP. The Nova Scotia Pension Agency (NSPA) will work with you to identify any affected employees.

Pension exceeding the Income Tax Act (ITA) limit

Pensions put into pay to date have been capped at the Income Tax Act (ITA) limit. There may be employees who retired and had a calculated pension exceeding the ITA limit. If such an employee is entitled to receive a supplementary pension, the employer will be responsible for paying the cost, including any retroactive amounts owing to the employee. We will assist you in determining who is affected.

Impact on contributions

Starting April 1, 2008 employer contributions will be capped (on a go-forward basis) at an annualized salary of \$132,381.50 (bi-weekly salary of \$5,091.60). The Nova Scotia Pension Agency will work with you to help set up your procedures and to identify which employees are affected.

Refund of employer contributions

The SERP legislation is retroactive to January 1, 2000. Any employer contributions on the portion of an employee's salary level above \$114,385 made after that date and prior to January 1, 2006, will be refunded with interest to the employer. For 2006, the salary level above which employer contributions will be refunded is \$120,290.50. For 2007 it is \$126,406.00, and for 2008 (January to March) the amount is \$132,381.50. The Nova Scotia Pension Agency will process this refund in 2008. Employees of employers that do not participate in the SERP will receive refunds calculated in a similar manner.

Termination of employment

If an employee terminates employment prior to qualifying for an immediate pension, the employee will not be entitled to receive a supplementary pension under the SERP. The employee will, however, receive a

refund of contributions, with interest, made on the portion of their salary above which the PSSP cannot pay a pension. This refund will be paid by the employer. We will assist you in determining the amount of the refund.

Changing employers

If an employee moves from one participating employer (i.e. an employer participating in the SERP, including the Province) to another, the employee will not lose credit for pension purposes if the break in service between employers is less than one month. The refund of contributions resulting from the termination of employment will be paid from the former employer to the new employer. If the break in service is longer than one month, it will be processed as a regular termination of employment.

Repayment of a refund of contributions

If an employee who terminated employment and received a refund of contributions made on the portion of their salary above which the PSSP cannot pay a pension is subsequently re-employed by a participating employer, the employee will be able to repay that refund and have the former service recognized for supplementary pension purposes (as long as it is recognized under the PSSP for pension purposes). The repayment of the refund with interest must be made to the new employer. We will assist you in determining the amount to be repaid.

Employee purchases and the SERP

If an employee purchased or purchases service for a period during which the employee was employed by a participating employer, the employer at the time of retirement is responsible for paying the cost of the supplementary pension associated with that service. If, however, the employee purchased or purchases service for a period during which the employee was not employed by a participating employer (e.g. outside service with a former employer that did not participate in the SERP, or service transferred in under a reciprocal transfer agreement), that service will not be recognized for supplementary pension purposes under the SERP.

SERP Updates

The salary level at which employers must cap contributions will change annually. Employers will be advised of all upcoming changes as soon as they are known.

Questions

Please contact John Ross 424-3616 at the Nova Scotia Pension Agency with your questions.