

# PensionFacts



Public Service  
Pension Plan

*Pension  
adjustments  
reduce your RRSP  
contribution room*

## Your pension and your RRSP room

**A**s a member of the Public Service Pension Plan, you are already making a great contribution to your retirement savings. And, as you know, there are additional ways to save.

Each year Canada Revenue Agency (CRA) gives you the option to contribute to certain retirement savings vehicles and receive a tax deduction on the amount you invest.

Tax deductible contributions to your retirement savings most commonly come from your registered retirement savings plans (RRSPs) and registered pension plans.

The information below is based on CRA guidelines. Consult CRA before making any decisions that will impact your RRSPs.

### **How much can I contribute to registered retirement savings?**

CRA allows you to contribute up to 18 per cent of your previous year's income (subject to an annual maximum). There are many factors that affect your contribution room, and participation in multiple retirement savings vehicles is the most common. If you make contributions to the Public Service Pension Plan, your RRSP contribution room will be reduced.

### **What if I contribute less than my maximum RRSP contribution room?**

If you contribute less than your maximum amount for a specific year, the remaining balance is carried forward. For example, if your maximum RRSP contribution room is \$1,000 this year and you contribute \$750, the \$250 difference will carry forward.

### **How does CRA receive a report of my pension benefit?**

The Public Service Pension Plan reports your pension adjustment (PA) value to you, your employer and CRA annually. As a result, CRA reduces your RRSP room by the PA amount. Your PA is calculated using a formula determined by the federal government and represents the value of the pension benefit earned in your pension plan for the given year. It does not reflect the amount you contributed to the plan. You can file your taxes without the PA value, as the plan submits this on your behalf.

To determine your RRSP contribution room for the next tax year, CRA deducts the PA from your RRSP contribution room. For instance, if your contribution room is \$12,000 and your PA is \$4,000, you are eligible to contribute \$8,000 to your RRSPs or other retirement savings vehicles the following year. Your RRSP room for the current year is recorded on your Notice of Assessment, issued to you by CRA after you file your income tax.

### What happens if my PA changes?

Changes in your pension benefit may result in a change to your PA amount. When this happens, the change is reported to CRA so your tax records can be updated in one of the following ways:

Reported as	Benefit change
An amended pension adjustment (APA)	New information about your account is received. Your PA is recalculated and CRA adjusts your RRSP room.
A past service pension adjustment (PSPA)	You have transferred service from another pension plan or purchased service, which has increased your pension benefits for a prior year. A PSPA is similar to an APA, but requires CRA approval. The PSPA is the difference between the previously reported PA and the recalculated amount for the same period. A PSPA has the same effect on your RRSP contribution room as making an RRSP contribution.
A pension adjustment reversal (PAR)	You have stopped contributing to your pension and transferred your benefits out of the plan. The PAR restores your RRSP contribution room.

### I'm unable to pay for my purchase of service with cash. What are my options?

The easiest way to pay for a purchase of service is through an RRSP transfer. If your purchase of service is \$5,000 and you are unable to pay with cash, you can transfer \$5,000 from your RRSP directly to your pension plan.

### What happens if I contribute too much to my RRSP or pension plan?

If you are completing a transfer or purchasing service, and the PSPA is larger than your available RRSP room, you may have to make a **qualifying withdrawal**. If this is the case, we recommend you seek financial advice.

CRA allows individuals to over-contribute to their RRSP room in certain situations. If you are considering purchasing service, and do not have enough RRSP room available, you can contact CRA to determine if you are eligible. If your PSPA cannot be certified by CRA, and you are not able to make a qualifying withdrawal, the service cannot be purchased.

### **What is a qualifying withdrawal?**

A qualifying withdrawal is the amount you must withdraw from your RRSP to receive past service benefits under your registered pension plan.

CRA will inform you in writing if you must make a qualifying withdrawal to transfer or purchase service. If you decide not to proceed with the transfer or purchase, you must notify both CRA and the pension plan.

### **How can I learn more?**

If you have additional questions regarding your own tax information, connect with the CRA at [cra.gc.ca](https://www.cra.gc.ca) or call 1 800 959-8281. The Public Service Pension Plan cannot provide tax advice.

*PensionFacts* is published for the Public Service Pension Plan by the Pension Corporation. This publication is based on the relevant plan documents (statutes, regulations and rules). If there is a discrepancy between this publication and the plan documents, the plan documents apply.

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