



# INFORMATION SHEET

## Prior Service Purchase Procedure

### Member

You must have a current, valid prior service purchase cost quote from SHEPP. A valid quote is one that has not exceeded three months following the purchase deadline date. If you do not have a valid quote, contact SHEPP to receive a purchase cost quote. You may request a quote by calling and speaking to a pension officer or online through [SHEPPweb](#).

Once you have a current valid prior service purchase cost quote, contact a SHEPP pension officer to advise that you wish to make a purchase and indicate:

1. The exact period(s) that you wish to purchase (you may purchase all of your eligible service or as little as one month of your eligible service) and the purchase deadline date of the valid cost quote under which you are making the purchase; and
2. How you will be paying for the service and the dates the payments will be remitted (the pension officer may have to update the purchase cost with interest if the payment date is beyond the purchase deadline date. If payment is being made within the three months following the purchase deadline date, the pension officer will use the current prior service cost quote and apply any applicable interest). If payment is being made by way of a transfer from a Registered Retirement Savings Plan (RRSP) or a spousal RRSP in your name, you may need SHEPP to help you complete a Canada Revenue Agency T2033 form to supplement your instructions to your RRSP financial institution to make the transfer.



# Prior Service Purchase Procedure



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| SHEPP  | <ol style="list-style-type: none"> <li>1. Advise the member whether or not they will be required to provide SHEPP with proof that the service is eligible prior service within the meaning of the <i>Income Tax Act</i>, and if so, exactly what the member needs to do to provide this proof;</li> <li>2. Record how the member will be paying for the service and monitor receipt of the payment;</li> <li>3. If the member is transferring funds from their RRSP, discuss with the member how to provide their RRSP financial institution with instructions to transfer funds to SHEPP;</li> <li>4. Review the contributory tax deduction rules that apply to the purchase and describe how receipts will be issued for payments made by personal cheque;</li> <li>5. If the member is purchasing post-1989 service, advise the member as to whether or not a Past Service Pension Adjustment (PSPA) is likely to arise and the procedure that will be followed to determine, report and certify the PSPA;</li> <li>6. Upon receipt of payment, prepare and issue two signed Prior Service Purchase Agreement forms to be completed by the member and returned to SHEPP.</li> </ol>                                                                                                                                                                                                                                                 |
| Member | <ol style="list-style-type: none"> <li>1. Submit payment of the purchase amount that you plan to pay by personal cheque to SHEPP on or before the purchase deadline date (if submitted within 3 months following the purchase deadline date, interest will be applied);</li> <li>2. Provide direct instructions to your RRSP financial institution to transfer funds to SHEPP. Please ensure that your instructions are clear and complete so that the transfer is executed prior to the purchase deadline date. The RRSP financial institution will issue payment directly to SHEPP on your behalf. You should expect to be provided with copies of the transfer document by the RRSP financial institution;</li> <li>3. It is very important that you ensure the total amount of funds remitted to SHEPP does not exceed the total purchase cost. For example, if your purchase cost is \$12,000 and you plan to satisfy the cost by way of a \$4,000 personal cheque and \$8,000 RRSP transfer, you must ensure that these are the exact amounts remitted. If you remit a \$4,000 cheque and then \$8,200 is transferred from your RRSP, you will have overpaid. If the remittance amount exceeds the purchase cost, the payment will not be accepted by SHEPP and the purchase will be void; and</li> <li>4. Upon receipt of the Prior Service Purchase Agreement forms, complete them in full and return one to SHEPP.</li> </ol> |
| SHEPP  | <ol style="list-style-type: none"> <li>1. Upon receipt of payment in full and any PSPA certification requirements under the <i>Income Tax Act</i>, write the member to confirm the completion of the purchase; and</li> <li>2. Prepare and issue all required tax reporting documents and update the member's record to credit the service and post the amount remitted as a purchase contribution.</li> </ol>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

## IMPORTANT

**SHEPP will be unable to proceed with the purchase if there is no proof that the service is eligible service. It is likely that the SHEPP files already contain documents that prove the eligibility of the service; however, where they do not, it will fall to the member to provide proof to SHEPP.**