

Buying back pensionable earnings after the faculty strike

By Paddy Musson and Phil Cunnington

The work stoppage involving OPSEU CAAT-Academic members started on March 7 and ended on March 24, 2006 – a period of 14 work days.

Members may now have questions about any impact on their pension plan membership and future pension.

Employees involved in a work stoppage remain plan members during the period of the work stoppage, providing they have not terminated employment during the strike period and return to work when it ends. Any strike payments received during the work stoppage are not considered pensionable earnings. No contributions to the plan can be made on those earnings.

Because plan members made pension contributions for at least one day during March, they will receive credit for **pensionable service** for all of March. This treatment is referred to in the plan as the “one day rule.” However, the **pensionable earnings** credited to the member during March will only reflect the actual earnings during the month. Therefore, members who expect to be retiring within the next five years may want to consider buying back the earnings lost during the strike period, in order to enhance their earnings calculation and their resulting pension benefit.

A service purchase, or buyback, can take place at any time after the return to work, up to the date the member terminates from the plan or retires. The cost of this service purchase is two times regular contributions based on the member’s earnings at the beginning of the work stoppage. This cost will remain in effect until the date of termination or retirement, but

plan members should be aware that if contribution rates have changed prior to the date they choose to make the payment, the contribution rate in effect at the time of the payment will be used for the calculation.

The payment must be made as a lump sum. The college will not make any contributions on the member’s behalf for the purchase of earnings relating to the strike period. The **contributions** to be made for this purchase of earnings will be calculated as follows:

$$\text{Salary} \times \frac{9.1\% \times 2 \times 14}{261}$$

Salary is the regular annual rate of earnings in effect as of March 6, 2006

9.1% is the current contribution rate

2 reflects two times the contributions

14 is the number of days of the strike

261 is the number of working days in the year.

The **pensionable earnings** for the period will be calculated as follows:

$$\text{Salary} \times \frac{14}{261}$$

Any retroactive pay for the period will have regular contributions made at the time it is paid, and it will qualify for inclusion in pensionable earnings provided the member has not retired or terminated.

Note that the contribution rate of 9.1% – the higher rate amount in the CAAT plan’s contribution formula – will be accurate for the vast majority of individuals who consider making a service purchase in this case. Those who retire or terminate in the first half of 2006 may be found subsequently to have contributed more than is required. In this case, the plan will issue a refund to the college in the second half of the following year, after the annual reconciliation process has been completed. The college will be responsible for ensuring the individual receives the refund of both shares of the over-contributed amount.

Paddy Musson and Phil Cunnington were co-coordinators of the CAAT faculty provincial strike committee.

