

# Voluntary Pension Contributions Guidelines

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Government  
— of —  
Saskatchewan

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The *Income Tax Act* (Canada) limits contributions to defined contribution pension plans, such as the Public Employees Pension Plan (PEPP), to a maximum of 18% of employment income annually or a maximum dollar amount (whichever amount is lower). To ensure that the Government of Saskatchewan is compliant with this legislation and that payroll contribution maximums are not exceeded in any specific tax year voluntary pension contributions to PEPP must be monitored.

Voluntary pension contributions to PEPP will be reviewed prior to setting up the deduction in MIDAS HR/Pay. Requests that would result in an employee contributing more than the maximum will be denied.

## 1. Contribution Limits

The *Income Tax Act* (Canada) limits contributions to defined contribution pension plan / money purchase plans, such as the Public Employees Pension Plan (PEPP) that can be taken through payroll deduction. These limitations are based on earnings and pension contributions in any one tax year.

This will include any earnings paid between January 1 and December 31. The year that earnings are included in is based on the date that they are paid.

The contribution limits for pension are as follows:

### a. Annual Maximum Contribution Amount

The total of employee, employer, and voluntary contributions for any one individual cannot exceed a maximum dollar amount in any calendar year.

Annual Maximum for 2016 = \$26,010

This amount changes each calendar year. Yearly rates can be found at the following link: <http://www.cra-arc.gc.ca/tx/rgstrd/papspar-fefespfer/lmts-eng.html>

If there is a discrepancy between the statutory limits and the amounts listed in these procedures the statutory limits set by the Canada Revenue Agency (CRA) will prevail.

### b. Maximum 18% of Compensation

The total of employee, employer, and voluntary contributions for any one individual cannot exceed 18% of compensation. According to CRA, compensation is the total amount of employment income reported on the individual's income tax return. This includes all payments that are reported on tax forms (both T4 and T4As).

*NOTE: The amount of RRSP room indicated on an individual person's Notice of Assessment from the Canada Revenue Agency does not impact the amount that can be directed to a pension plan through payroll deduction.*

## 2. Making Voluntary Contributions by Payroll Deduction

To make voluntary contributions by payroll deduction, you must be an active and contributing member of the Public Employees Pension Plan (PEPP). Employers are not required to match voluntary contributions. To make voluntary contributions by payroll deduction employees would complete a "Voluntary Contributions to PEPP by Payroll Deduction" form and submit the form to the Human Resource Service Centre.

Payroll deduction options include:

recurring pay period voluntary pension contributions; or

lump-sum voluntary contributions (up to a maximum of 4 times per calendar year) The following restrictions will apply.

## a. Pensionable vs Non-pensionable Earnings

Earnings that have regular pension contributions calculated on them based on the employee and employer contribution rates are “pensionable earnings”. Examples of pensionable earnings would include (but are not limited to) regular salary, designated holiday pay and vacation leave payout.

Earnings that do not have pension contributions calculated on them are “non-pensionable earnings”. Whether an earning is pensionable or non-pensionable will impact the amount that could be directed to PEPP through payroll deduction. Examples of non-pensionable earnings would include (but are not limited to) overtime\*, time in lieu payout and flexible benefit amounts.

\*Please note that Article 15.15.2C) of the PS/GE Collective Agreement applies only to Labour Service employees and allows for pension deductions to be deducted from overtime up to yearly maximums.

Voluntary PEPP Contributions - General Guidelines for 18% Maximum				
Employee Type	Employee PEPP Contribution %	Employer PEPP Contribution %	Total PEPP Contribution %	Maximum Contributions (subject to the maximum annual dollar amount)
Out-of-Scope	5%	8.6	13.6%	Voluntary Pension Contributions limited to 4.4% of pensionable earnings and 18% of non-pensionable earnings
SGEU	8.6%	8.6%	17.20%	Voluntary Pension Contributions limited to 0.8% of pensionable earnings and 18% of non-pensionable earnings
CUPE 600-3	7.5%	7.5%	15.00%	Voluntary Pension Contributions limited to 3% of pensionable earnings and 18% of non-pensionable earnings
CP-JU Facility Employees (Out-of-Scope)	5%	9%	14.00%	Voluntary Pension Contributions limited to 4% of pensionable earnings and 18% of non-pensionable earnings
CP-JU Facility Employees (SGEU)	9%	9%	18.00%	Voluntary pension contributions limited to 18% of non-pensionable earnings

## b. Pay Period Voluntary Pension Contribution Requests

Employees can request to have a recurring voluntary pension contributions taken each pay period however the amount that can be deducted will depend on the individual’s regular PEPP contribution rates. Please see chart “Voluntary PEPP Contributions - General Guidelines for 18% Maximum” above for guidelines.

Pay period voluntary contributions maximums will also be subject to the maximum annual amount set by CRA. If an individual’s regular pay period employee and employer pension contributions are equal to or would exceed the annual maximum in any one calendar year they would not be able to make any voluntary pension contributions.

The following formulas will be used to **ESTIMATE** the maximum per pay period voluntary contribution. This assessment will be done at the time that a request is made and will be an estimate based on the information that is available at that time. The calculation to estimate the maximum amount will differ depending on the employee type and salary.

**For employees whose salary is consistent each pay period (B2, M1, B1 working a regular schedule):**

Maximum Pay Period Voluntary Contribution =  
Gross regular pay period salary  
x  
[18% less (employee PEPP deduction rate + employer PEPP rate)]

**For employees whose salary varies each pay period:**

Maximum Pay Period Voluntary Contribution =  
Gross regular salary from previous calendar year / # of pay periods in the current year  
x  
[18% less (employee PEPP deduction rate + employer PEPP rate)]

If the deduction amount requested is in excess of the calculated value the Human Resource Service Centre will contact the employee to advise that the amount will have to be reduced to comply with CRA legislation.

**i. Limits for Employees Working in Correction and Public Safety Institutions**

As per the PS/GE Collective Agreement, Article 15.15.2 E) in-scope employees who work in correctional centres, correctional camps, community correctional centres, community training residences, Young Offender facilities, contribute to PEPP at a rate of 9% which is matched by the employer. This results in a total contribution of 18% of regular earnings. If an employee does not have any other earnings that are non-pensionable (such as overtime) they would have already contributed the maximum allowable amount to PEPP. This limits the ability for these employees to make any voluntary pension contributions by payroll deduction. As a result recurring voluntary pension contributions are not possible for this group of employees.

**c. Lump-sum Voluntary Pension Contribution Requests**

Requests for lump-sum voluntary pension contributions can be made up to four (4) times per calendar year. The last request of the calendar year should be submitted to the Human Resource Service Centre by November 30 so that the deduction can be processed by December 31. If a payroll deduction request is made, the request will be reviewed based on actual earnings to date in the calendar year to ensure that the PEPP contributions do not exceed established CRA limits. These requests are often made when an employee is to receive a lump sum payment such as a vacation leave payouts and time in lieu payouts.

The following formula will be used to **ESTIMATE** the maximum lump-sum voluntary contribution. This assessment will be done at the time that a request is made and will be an estimate based on the information that is available at that time.

Non-pensionable earnings YTD x 18%  
*Plus*  
Gross pensionable earnings YTD x  
[18% less (employee PEPP deduction rate + employer PEPP rate)]  
*Less*  
Voluntary pension contributions already made calendar YTD

If the result is less than the full amount of the payment, only part of the payout/payment can be directed to PEPP. If the result is more than the total value of the payment, up to the full amount of the payout/payment can be directed to PEPP as a voluntary contribution.

Lump-sum voluntary contributions will also be subject to maximum annual amount set by CRA. If an individual's regular pay period employee and employer pension contributions are equal to or would exceed the annual maximum in any one calendar year they would not be able to make any voluntary pension contributions.

#### **i. Flex Benefit Account Program**

One option in the Flex Benefit Account Program for Out-of-Scope employees is to direct the amount, either in part or in whole as a contribution towards PEPP. If an employee elects for this option the amount of the contribution will be subject to these limits. Please see example 3 in Appendix A of this document for more information.

### **3. Other References**

More information about Voluntary Pension Contributions can be found in the "PEPP Talk...on Voluntary Contributions to PEPP document" on the Public Employees Benefit Agency website.

[http://www.peba.gov.sk.ca/PEPP/PDF/PEPP\\_Talk\\_PDFs/Voluntary\\_Contributions\\_to\\_PEPP.pdf](http://www.peba.gov.sk.ca/PEPP/PDF/PEPP_Talk_PDFs/Voluntary_Contributions_to_PEPP.pdf)

Information about transferring money into PEPP can be found in the "PEPP Talk...on Voluntary Transfers to PEPP" on the Public Employees Benefit Agency website.

[http://www.peba.gov.sk.ca/PEPP/PDF/PEPP\\_Talk\\_PDFs/PT\\_Voluntary\\_Transfers\\_to\\_PEPP.pdf](http://www.peba.gov.sk.ca/PEPP/PDF/PEPP_Talk_PDFs/PT_Voluntary_Transfers_to_PEPP.pdf)

Canada Revenue Agency maximums can be found at the following link. <http://www.cra-arc.gc.ca/tx/rgstrd/papsapar-fefesfer/lmts-eng.html>

Request Form can be found on the HRSC Knowledge Centre

<http://pscportal/sites/HRSC/Portal/MasterLists/Documents/Forms/PEPP%20Voluntary%20Contributions.pdf>

**SAMPLE FORM:**

## Voluntary Contributions to PEPP by Payroll Deduction

Complete this form and submit it to your **The Employee Service Centre**. Your payroll branch will deduct your voluntary contribution(s) from your paycheque and forward the funds to the Public Employees Pension Plan (PEPP). PEPP no longer requires a copy of the voluntary contribution form; the original is to be retained by the employer.

SECTION A: MEMBER INFORMATION (Please print)			
Employee ID or Social Insurance Number	Last Name	First Name and Initial	
Mailing Address		City	Province Postal Code
Birthdate (day/month/year)	Phone Number(s) Home Business	E-mail Address	
Name of Employer			
SECTION B: PAYROLL DEDUCTION OPTIONS			
<p>To make voluntary contributions you must be an active and contributing PEPP member. Voluntary contributions can be made within the limit set by the <i>Income Tax Act</i> (Canada). Refer to the explanation of limits on the reverse side. The member making voluntary contributions is responsible for ensuring that the voluntary contributions do not exceed the limit.</p> <p> <input type="checkbox"/> Lump-sum contribution amount: \$ _____  <input type="checkbox"/> Pay period contribution amount: \$ _____ per pay period  <input type="checkbox"/> Change pay period contribution amount to: \$ _____ per pay period  <input type="checkbox"/> Stop voluntary contributions by payroll deduction.                 </p> <p>Your voluntary contributions will be invested as per your instructions for required contributions. If you wish to change your investments fund, please fill out an <i>Investment Fund Options</i> form.</p> <p><b>I understand that, in making the above choices, it is my responsibility to seek the appropriate financial counselling.</b></p> <p>                     _____                      Signature of Member Date (day/month/year)                 </p>			
SECTION C: TO BE COMPLETED BY MEMBER'S PAYROLL BRANCH			
Has the above voluntary contributions request been entered on the payroll system? <input type="checkbox"/> Yes <input type="checkbox"/> No Entered onto system by _____ on _____ Date (day/month/year) Comments: _____ _____			

## 4. Appendix A

### Voluntary Pension Contributions Calculation Examples

**Example 1: For employees whose salary is consistent each pay period (B2, M1, B1 working a regular schedule):**

Maximum Pay Period Voluntary Contribution =  
Gross regular pay period salary x [18% less (employee PEPP deduction rate + employer PEPP rate)]

Example:

Permanent Full-Time SGEU Employee  
Bi-weekly gross regular salary: \$1914.12  
PEPP Employee Contribution Rate: 8.6%  
PEPP Employer Contribution Rate: 8.6%

Maximum Pay Period Voluntary Contribution =  $1914.12 \times [18\% - (8.6\% + 8.6\%)]$   
=  $1914.12 \times 0.8\%$   
= **\$15.31 / bi-weekly pay period**

**Example 2: For employees whose salary varies each pay period:**

Maximum Pay Period Voluntary Contribution =  
Gross YTD regular salary from previous calendar year / full # of pay periods in the current calendar year x [18% less (employee PEPP deduction rate + employer PEPP rate)]

Permanent Part-Time SGEU Employee  
Annual gross regular salary from last calendaryear: \$35,209.62  
PEPP Employee Contribution Rate: 8.6%  
PEPP Employer Contribution Rate: 8.6%

Maximum Pay Period Voluntary Contribution =  $(35,209.62 / 26) \times [18\% - (8.6\% + 8.6\%)]$   
=  $1354.22 \times 0.8\%$   
= **\$10.83 / bi-weekly pay period**

**Example 3: Earnings that do not have regular pension deductions taken.**

*This would include earnings such as Flex Benefit, Time in Lieu Payout, Field Banked Edo Payout and Overtime.*

The following formulas will be used to **ESTIMATE** what the maximum one-time lump-sum voluntary contribution would be. This assessment will be done at the time that a request is made based on the information that is available at that time.

Earnings without regular pension contributions YTD x 18%

Plus

Gross regular salary current YTD x [18% less (employee PEPP deduction rate + employer PEPP rate)]

Less

Voluntary pension contributions already taken calendar YTD

Time in Lieu Payout: 48 hours x \$31.009 / hr = \$1,488.43

\*Vac Pay Sup Percentage: 11.00% - twenty-five (25) days  
 \*Vac Pay Sup: \$1,488.43 x 11.00% = \$163.73  
 Total Payment: \$1,488.43 + \$163.73 = \$1,652.16  
 Current year to date gross regular salary: \$26,952.18  
 PEPP Employee Contribution Rate: 8.6%  
 PEPP Employer Contribution Rate: 8.6%  
 Voluntary pension contribution current YTD: \$500.00

Maximum One-time Voluntary Contribution  
 = (1,652.16 x 18%) + 26,952.18 [18% - (8.6% + 8.6%)] - 500.00  
 = 297.39 + (26,952.18 x 0.8%) - 500.00  
 = 297.39 + 215.62 - 500.00  
 = \$13.01

Since the result is less than the full amount of the payout only part of the payout can be directed to PEPP. If the result was more than the total value of the payout the full amount (\$1488.43 in our example above) can be directed to PEPP.

*\*Please note Vac Pay Sup is included in this calculation. Refer to your Element Listing to confirm that the payment you are making is eligible for Vac Pay Sup. The % rate is dependent on the individual's vacation eligibility and the type of payment being made.*

**Example 4: Earnings that do have regular pension deductions taken.  
 This would include earnings such as Vacation Leave Payout, SDO Payout and Banked EDO Payout.**

*Earnings with regular pension contributions YTD Plus  
 Gross regular salary current YTD x [18% less (employee PEPP deduction rate + employer PEPP rate)] Less  
 Voluntary pension contributions already taken calendar YTD*

Vacation Payout: 24 hours x \$26.585 / hr = \$638.04  
 \*Vac Pay Sup Percentage: 8% - twenty (20) days  
 \*Vac Pay Sup: \$638.04 x 8% = \$51.04  
 Total Payment: \$638.04 + \$51.04 = \$689.08  
 Current year to date gross regular salary: \$31,625.91  
 PEPP Employee Contribution Rate: 8.6%  
 PEPP Employer Contribution Rate: 8.6%  
 Voluntary pension contribution current YTD: 0

Maximum One-time Voluntary Contribution =  
 (689.08 + 31,625.91) [18% - (8.6% + 8.6%)] =  
 32,314.99 x 0.8%  
 = **\$258.51**

Since the result is more than the full amount of the payout the full amount of \$689.08 could be directed to PEPP as a voluntary contribution.

*\*Please note Vac Pay Sup is included in this calculation. Refer to your Element Listing to confirm that the payment you are making is eligible for Vac Pay Sup. The % rate is dependent on the individual's vacation eligibility and the type of payment being made.*