What is a Past Service Pension Adjustment?



A past service pension adjustment or PSPA is an adjustment to previously reported pension adjustments in respect of pensionable service after 1989 to reflect an improvement in the pension benefits provided under a registered pension plan. For each year of participation since 1990, there has been a pension adjustment reported for the pension benefits earned under the plan. If there is an improvement to the pension for some or all years of service, the employee should have had higher pension adjustments. The PSPA is the difference between the pension adjustments after the improvement and the pension adjustments before the improvement.

Types of PSPAs

The amount it costs you to pay for past service benefits will likely not equal the PSPA associated with the benefits, since a PSPA reflects a general measure of the value of the past service benefits rather than the actual cost to fund the benefits.

Usually, you can pay for the cost of past service benefits by:

- making a lump-sum contribution;
- making instalment contributions; or
- directly transferring amounts from certain other registered plans. In this case, transfers may reduce the PSPA amount your plan administrator has to report to us.

In some cases your employer may fund all or part of the cost of the past service benefits.

Qualifying transfers – In general, a qualifying transfer is a direct transfer of a lump-sum amount from an unmatured RRSP, a money purchase provision of an RPP, or a DPSP. You can make a qualifying transfer to pay for all or part of the cost of the past service benefits related to the PSPA. If you make a qualifying transfer, the amount you transfer will reduce the PSPA amount the plan administrator has to report. Do not report your qualifying transfer amount as income and do not deduct it.

What if you cannot certify your PSPA?

If you cannot certify your PSPA because the PSPA amount is more than the allowable limit, you may still be able to obtain certification if you agree to make a qualifying RRSP withdrawal. Fill out a Form T1006, Designating an RRSP Withdrawal as a Qualifying Withdrawal.

To speed up the certification process, your plan administrator can review the certification formula before sending Form T1004.