



LATEST
EDITION
DECEMBER
2007

Your Pension during Retirement

What you need to know
after your pension starts



OPSEU Pension Trust

Fiducie du régime de
retraite du SEFPO

How to contact us

Member and Pensioner Services:

(416) 681-6100 in the Toronto calling area
1-800-637-0024 toll-free within Canada

Fax: **(416) 681-6175**

E-mail: **email@optrust.com**

Website: **www.optrust.com**

Mailing Address:

OPSEU Pension Trust
1 Adelaide Street East, Suite 1200
Toronto, Ontario
M5C 3A7

This booklet is intended as a summary description of the OPSEU Pension Plan. The Plan text contains numerous provisions not summarized in this booklet, which may apply to you. In the event of any conflict between this booklet and the OPSEU Pension Plan text, the Plan text will govern.

Throughout this booklet, all mathematical examples have been rounded to the nearest dollar.



Important Facts

My lawyer is:

Phone number:

My Will is located:

The administrator of my Will is:

Phone number:

My life insurance policy is with:

Policy number:

Amount:

My RRSPs are at:

Account number:

Account number:

My bank account(s) are at:

Account number:

Account number:

Financial Power of Attorney is:

Phone number:

Health care Power of Attorney is:

Phone number:

Other key contacts in the event of death or serious illness:

Two empty yellow rounded rectangular boxes for providing contact information.

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 **NOTE**

Keep this booklet in a place where family members can also find it, with copies of other important documents such as your Will.

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Introduction

**YOUR OPTRUST
PENSION IS A
DEFINED BENEFIT
WHICH MEANS THAT
IT'S BASED ON A
FORMULA THAT USES
YOUR SALARY AND
SERVICE CREDIT TO
CALCULATE THE
VALUE OF YOUR
PENSION BENEFIT.**

About the OPSEU Pension Trust

The OPSEU Pension Plan is the result of years of discussion between the Government of Ontario and OPSEU to create a pension plan in which the members, who go on to become pensioners, have a say. The Board of Trustees of the OPSEU Pension Plan Trust Fund administer the OPSEU Pension Plan.

The OPSEU Pension Trust (OPTrust) officially began operating on January 1, 1995.

OPSEU Pension Trust is a legal trust formed by a contractual agreement between the Plan sponsors, namely OPSEU and the Ontario Government. OPSEU Pension Trust is at arm's length from both Plan sponsors.

JOINT GOVERNANCE

The OPSEU Pension Plan is governed by 10 trustees, five appointed by the Government of Ontario and five appointed by OPSEU. The Board of Trustees is responsible for the investment of the Plan's funds and the administration of the Plan.

RISK AND REWARD SHARING

Every three years, all registered pension plans must undertake an actuarial valuation to assess whether the required funds will be available to pay expected future pensions. During this valuation, gains and losses are examined based on actuarial assumptions and actual experience in the pension plan.

In the OPSEU Pension Plan, gains are shared equally – 50% to members and pensioners and 50% to the Government of Ontario. The members' and pensioners' share can be used to stabilize or reduce member contributions or to fund improved benefits, at the choice of OPSEU. The Government of Ontario must first use its gains to reduce contributions, to fund improved benefits or create a fund to stabilize its contributions. If there are losses in the Plan, these are also shared equally, between members and employers, by increasing contributions.

What is the OPSEU Pension Plan?

DEFINED BENEFIT PLAN

The OPSEU Pension Plan is a defined benefit plan. This means that your retirement pension is based on a formula that takes into account your salary and pensionable service credit in the Plan to calculate the value of your pension benefit.



What happens to your pension after you retire?

ALL OPTRUST PENSIONS ARE PAID ON THE 26TH OF EACH MONTH, EXCEPT DECEMBER WHEN THEY ARE PAID EARLIER. IF A SCHEDULED PAY DATE FALLS ON THE WEEKEND OR A HOLIDAY, YOUR PENSION IS PAID THE FRIDAY BEFORE.

How and when your pension is paid

At OPTrust, pensions are paid on a monthly basis, usually on the 26th except for December when we pay pensions earlier. For your convenience, we offer direct deposit to the financial institution of your choice anywhere in Canada and in the United States. When you retire your first pension payment will be paid on the 26th of the month following your retirement so, if you retire on May 15th, your pension begins on June 1st and your first pension payment would arrive on June 26th. Normally, we only deduct income tax based on your OPTrust pension income unless you tell us you want other deductions (see pages 21 – 22). If you want additional tax deducted, you can use our secure *Online Services* or complete a *Personal Information Change Request* or an *Income Deduction Change* form and send it to OPTrust.

Inflation protection – annual increase

Every January your pension, or that of your survivor, is adjusted for the increase in the cost of living. The adjustment is applied the year after you start to receive a pension. The first adjustment is pro-rated for the length of time you received a pension in the previous year. The inflation adjustment reflects the increase in the cost of living in Canada (as measured by the Consumer Price Index). It is calculated by dividing the Consumer Price Index average for the two 12-month periods ending the preceding September. For example, the 2008 inflation adjustment was calculated as:

$$\frac{\text{October 2006 to September 2007} = 110.8}{\text{October 2005 to September 2006} = 108.8} = 1.8\%$$

The maximum increase in any one year is 8%. Any increase above 8% is carried forward into the next year, when the adjustment is less than 8%.

EXAMPLE OF PENSION WITH PRO-RATED INFLATION INCREASE:

Terminated from Plan	March 2007
Pension began	April 2007
Number of months on pension	9 (April–December)
OPTrust inflation adjustment for 2008	1.8%

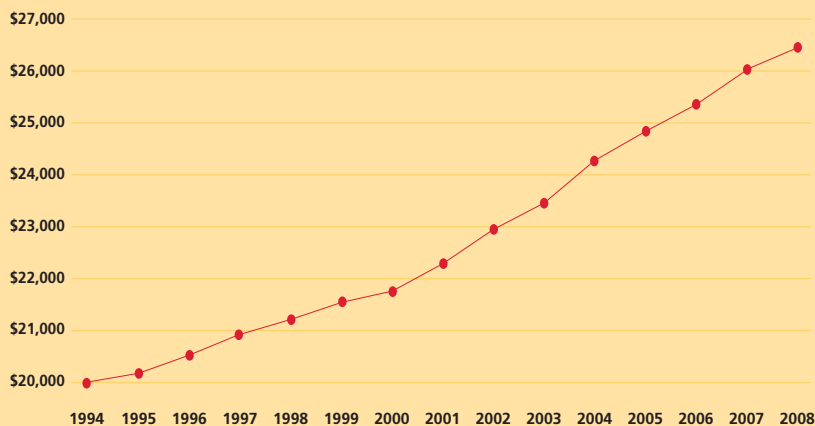
How to calculate your pro-rated 2008 increase:

number of months on pension, divided by 12 x increase in CPI for 2008
= your 2008 adjustment

$$(9 \div 12 \times 1.8\% = 1.35\%)$$

In January 2008, your pension would be increased by 1.35% to reflect the cost of living for nine months. In following years the full CPI increase (up to 8%) in any given year is applied.

INFLATION PROTECTION CHART



This chart shows how the inflation protection feature of the OPSEU Pension Plan works. The graph plots the growth of an average pension over a 15-year period from 1994.

TO APPLY FOR A CPP
PENSION CONTACT
YOUR LOCAL OFFICE
OF SERVICE CANADA
AT 1-800-277-9914.

Changes to your pension at age 65

The Canada Pension Plan and your OPTrust pension: The Canada Pension Plan (CPP) provides retirement benefits to individuals who have contributed to it during their employment. Your OPTrust pension is designed to provide you with a combined pension income – from both OPTrust and CPP – that equals approximately 2% of your average salary multiplied by your years of credited service in the OPSEU Pension Plan.

In effect, when a pensioner retires before age 65, OPTrust pays the full 2% pension benefit. However when you were a contributing plan member, you made reduced contributions to the OPTrust plan on the portion of your earnings that is also covered by CPP. This contribution “integration” is taken into account in the way your OPTrust pension is calculated starting at age 65.

Starting at age 65, your 2% pension will be made up of an OPTrust portion plus a CPP portion.

Even though the normal age for starting CPP benefits is 65, you can apply for a CPP pension as early as age 60. If you receive an early CPP pension, it is reduced 6% for every year you are less than 65. CPP annual maximum benefits increase every year to reflect changes in the cost of living. The maximum monthly CPP retirement pension in 2007 was \$863.75.

The CPP benefit calculation can be complex. As well, CPP benefits and contributions change over time. For more detailed information on the Canada Pension Plan, we suggest you contact CPP.

WHAT CPP OFFERS

CPP provides three main types of benefits: retirement pensions, disability pensions, and survivor benefits.

CPP Retirement Pension

At age 65, the retirement pension from CPP is a monthly benefit based on how much, and for how long, a person contributed to CPP over his or her working life. The pension is designed to replace about 25% of the earnings on which a person contributed. CPP sets a maximum monthly benefit.

A CPP retirement pension may also be paid as early as age 60 if the contributor has stopped working. If a person takes his or her CPP pension before age 65, it is reduced by 6% for each year the contributor is under age 65. Similarly, if the person elects to start taking CPP later than age 65, the amount of retirement pension is adjusted upwards by 6% for each year after the age of 65.

CPP Disability Pension

This is a monthly benefit consisting of both flat-rate and earnings-related components. The earnings-related component is equal to 75% of the CPP retirement entitlement, calculated as if the contributor became 65 years of age in the month when the disability pension became payable. At age 65, the total disability benefit is changed to the regular CPP retirement entitlement. For information on disability provisions, contact CPP.

CPP Survivor Pension

In the event of a contributor's death, his or her eligible spouse is entitled to a survivor's pension from CPP. For information on qualifications for this benefit, please contact CPP.

HOW YOUR OPTRUST PENSION IS CALCULATED

Your OPTrust pension is calculated as follows:

2%	X	your best five-year average annual salary	X	your credit
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Minus the reduction for CPP integration at age 65:

0.655%	X	the lesser of: your best five-year average annual salary, and your final five-year average Year's Maximum Pensionable Earnings (YMPE) set under CPP	X	your credit
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**YOUR DECISION
WHETHER OR NOT
TO TAKE CPP BEFORE
AGE 65 WILL DEPEND
ON YOUR OWN
CIRCUMSTANCES.
THE EXAMPLES ON
PAGES 13-14 SHOW
THE DIFFERENCES
BETWEEN TWO
POSSIBLE OPTIONS.**

COLLECTING CPP BEFORE AGE 65

You can begin taking your CPP pension as early as age 60 at a reduced rate, as we mentioned earlier. Regardless of when you start collecting CPP, your OPTrust pension is integrated with CPP when you reach age 65.

So, if you take CPP early, you will receive the reduced CPP pension **plus** a 2% OPTrust pension until age 65. At age 65, your CPP pension remains reduced, and your OPTrust pension is reduced for integration. While there will be a reduction in your combined income from the OPTrust and CPP pensions at age 65, some of this reduction may be offset by Old Age Security or seniors' benefits.

Some people prefer to receive this extra money earlier by taking early CPP, even though their total pension payments (OPTrust and CPP combined) will then be lower at age 65. Others prefer to delay receiving CPP until age 65, which results in more uniformity in total payments over time, and a higher combined income after age 65, as we will see in the following example.

Example of Luis's OPTrust pension plus CPP

Let's assume Luis retires at age 57 with an unreduced OPTrust pension under the OPSEU Pension Plan's Factor 90 option. Luis knows he is eligible for unreduced CPP benefits at age 65, but he is considering taking CPP early, starting at age 60. In this case, his lifetime CPP pension would be reduced by 30% (6% for each year he is under age 65).

The example on the following pages shows how Luis's combined monthly pension income and his lifetime pension income are affected by:

- i) the integration of his OPTrust pension, and
- ii) the possibility of taking an early reduced pension from CPP.

In calculating Luis's lifetime income, we have assumed he will live to age 75. The examples do not show the effect of annual inflation-related increases to Luis's OPTrust and CPP benefits.

EXAMPLE 1: LUIS'S OPTRUST PENSION + CPP AT AGE 65

Luis's OPTrust pension at age 57: Based on his average salary and years of credit, Luis is eligible for a monthly OPTrust pension of \$2,000. When he turns 65, the OPTrust pension will be integrated with CPP and his OPTrust pension will be reduced to \$1,442 per month.

Luis's CPP pension: If Luis takes CPP at age 65, he will receive a monthly benefit of \$700.

Luis's OPTrust pension + CPP at age 65

From age 57 to 65 (OPTrust pension)

OPTrust pension payments of
\$2,000 per month x 8 years = \$ 192,000

Total pension income, age 57 to 65
\$2,000 per month x 8 years = \$ 192,000

From age 65 to 75

OPTrust pension payments of \$1,442 (after CPP integration)
per month x 10 years = \$ 173,040

CPP pension of \$700 per month x 10 years = \$ 84,000

Total pension income from age 65 to 75
\$2,142 per month x 10 years = \$ 257,040

LUIS'S TOTAL LIFETIME PENSION FROM AGE 57 TO 75 = \$ 449,040

In this example, Luis will start to receive his full CPP benefit at the same time as his OPTrust pension is integrated. As a result, his total pension income will remain relatively stable. In fact, because the OPTrust reduction for CPP is less than his total CPP benefit, Luis's monthly pension income will increase from \$2,000 to \$2,142.

TAKING CPP EARLY
GIVES YOU EXTRA
MONEY SOONER
WITH A LOWER
INCOME AT AGE 65,
BUT DELAYING CPP
PAYMENTS UNTIL
AGE 65 PROVIDES A
MORE UNIFORM
INCOME IN
PAYMENTS OVER
TIME AND A HIGHER
COMBINED INCOME
AFTER AGE 65.

EXAMPLE 2: LUIS'S OPTRUST PENSION + REDUCED CPP AT AGE 60

Luis's OPTrust pension: As in example 1, Luis is eligible for a monthly OPTrust pension of \$2,000 until age 65. When he turns 65, his OPTrust pension will be reduced for CPP integration to \$1,442. Luis's OPTrust pension will still be reduced for CPP integration at age 65, even if he decides to take CPP early.

Luis's CPP pension: If Luis takes CPP early at age 60, his monthly CPP benefit will be reduced by 30% (6% x 5 years) to \$490 for his lifetime.

Luis's OPTrust pension + reduced CPP at age 60

From age 57 to 60

OPTrust pension of \$2,000 per month x 3 years = \$ 72,000

Total pension income from age 57 to 60
\$2,000 per month x 3 years = \$ 72,000

From age 60 to 65

OPTrust pension of \$2,000 per month x 5 years = \$ 120,000

CPP pension of \$490 per month x 5 years = \$ 29,400

Total pension income from age 60 to 65
\$2,490 per month x 5 years = \$ 149,400

From age 65 to 75

OPTrust pension payments of \$1,442 per month
(after CPP integration) x 10 years = \$ 173,040

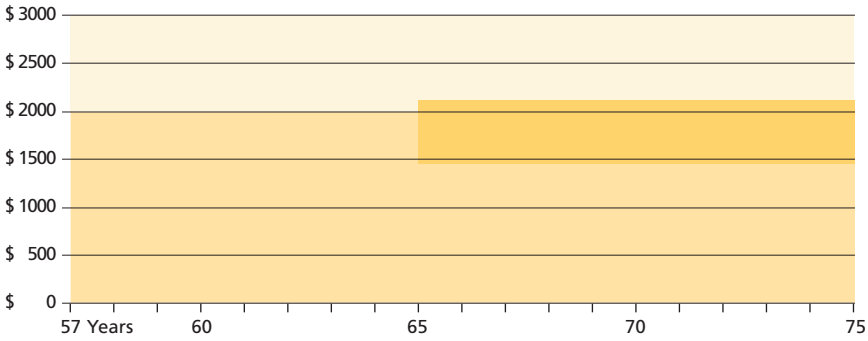
CPP payments of \$490 per month x 10 years = \$ 58,800

Total pension income from age 65 to 75
\$1,932 per month x 10 years = \$ 231,840

LUIS'S TOTAL LIFETIME PENSION FROM AGE 57 TO 75 = \$ 453,240

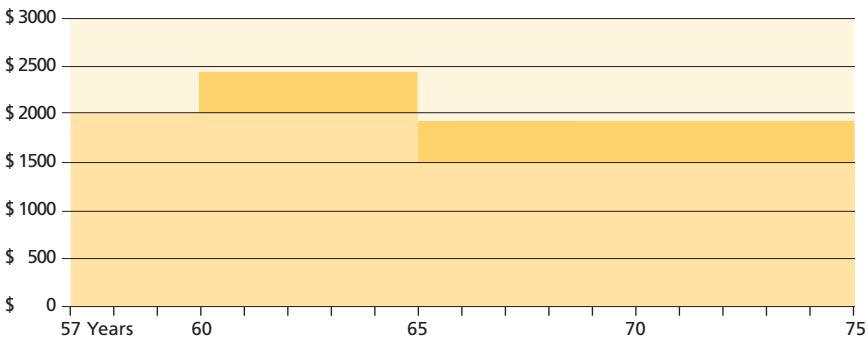
In this example Luis will start to receive his reduced CPP benefit before his OPTrust pension is reduced for CPP integration. As a result, his total pension income will increase between the ages of 60 and 65. However, when Luis turns 65, his OPTrust pension will be reduced for CPP integration, while his CPP payments will continue at the reduced level. Consequently, his monthly pension income after age 65 will be lower than if he had started CPP at 65.

FIGURE 1: LUIS'S MONTHLY PENSION: OPTRUST + CPP AT AGE 65



Age	OPTrust pension	CPP pension	Total
57-65	\$2,000	—	\$2,000
65-75	\$1,442	\$700	\$2,142

FIGURE 2: LUIS'S MONTHLY PENSION: OPTRUST + REDUCED CPP AT AGE 60



Age	OPTrust pension	CPP pension	Total
57-60	\$2,000	—	\$2,000
60-65	\$2,000	\$490	\$2,490
65-75	\$1,442	\$490	\$1,932

**AT AGE 65, YOU
MAY ALSO BE
ELIGIBLE TO RECEIVE
A MONTHLY
RETIREMENT BENEFIT
FROM OLD AGE
SECURITY. TO APPLY
CONTACT SERVICE
CANADA AT
1-800-277-9914.**

OTHER FACTORS TO CONSIDER

There are a number of factors you should take into consideration in deciding when to start receiving CPP. These may include your life expectancy, your financial plans and your financial needs in your retirement.

In Luis's example, if he lives to be much older than 75, taking CPP early would mean a lower total income over his lifetime. That is why some people who expect to live into their eighties or nineties choose not to start CPP until age 65. OPTrust actuaries calculate that a female plan member retiring at 60 will live to approximately age 84, on average, while a male plan member retiring at 60 will live to an average age of 79.

On the other hand, some people take CPP early to help with costs such as their children's education, mortgage payments or travel. Others may take CPP early because they expect their financial needs to decrease after age 65. It is a good idea to consider a range of financial, family, health and other factors in making the best choice for you.

OLD AGE SECURITY

In addition to CPP, you may be entitled to a monthly retirement benefit from Old Age Security (OAS). It is payable monthly and indexed quarterly. Your pension from the OPSEU Pension Trust is not adjusted due to OAS payments.

OAS payments are separate from OPTrust and CPP payments. OAS starts at age 65 and cannot be taken any earlier. In the third quarter of 2007, maximum OAS monthly basic benefit payments were \$472.12.

WHEN A PENSIONER DIES BEFORE AGE 65

If you have an eligible spouse and die after retirement, your spouse will receive a 60% survivor pension from the OPSEU Pension Plan.*

* The standard OPTrust survivor pension is based on 60% of the retiree's pension. Before you retire, you can choose to increase the survivor pension to 65%, 70% or 75%. To pay for an increased survivor pension, your own pension amount will be reduced.

This survivor pension will be reduced for CPP integration on the date you would have turned 65. For example, if you are receiving an OPTrust pension and die before age 65, your spouse's initial survivor pension will equal 60% of your current monthly pension. Starting with the month following what would have been your 65th birthday, the survivor pension will be re-calculated based on 60% of your CPP integrated pension amount.

Your surviving spouse may also be eligible for a survivor pension from CPP, if he or she meets CPP's criteria. However, this will not affect the amount of the OPTrust survivor pension or the date on which it is integrated with CPP.

To illustrate how OPTrust survivor pensions are calculated when the pension is integrated with CPP, let's use the example of Luis on pages 13–14. In the example, Luis retires at age 57 with a monthly OPTrust pension of \$2,000. When he turns 65, his OPTrust pension will be reduced to \$1,442 per month to reflect CPP integration.

If Luis dies at age 62, his eligible spouse would be eligible for a survivor pension of \$1,200 per month (60% x \$2,000). On the month after Luis would have turned 65, his spouse's survivor pension will be reduced to \$865, (or 60% of his CPP integrated pension of \$1,442).

CPP integration: When you reach age 65, your OPTrust pension is reduced for CPP integration because you are now eligible to collect a CPP pension. During your membership in the OPSEU Pension Plan, your contributions to the Plan were reduced because you also made contributions to the CPP on the portion of your salary that is between the Year's Basic Exemption (YBE) and the Year's Maximum Pensionable Earnings (YMPE).

MORE INFORMATION ABOUT CPP

Since its inception in 1966, CPP has kept a record for each person who pays into the plan. This information is provided through the Canada Revenue Agency. Once a year, you can request a *Statement of Contributions* which includes your Record of Earnings. CPP typically sends you a statement every three or four years.

To apply for CPP, you must complete a CPP application form and mail it at least six months in advance of when you want your pension to begin.

Also remember that CPP benefits and eligibility rules differ from those of OPTrust.

IF YOU WORK
AFTER YOUR
PENSION HAS
STARTED AND YOUR
NEW EMPLOYER
DOES NOT
CONTRIBUTE TO THE
OPSEU PENSION
PLAN, YOUR
PENSION IS NOT
AFFECTED.

For more information on CPP:

The federal government offers a Canada-wide toll-free information line on CPP:

1-800-277-9914 or website:

www.servicecanada.gc.ca/en/audiences/seniors/index.html

To locate the nearest Service Canada office look in the blue pages of your phone book under Pensions.

Working after your pension begins

If you are receiving a pension from the OPSEU Pension Plan and start working again, who you work for may affect your OPTrust pension. If you work for an employer who does not contribute to the Plan, your pension is not affected. If you are re-employed or engaged (see page 33 for definition) by an employer who contributes to the Plan, the impact on your pension depends on your salary and whether or not you re-join the Plan. It is your responsibility to inform a participating employer that you are currently receiving a pension from OPTrust.

Without Plan membership: Your monthly pension is subject to an earnings ceiling each calendar quarter (e.g. January – March), if you are i) re-employed or engaged by an employer who contributes to the OPSEU Pension Plan, and ii) if you do not re-join the Plan as a contributing member. Your re-employment earnings maximum is determined by subtracting your quarterly pension income from your final quarterly pre-retirement earnings. The amount left over is the maximum amount you can earn in a calendar quarter from re-employment before we reduce your pension. This amount is provided on your confirmation statement from OPTrust and your *Pensioner Information Change Statement*. If you are unsure of the limit, please call OPTrust. If you do exceed your maximum for the quarter, we will reduce subsequent pension payments by the amount that you have exceeded your maximum.

EXAMPLE: DETERMINING YOUR RE-EMPLOYMENT MAXIMUM EARNINGS

Final quarterly pre-retirement earnings:	\$11,725
minus Quarterly pension income:	\$ 4,500
<hr/>	
= Re-employment maximum earnings:	\$ 7,225 (per quarter)

Note: We use your gross earnings and gross pension in our calculations. Your maximum is also expressed as a gross amount.

When your employer reports your quarterly re-employment earnings to our office, they report the amounts paid to you on the pay dates that fall within the calendar quarter.

With membership: Depending on your re-employment and your age, you may have the option to re-join the Plan. If you re-join, your pension stops immediately. While you are making contributions to the Plan, you are accruing additional pension credit so when your employment ends, we will re-calculate your pension.

OPTrust will add the additional credit you earned during your re-employment to your previous credit (whether you retired under the Factor 80, Factor 90 or 60/20 provisions or at age 65). OPTrust then re-calculates your pension at the end of your re-employment period to include the additional credit you accrued. However, if you were previously receiving a reduced pension, your new pension amount will be actuarially adjusted to take into account any pension payments you have already received.

If a pensioner lacks the capacity to deal with his or her financial affairs

When a pensioner is no longer able to deal with his or her financial affairs and a Power of Attorney is in effect, OPTrust needs a notarized copy of the document or the original, to validate the appointment. (All original Power of Attorney papers will be returned to the owner). The person appointed under the Power of Attorney may then handle any matters dealing with the pension in the usual manner.

If the pensioner wants to redirect his or her pension material to another address (e.g. to a daughter's address, so there is assistance available in reading and understanding material), he or she can do so by sending OPTrust a written change of address notice. Then everything we send will go to the new address. We cannot have two addresses on file. Since any bank change under this arrangement would

WHEN A PENSIONER IS NO LONGER ABLE TO DEAL WITH HIS OR HER OWN FINANCIAL AFFAIRS, OPTRUST NEEDS PROOF OF PROPER LEGAL AUTHORIZATION, SUCH AS A POWER OF ATTORNEY, TO WORK WITH ANOTHER PERSON WHO IS ACTING ON THE PENSIONER'S BEHALF.

require the pensioner's signature, we cannot make funds payable to another person or make deposits in someone else's account without a Power of Attorney or court order.

If there is no Power of Attorney in place, the family needs to seek legal advice from the proper authorities and make the necessary arrangements. OPTrust cannot accept changes without the proper authority, i.e. a Power of Attorney or court order.

If the pensioner has not made the necessary arrangements prior to his or her incapacity, improper withdrawals from a pensioner's account are unlawful. It is the responsibility of those caring for the pensioner to ensure they act under proper legal authority. They have the legal obligation to act in the best interests of the pensioner. Accordingly, it is the responsibility of the person caring for the pensioner to obtain proper authorization to deal with financial affairs including an OPTrust pension. Pensioners can assist by putting in place a Power of Attorney before incapacity occurs.

Please note that an individual named as a Power of Attorney cannot change life insurance designations, nor can he or she designate beneficiaries under the Plan.



What deductions are taken from your pension?

Taxes

Pensions are considered income and as such are subject to income tax. As part of your retirement package we ask you to complete two TD1 forms, one federal and one provincial. Unless you inform us otherwise, we only deduct based on your OPTrust pension income. If you are collecting CPP and OAS and have other income, you may be in a higher tax bracket, but unless you provide that information on your TD1, we don't know and can't deduct additional money. This could lead to tax owing and even tax penalties.

Insured benefit premiums

If you qualify for post-retirement insured benefits, your former employer pays most of the cost for your insured benefit premiums. You pay a small portion of the premium if you want vision care and hearing aid plan coverage. If you choose only medical and dental coverage you will pay no premium although there are some deductibles. You may elect vision and hearing aid plan coverage and cancel it later. However, once you cancel coverage, it cannot be reinstated. For more information, please refer to the Ministry of Government Services booklet *A Guide to Your Benefits – After Retirement*.

Spousal or child support payments

It is your responsibility to provide OPTrust with the necessary paperwork if you are required to pay either spousal or child support payments from your pension. Family support is a type of third party demand that we will deduct from your pension. If we receive a court order or domestic contract we will deduct the specified amount from your pension.



NOTE

Pensions are legally exempt from most creditors. In addition to income tax, deductions from your pension may include: insured benefit premiums, spousal or child support payments, and Canada Revenue Agency garnishments.

**ALL SURVIVOR
BENEFITS ARE
BASED ON
BENEFITS THE
PENSIONER WAS
RECEIVING WHEN
HE OR SHE DIED.**

Additional Canada Revenue Agency deductions

Additional deductions required by the Canada Revenue Agency are the other third party demand that we will deduct from your pension. If you have a requirement to pay, we need to have the documentation sent to us by the Canada Revenue Agency in order to make the deduction. We do not have access to your employer's records and cannot use that requirement in our administration.

No other deductions permitted

While you are receiving your pension, it is exempt from most creditors. The exceptions are the Canada Revenue Agency, your former spouse in the case of a marriage breakdown and orders for support. If you die after retirement and do not have an eligible spouse, eligible children or a named payment recipient, payments made to your estate can be claimed by creditors.



What death benefits are available for your survivors after retirement?

The OPSEU Pension Plan provides benefits for your survivors, whether you die before or after your pension begins. The entitlements for survivors, if death occurs after retirement, are outlined below.

Who gets a survivor benefit?

For death after retirement, benefits normally flow as follows:

ELIGIBLE SPOUSE GETS:
60% of pension

- *if no eligible spouse*

ELIGIBLE CHILDREN GET:
60% of pension

- *if no eligible children*

PAYMENT RECIPIENT GETS:
residual balance (if any)

- *if no payment recipient*

ESTATE GETS:
residual balance (if any)

For the eligible spouse

If your spouse is eligible for a survivor pension when you die (see definition of “eligible” spouse on page 32) he or she may be entitled to 60% of your pension at no additional cost to you.

**IF YOU ARE NOT
SURVIVED BY A
SPOUSE, YOUR
CHILDREN MAY BE
ELIGIBLE TO RECEIVE
SURVIVOR BENEFITS
EQUAL TO 60% OF
YOUR PENSION.**

If you started receiving an OPTrust pension and you die before age 65, your spouse will receive 60% of your pension until the date you would have reached age 65. At that time, your pension would have been integrated for CPP, so your spouse's pension is reduced to 60% of your CPP-integrated pension.

For eligible children

If your children are "eligible" (see definition on page 33), and are the recipients of the survivor benefit, they will share 60% of your pension.

Survivor benefits are payable to an eligible child only if there is no eligible spouse or if the eligible spouse has waived the survivor pension.

RESIDUAL BALANCE AND PAYMENT RECIPIENT

If you die after your pension payments have started, a residual balance may be payable. Your adult children, friends or other family members can be named as payment recipients, in case there is a residual balance payment. We only calculate the residual balance when there are no more survivors, i.e. eligible spouse or eligible children.

To determine if there is any residual balance OPTrust calculates the difference between your contributions plus interest at retirement, minus all the pension payments made to you and your survivors. If your contributions and interest exceed the pension payments this is the residual balance and we will refund it to your payment recipient. You can name a payment recipient using the *Identifying Benefit Recipients* (Retirement) form. If you have not named a payment recipient, any residual balance is paid to your estate.

Note: generally there is no residual balance after four to five years of pension payments.

$$\begin{array}{r} \text{Your contributions to Plan, plus interest} \\ \text{minus Pension paid to you + survivor benefits paid} \\ \hline = \text{Residual balance} \end{array}$$

Changes in your spousal relationship

IF YOUR SPOUSE DIES BEFORE YOU

In cases where your spouse dies before you, there is no change in the pension you are receiving. Please notify the OPTrust if this happens so we can adjust our records accordingly. As noted above if you chose an increased survivor pension, you will continue to receive a reduced pension despite the fact that your spouse died before you.

IF YOU HAVE A NEW SPOUSE BEFORE YOUR PENSION BEGINS

If you did not have a spouse when you ended your membership in the Plan, but you have a spouse when your pension begins, your current spouse at retirement is legally entitled to a 60% survivor pension unless it is waived by you and your spouse.

Because you did not have this spouse at the time of termination, in order to provide the survivor benefit, your pension will be reduced actuarially to pay the full cost of the 60% survivor pension. If you both waive this benefit, your spouse will not receive survivor benefits and your pension will not be reduced. In these circumstances, we urge both you and your spouse to get independent legal advice before deciding to waive the survivor benefits.

IF YOU HAVE A NEW SPOUSE AFTER RETIREMENT

When a pensioner marries or starts a common-law relationship after retirement (after your pension starts) the new spouse is not automatically eligible for survivor benefits. Under the OPSEU Pension Plan, for the new spouse to be eligible to receive survivor benefits, the person must have been your spouse when you terminated from the Plan and when your pension began. However, if you do

**IF YOU HAVE A
NEW SPOUSE AFTER
YOUR PENSION
STARTS, PLEASE
CONTACT OPTRUST
TO FIND OUT
ABOUT SURVIVOR
PENSION OPTIONS.**

marry after retirement or acquire a common-law spouse you may request that a survivor pension be established for your new spouse. To fund the survivor benefit, your pension is actuarially reduced. If your spouse dies before you, the actuarial adjustment to your pension will continue.

To set up survivor benefits for a new spouse, send us a request for information, a copy of the marriage certificate and your spouse's birth certificate. If your spousal relationship is common-law, call OPTrust and we will send you a package outlining the information we need.

To set up a survivor pension for a new spouse the following conditions must be met:

- If you already have an eligible spouse who is entitled to a survivor pension, you cannot set up a survivor pension for a post-retirement spouse
- Your application to set up a survivor pension must be delivered to OPTrust within 90 days of whichever occurs first, either:
 - the date of your marriage, or
 - the date on which your common-law criteria are satisfied (see definition on page 32).
- If there is an eligible child from your former spousal relationship, the child will receive a survivor pension until the child no longer meets the definition of "eligible." To set up your new spouse, you must deliver the application to OPTrust within 90 days from the date that the child is no longer eligible to receive a survivor pension.
- If your application is delivered after the time limits noted in the points above, you must prove you are in good health.

When we receive your spousal documentation, we will send you an election form showing the cost for providing a 50%, 55%, 60%, 65%, 70% or 75% survivor pension.

Your new spouse may be eligible for coverage under your insured benefits (if you are receiving them) and if you do not have a former spouse who is covered by your insured benefits. To start the coverage, please send a written request to OPTrust.

IF YOUR SPOUSAL RELATIONSHIP ENDS

If your spousal relationship ends, your spouse may become entitled to a portion of your pension accrued during your spousal relationship as part of the equalization process under the *Family Law Act*. If you enter into a domestic contract or are a party to a court order requiring a split of your pension you must file a certified copy with OPTrust. This document must clearly identify how the pension is to be split.

Pension law will not permit more than 50% of your pension earned during the marriage to be paid to your former spouse for the equalization of family property. If you had an eligible spouse at the time you first began to receive your pension, your ex-spouse is entitled to receive a full survivor pension after your death (unless he or she waived it before your pension began). The end of the spousal relationship after retirement does not affect the ex-spouse's eligibility for a survivor pension under the Plan.

After retirement

If your spousal relationship ends after you retire and start receiving your pension payments, your former eligible spouse will be able to receive the pension benefit payments from the date stated in the order or contract as long as the date is in the future. Pension payments to a former spouse cannot be backdated.

IF YOU HAVE NO ELIGIBLE SURVIVORS WHEN YOU DIE

When a pensioner does not have any eligible survivors, that is, there is no eligible spouse, children or payment recipient, any residual balance payable from the Plan will be paid to the estate of the pensioner.

REMARRIAGE OF SURVIVING SPOUSE

If your surviving spouse remarries after your death, your surviving spouse continues to receive survivor benefits from OPTrust. However, if your surviving spouse remarries, that new spouse is not eligible for insured benefits or survivor benefits. If your surviving spouse dies, any further benefits go to any of your eligible children. If there are no eligible children, any residual payment is payable to any payment recipient you have designated or to your estate, not to your spouse's estate.

What about health, dental and life insurance benefits?

HEALTH AND DENTAL
BENEFITS FOR YOU
AND YOUR
DEPENDANTS ARE
AN IMPORTANT
COMPONENT OF
YOUR PENSION.

What are the benefits?

Insured benefits for eligible pensioners include coverage for: dental, supplementary health and hospital and basic life insurance. The premiums for these benefits are paid by the Ontario Government. For members who want vision care and hearing aid plan coverage, there is a small premium that is deducted from the monthly pension payment. Employer-paid premiums for basic life insurance are considered a taxable benefit.

For more details on insured benefits, please refer to the Ministry of Government Services booklet: *A Guide to your Benefits – After Retirement*. This booklet is available from OPTrust. *The Pension Connection*, an OPTrust newsletter for pensioners, regularly provides questions and answers related to insured benefits.

If you are eligible for insured benefits you can get more information on your coverage from Great-West Life at **1-800-990-6654** or **www.greatwestlife.com**.

Who gets the benefits?

You, your spouse and your eligible dependent children are entitled to insured benefits if you meet one of the following criteria:

1. you are receiving a pension based on at least 10 years of credit in the OPSEU Pension Plan or the PSPP, or
2. you are receiving a pension based on at least 10 years of continuous employment and have some credit in the OPSEU Pension Plan for at least some part of each of those 10 years.

If you were employed in the Ontario Public Service (OPS) or certain other eligible organizations and meet any of the above requirements, you are entitled to insured benefits in retirement. If you were employed by a scheduled agency, board or commission outside the OPS, your benefits depend on the collective agreement in place with your former employer at the time of termination.

Please note that these insured benefits are provided by your employer, and are not administered by the OPSEU Pension Plan.



What should be done when a pensioner dies?

GETTING BANKING
INFORMATION FOR
SURVIVORS IS ONE
OF THE MOST
IMPORTANT ASPECTS
OPTRUST DEALS
WITH WHEN A
PENSIONER DIES.

Contacting OPTrust

When an OPTrust pensioner dies after the pension has started, the family or other authorized person should notify OPTrust immediately.

We need to know:

- the date of the death
- if there is a surviving spouse or eligible children
- who is handling the estate along with his or her name, address and phone number.

The necessary forms

For any pensioners who have basic life insurance through Great-West Life, there is a \$2,000 life insurance benefit payable to the person designated as the beneficiary. OPTrust will send the claim form to the person who is handling the estate. The executor or administrator must then mail the form to Great-West Life. They will then send a cheque to the beneficiary. It takes approximately three weeks for Great-West Life to send the basic life insurance cheque. If there is no named beneficiary on the policy, the benefit is payable to the estate.

Documents needed

The most important information we need is banking information for the survivor (i.e. account number for direct deposit of the payments). Many spouses have joint banking accounts; but these can be frozen as part of an estate settlement, so it may be advisable for the survivor to set up his or her own account. The

financial institution can help with this when the survivor is ready to deal with it, but until this is done, OPTrust can send the pension cheques to the survivor by regular mail.

OPTrust does not usually need a copy of any Will since survivor benefits cannot be designated through a Will. See page 23 for how benefits flow.

Payments to survivors, beneficiaries or the estate

Usually survivor benefits are automatically payable to your eligible spouse once the information is provided, avoiding any gaps in pension payment. But, you may not have a surviving eligible spouse. If you die after you have started receiving a pension and you do not have an eligible spouse or eligible children, no further benefits will be paid from the OPSEU Pension Plan. What may be payable is a residual balance payment, which is defined on page 24.

How to plan ahead to avoid delay and reduce costs

It's important to note that benefits paid to an eligible survivor or payment recipient are not subject to probate fees and cannot be claimed by the pensioner's creditors. A surviving eligible spouse will automatically receive benefits. In cases where there is no surviving spouse, there may be benefits payable to eligible children. Unless someone is named as the payment recipient, any money payable will be paid to the estate and can be claimed by creditors and subject to probate fees. By completing an *Identifying Benefit Recipients (Retirement)* form, OPTrust can pay directly to a beneficiary rather than the estate. A completed photocopy of this form should be kept with your other important documents such as your Will.

If the OPTrust is not informed of a pensioner's death, we will continue to pay the full pension, which will result in an overpayment. When that happens all overpayments will be recovered by OPTrust.

Defined Terms

Accrued pension/benefit – the amount of annual pension earned by a plan member based on credit and salary rate up to a given date.

CPP integration – is the reduction to your pension at age 65 to reflect the lower contributions you pay to the OPSEU Pension Plan for the portion of your earnings between the Year's Basic Exemption (YBE) and the Year's Maximum Pensionable Earnings (YMPE).

Deferred pension – a specified pension amount determined at the time of termination of membership which is payable at normal retirement age.

Defined benefit plan – a plan that defines the pension to be provided (based on credit and average salary) but not the total contributions.

Eligible spouse – a spouse is defined as someone of the same or opposite sex, with whom you:

- are married

OR

- are living together in a conjugal, common-law relationship
(1) for at least three years

OR

- (2) in a relationship of some permanence and are the natural or adoptive parents of a child.

If you die after your pension begins, to be eligible, your spouse must not be living separate and apart from you at the time of termination from the plan and at the time your pension began.

Eligible child – Under the OPSEU Pension Plan, a child is eligible to receive survivor benefits if: the child is under the age of 18, or if over 18, is in continuous full-time attendance at a secondary school or, immediately following secondary school is attending a post-secondary institution to a maximum of five years.

Immediate pension – a pension payable at the end of the month following the month of termination from the Plan. An immediate pension may be payable to a member who qualifies for Factor 90, 60/20 or age 65. An immediate reduced pension is payable as early as age 55.

Inflation protection – is the annual adjustment applied every January to all pensions which reflects the increase in the cost of living in Canada as measured by the Consumer Price Index.

Lifetime pension – is the pension paid to you without the OPTrust bridge benefit.

Pensionable service credit – is the total period of time during which a member contributes to the pension fund or has contributions made on his or her behalf.

Plan sponsors – the Government of Ontario and OPSEU. Each appoints five trustees to the OPTrust Board that oversees the OPSEU Pension Trust.

Re-employed or engaged – a re-employed pensioner is someone who is working for (becomes an employee of) an employer who contributes to the OPSEU Pension Plan. The pensioner is considered engaged if he or she has a fee-for-service contract with an employer who contributes to the Plan.

Residual balance – when a pensioner dies and all eligible survivors have been paid, a calculation is done to determine if there is any money owing. This calculation compares the pension payments made plus all the survivor benefits paid to the total amount the member contributed, plus interest, to the Plan.

Year's Basic Exemption (YBE) – is the earnings amount set every calendar year by CPP on which Canadians do not make any CPP contributions.

Year's Maximum Pensionable Earnings (YMPE) – the maximum earnings from employment on which CPP contributions and benefits are calculated. The YMPE is changed every year according to a formula based on average wage levels.

Commonly asked questions

Who should I contact about my Great-West Life benefits – Great-West Life or OPTrust?

If your questions are about a specific drug, treatment or procedure, contact Great-West Life. If you want to know if you are covered for benefits or if you have a general question, contact OPTrust.

Do medical benefits exist past age 65?

Your medical benefits with Great-West Life remain the same except for drugs that are covered under the Ontario Drug Plan (ODP). The Ontario Drug Plan for senior citizens goes into effect when you turn 65. It covers the cost of certain drugs according to a formula. If that drug is covered by ODP, Great-West Life will not reimburse you for the cost.

Why do my taxes drop so much at age 65?

At age 65 your pension is smaller as a result of CPP integration. Once you reach age 65, you are eligible for additional tax credits. However, you must submit revised federal and provincial TD1 forms to change you non-refundable tax credits.

Do I have to notify OPTrust if my spouse dies?

Yes, please provide proof of death – either a copy of the Death Certificate or the Funeral Director's Certificate. OPTrust requires this information to update your beneficiary information.

How we stay in touch with pensioners

OUR PUBLICATIONS

The Pension Connection – a newsletter for OPTrust pensioners

OPTrust Annual Report and Financial Statements – a yearly report on the administration of the pension plan, investment results each year end and annual audited financial statements.

OUR WEBSITE

Visit our website at **www.optrust.com** for additional information and online resources.

Secure *Online Services* for registered pensioners

Use OPTrust's secure *Online Services* to:

- view and print your current T4A and your monthly *Pensioner Information Change Statement*
- update your TD1 and change your tax deductions
- update beneficiary information – you can update this as needed
- change address information – can be changed as needed
- send and receive secure e-mail messages for your pension questions.

To register for *Online Services*, click on the secure *Online Services* icon on the homepage of OPTrust's website, or call us at **416-681-6100** or toll-free at **1-800-637-0024**.



www.optrust.com

Online Services... your pension information at your fingertips.

The OPSEU Pension Trust manages one of Canada's largest pension funds and administers the OPSEU Pension Plan. The OPSEU Pension Plan is a defined benefit plan covering approximately 77,000 plan members and pensioners.