



LATEST EDITION

Your Pension and Buying Back Credit

Purchasing credit in the OPSEU Pension Plan



OPSEU Pension Trust Fiducie du régime de retraite du SEFPO

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This booklet is intended as a summary of certain aspects of the OPSEU Pension Plan. The Plan text contains numerous provisions not described in this booklet, which may apply to you. The information provided here does not create the right to any benefits if your situation and the terms of the Plan do not entitle you to those benefits. 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. The figures in these examples are estimates only. Calculations regarding your own pension may vary depending on your personal circumstances.



OPSEU Pension Plan – Temporary Provision

Extension of Surplus Factor 80 for those facing a layoff

Under Surplus Factor 80, if you are facing a layoff you may be eligible to retire with an immediate unreduced pension if:

- you receive a layoff notice **on or before December 31, 2008**, and
- your age plus your credit total 80 years or more **on or before December 31, 2008**, and on or before your last day of employment.

To retire under Surplus Factor 80, you must:

- notify your employer in writing that you are retiring under this provision within 92 days of the last day of the month in which you receive your layoff notice, and
- leave your employment and end your membership in the Plan no later than the layoff date in the layoff notice.

Bridging to an Unreduced Pension

OPTrust members who receive a notice of layoff may also be able to “bridge” to an unreduced pension. Bridging requires special provisions in your collective agreement allowing the use of leaves of absence, the surplus notice period and the period represented by severance payments to reach the date on which you become eligible for one of the Plan’s unreduced retirement options.

Please contact your human resources representative or OPTrust for more information if this option applies to you.

Table of Contents

| | |
|---|-----------|
| Introduction: What are the advantages of applying to buy back credit? . . . | 2 |
| Why we suggest you apply <i>even</i> if you're not ready to buy | 2 |
| Why credit matters | 3 |
| Increasing your pension | 3 |
| Qualifying for early retirement | 5 |
| Post-retirement insured benefits | 6 |
| What kinds of service can I buy back? | 7 |
| Service with an employer who contributed to the OPSEU Pension Plan, the Public Service Pension Plan (PSPP), or its predecessor | 7 |
| – Optional membership in the OPSEU Pension Plan | 8 |
| Unpaid leaves of absence | 9 |
| – Planning a leave without pay? Make sure you let us know! | 10 |
| – Special cases: WSIB and LTIP | 11 |
| Service with another Canadian registered pension plan | 11 |
| – Transferring credit under a reciprocal transfer agreement | 12 |
| How can I obtain a cost quote? | 13 |
| When can I apply? | 14 |
| 24-month application deadline | 14 |
| What is a “complete application”? | 15 |
| Buyback quotes and payment options are available online! | 17 |
| How much will my buyback cost? | 18 |
| Service with an employer who contributed to the OPSEU Pension Plan, the Public Service Pension Plan (PSPP), or its predecessor | 18 |
| Unpaid leaves of absence | 20 |
| Service with another Canadian registered pension plan | 20 |
| What are my payment options? | 23 |
| Payment options | 23 |
| Payment time limits | 24 |
| How will my buyback affect my taxes? | 26 |
| Your buyback and your RRSP room | 26 |
| Your buyback and your taxable income | 27 |
| Frequently asked questions | 28 |
| Commonly used pension terms | 30 |
| How we stay in touch | 32 |

Introduction: What are the advantages of applying to buy back credit?

BUYING BACK CREDIT CAN BE AN IMPORTANT WAY TO INCREASE THE VALUE OF YOUR OPTRUST PENSION.

This booklet provides important information on buying back credit in the OPSEU Pension Plan, including: the advantages of buying back credit, the types of past service that you may be eligible to purchase, the application process and deadlines, how the costs are calculated and the available payment options and deadlines.

For eligible members of the OPSEU Pension Plan, purchasing – or “buying back” – credit for past service can be an important way to increase the value of one’s pension.

Completing a buyback has several important benefits:

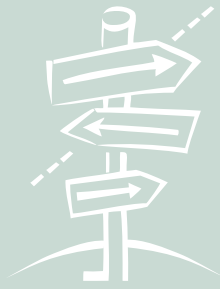
- By increasing your credit in the OPSEU Pension Plan, your buyback will increase your pension when you retire.
- Increasing your credit may help you qualify for one of the Plan’s unreduced early retirement options (Factor 90 and 60/20) – or help you to qualify sooner.
- Your credit is also used to determine your eligibility for post-retirement supplementary health, dental and life insurance benefits provided by the Government of Ontario.

Of course, it is up to you to assess the costs and benefits of buying back credit based on your own circumstances. As with any important investment decision, you may wish to discuss your options with an independent financial advisor before making your choice.

Why we suggest you apply *even if you’re not ready to buy*

There are three reasons we suggest you apply to buy credit, *even if* you decide not to purchase right away:

1. First, there is a strict 24-month time limit within which you must apply to buy back credit. For instance, if you take an unpaid leave of absence, you’ll have 24 months from the date the leave of absence ended within which you *must* apply *if* you want to buy back credit from the leave. If you do not apply within the 24-month window, you lose the opportunity to buy back that credit.
2. Delaying your application may cause your cost to increase, because the cost is based on your salary at the time you apply.
3. Applying costs you nothing, but buys you time –10 years to decide if and when you wish to complete payments.



Again, *even* if you decide not to purchase credit, by applying you give yourself a 10-year window within which to make the final decision and to complete buyback payments.

REMEMBER: There are strict time limits for submitting a buyback application. It is your responsibility to ensure that OPTrust receives your buyback application within the Plan's 24-month deadline. Please see pages 14-15 for more information.

Why credit matters

A key factor in determining the value of your OPTrust pension is the amount of “credit” you have. Your credit equals the number of years or partial years of employment for which you contribute to the Plan. You also earn credit for periods when your employer contributes on your behalf (e.g., if you qualify for Long Term Income Protection [LTIP] benefits). If you work part-time, your credit – and your contributions – are calculated according to the proportion of full-time hours you work.

If you are eligible, then buying back credit now is an important way to increase your annual pension when you retire. A buyback may also affect your eligibility date under one of the Plan's early retirement options.

Increasing your pension

The OPSEU Pension Plan is a “defined benefit” plan. This means that you will receive a lifetime pension from OPTrust based on your salary and your years of credit in the Plan. The more credit you have, the larger your pension will be.

CALCULATING YOUR OPTRUST PENSION

Your annual pension is calculated using this formula:

| | |
|--------------|--|
| | 2% |
| times | your best five-year average annual salary |
| times | your years of credit in the Plan |
| minus | Canada Pension Plan (CPP) integration (a reduction at age 65) ¹ |

So, completing a buyback will increase your annual OPTrust pension when you retire.

¹ OPTrust pensions are reduced at age 65 for CPP integration. This reflects the lower contributions you pay to the OPSEU Pension Plan for the part of your earnings that is also covered by the Canada Pension Plan, i.e., your earnings under the CPP's Year's Maximum Pensionable Earnings (YMPE). The examples in this booklet assume YMPE of \$42,100 (the YMPE for 2006). The average YMPE when you retire may be higher, resulting in a lower pension at age 65. For more information, please see the OPTrust booklet *Your Pension and the Canada Pension Plan*.

How a buyback increases your pension

The following example shows how buying back credit increases your pension.

Joanne has just joined the OPSEU Pension Plan in 2006 at the age of 31 after working in an unclassified position for five years. By buying back credit for this period, she can improve her pension in several ways.

Early retirement

Without her buyback, Joanne will be eligible to retire at age 60 with 29 years of credit, under the Plan's 60/20 option. If she buys back five years of unclassified service and works for 27 years, she can retire at age 58 under Factor 90. (Age 58 + 32 years of credit = 90.) Completing her buyback will allow Joanne to qualify for an unreduced pension and retire two years earlier.

Buyback cost

Based on her current annual salary of \$40,000 and the contribution rate in effect during her unclassified service, it would cost Joanne approximately \$7,860 to buy back her five years of unclassified service.

Pension amount

Let's assume that Joanne's average annual salary will be \$67,000 when she retires. Under OPTrust's pension formula, her early unreduced pension will equal 2% *times* her average salary *times* her years of credit. At age 65, her pension will be reduced for CPP integration.

If Joanne does not buy back her unclassified service and retires at age 60, her annual pension, based on 29 years of credit, would be:²

| ANNUAL PENSION: AGE 60 TO 64 | ANNUAL PENSION FROM AGE 65 |
|------------------------------|----------------------------|
| \$38,860 | \$30,863 |

If Joanne buys back five years of unclassified service and retires two years earlier at age 58, her annual pension, based on 32 years of credit, will be higher:

| ANNUAL PENSION: AGE 60 TO 64 | ANNUAL PENSION FROM AGE 65 |
|------------------------------|----------------------------|
| \$42,880 | \$34,056 |

Lifetime pension

Joanne's buyback will increase her annual pension and allow her to retire with an unreduced pension two years sooner. This will have a big impact on the value of her pension over her lifetime.

Let's assume that Joanne can expect to live to age 83. If she does not buy back her unclassified service and retires at age 60, her total lifetime pension from OPTrust will equal \$749,836. If she completes her buyback and retires at 58, her lifetime pension will be \$913,165 – an increase of \$163,329.

² We've used the 2006 YMPE of \$42,100.

The following table shows how each year of credit increases a member's annual OPTrust pension. We've shown the pension increase per year of credit purchased, based on different average annual salaries at retirement. The annual increase is shown both:

- i) before age 65, under the Plan's unreduced early retirement options, and
- ii) at age 65 and older, following CPP integration.³

| YEARS OF CREDIT PURCHASED | | | | | | |
|--------------------------------|-------------------------|------------|-------------------------|------------|-------------------------|------------|
| Member's Average Annual Salary | 1 Year | | 2 Years | | 3 Years | |
| | Annual Pension Increase | | Annual Pension Increase | | Annual Pension Increase | |
| | before Age 65 | 65 & Older | before Age 65 | 65 & Older | before Age 65 | 65 & Older |
| \$ 35,000 | \$ 700 | \$ 471 | \$1,400 | \$ 942 | \$2,100 | \$1,412 |
| \$ 40,000 | \$ 800 | \$ 538 | \$1,600 | \$1,076 | \$2,400 | \$1,614 |
| \$ 45,000 | \$ 900 | \$ 634 | \$1,800 | \$1,269 | \$2,700 | \$1,903 |
| \$ 50,000 | \$1,000 | \$ 734 | \$2,000 | \$1,469 | \$3,000 | \$2,203 |
| \$ 55,000 | \$1,100 | \$ 834 | \$2,200 | \$1,669 | \$3,300 | \$2,503 |
| \$ 60,000 | \$1,200 | \$ 934 | \$2,400 | \$1,869 | \$3,600 | \$2,803 |
| \$ 65,000 | \$1,300 | \$1,034 | \$2,600 | \$2,069 | \$3,900 | \$3,103 |

Qualifying for early retirement

The normal retirement age under the OPSEU Pension Plan is 65. Depending on your age and years of credit, you may qualify for one of the Plan's unreduced early retirement options. These include:

| RETIREMENT OPTION | ELIGIBILITY CRITERIA |
|-------------------|---|
| Factor 90 | Your age plus years of credit total at least 90 years. |
| 60/20 | You are at least 60 years old and have at least 20 years of credit. |

Completing a buyback could allow you to qualify for one of these options, or help you qualify sooner.

³ The pension figures in these examples have not been adjusted for inflation. When you retire, your OPSEU Pension Plan pension will increase annually to reflect changes in the Consumer Price Index.

Post-retirement insured benefits

Depending on your credit in the Plan, you may be eligible for supplementary health, dental and life insurance benefits after you retire. Generally, to qualify, members must receive an OPTrust pension based on at least 10 years of credit, or have 10 years of continuous service with some credit for each year. As a result, buying back credit may help you qualify for these benefits. If you qualify, your spouse and eligible dependents will be covered, too.

Note: These benefits are not part of the OPSEU Pension Plan. They are provided separately by the Government of Ontario and may be subject to change in the future.



What kinds of service can I buy back?

Under the OPSEU Pension Plan, there are several types of past service you may be eligible to buy back.

Service with an employer who contributed to the OPSEU Pension Plan, the Public Service Pension Plan, or its predecessor

This category includes employment in the Ontario Public Service (OPS) or any other employer that participated in the OPSEU Pension Plan, the Public Service Pension Plan (PSPP) or its predecessor. This service falls into two types.

NON-CONTRIBUTORY SERVICE

“Non-contributory service” refers to periods when you and your employer made no pension contributions. This includes contract, unclassified, student and/or seasonal employment when you were not a member of the Plan. When you join the Plan, you could be eligible to buy back credit for this service (see application deadlines on page 14).

IMPORTANT: When you join the Plan, OPTrust looks for a gap between your continuous service date and your plan membership date for an indication that you have prior non-contributory service. If OPTrust finds that you have prior non-contributory OPS service, we will “deem” you to have made an application and send you a cost quote automatically. Since we do not always receive an employee’s full work history, it is still your responsibility to apply for all non-contributory periods.

Strikes and lockouts

If you go on strike or are locked out, the time you are away from work is also considered non-contributory service. When you return to work, you will have the opportunity to buy back credit for the service you missed.

CONTRIBUTORY SERVICE

“Contributory service” describes previous periods when you were a member of the OPSEU Pension Plan, the PSPP or its predecessor. If you received a refund of your contributions or transferred your entitlement out of the Plan when you terminated, you could be eligible to buy back this credit when you rejoin the Plan (see application deadlines on page 14).

The Canada Revenue Agency (CRA) has set additional conditions for this kind of purchase:

- For service before 1992, you must pay for your buyback through a direct transfer from an RRSP or other tax-sheltered source.
- For service after 1991, your buyback must be approved by the CRA. Your buyback will generally be approved if you have enough unused RRSP room. (For more information, see page 26.)

Optional membership in the OPSEU Pension Plan

For most members, joining the OPSEU Pension Plan is mandatory. However, some people – including contract/unclassified and seasonal employees with the OPS or another OPTrust employer – have the option of enrolling voluntarily and starting to earn the same benefits as other OPTrust members.

Many of these employees later get permanent positions. When this happens they are required to join the Plan – and have the option of buying back credit for their previous non-contributory service.

By enrolling voluntarily while in an unclassified position, however, employees start to earn credit immediately. This eliminates the need to buy back this service, if they later get a permanent job. It is often less expensive, too, since the cost of buying back the service at a later date will be based on the member’s salary at the time OPTrust receives the complete buyback application.

Like any other member, those who join voluntarily can also apply to buy back credit for eligible past service – including any unclassified service before they enrolled in the Plan. Once enrolled, members cannot leave the Plan unless they terminate their membership.

Unpaid leaves of absence

If you take a leave of absence (LOA) without pay and do not make pension contributions while you are away from work, you will be eligible to buy back credit for the period of your leave, if you apply within the 24-month deadline.

Under the OPSEU Pension Plan, contributions for an unpaid LOA of one month or less are mandatory and are deducted automatically by your employer upon your return to work. These leaves do not affect your pension.

If you take an unpaid leave of longer than one month for illness, family medical leave, Workplace Safety and Insurance Board (WSIB), pregnancy, parental, adoption or special or educational purposes, you have the option of continuing to pay contributions – and earning credit – during your leave. If you don't make contributions during your leave, you can apply to buy back this service after the leave of absence ends.⁴

PREGNANCY, PARENTAL AND ADOPTION LEAVES

Under Ontario's *Employment Standards Act* there are special rules concerning pregnancy, parental and adoption leaves. During these leaves, you and your employer are *required* to make pension contributions, *unless you elect in writing or online not to contribute*. During these leaves, you can arrange with your employer to continue to have your contributions deducted from any Supplementary Unemployment Benefit (SUB) allowance that is paid to you by your employer.

FAMILY MEDICAL LEAVES

If you take a family medical leave of four consecutive weeks or less, then both you and your employer are *required* to continue making regular contributions to the Plan.

If you take a family medical leave of five to eight weeks, you have the option of not making contributions. However, you must notify OPTrust, *in writing* or online, if you do not wish to contribute to the Plan for the period of the family medical leave. Please notify us before your leave begins.

⁴ Depending on your circumstances, the *Income Tax Act* may limit the total amount of credit you can buy back for unpaid leaves of absence to five years plus an additional three years for pregnancy, parental and adoption leaves. However, there is no limit on the amount of credit you can buy back for illness or WSIB leaves.

YOU CAN
CONTRIBUTE DURING
AN UNPAID LEAVE OF
ABSENCE OR APPLY
TO BUY BACK YOUR
LEAVE WHEN YOU
RETURN TO WORK.

Planning a leave without pay? Make sure you let us know!

Before you start any unpaid leave of longer than one month, you should meet or notify your Human Resources representative to finalize all dates relating to the beginning and end of the leave and any Supplementary Unemployment Benefit (SUB) periods.

You should then inform OPTrust, whether or not you want to make contributions during your leave. This can be done either by completing and submitting the *Application to Contribute During an Unpaid Leave of Absence* form (OPTrust 1025), or by providing the information online using OPTrust's secure *Online Services* at www.optrust.com. You can download the OPTrust 1025 form from the member section of our website. Filling out the form or using the web application will indicate to us whether or not you want to make contributions during the leave.

It is important that you provide OPTrust with the information before the start date of your leave. If you delay, we may be unable to deduct your contributions during the period of your leave. While you could still apply to purchase your leave as a buyback after the leave is over, this might increase your cost. You should ensure that OPTrust receives your completed online or paper form, even if you decide not to contribute during your leave.

IMPORTANT: You can apply online at www.optrust.com to:

- make contributions during your LOA, or
- buy back an LOA that has already ended.

Special cases: WSIB and LTIP

There are complex rules concerning pension contributions – and buybacks – for periods when you are eligible for benefits from the Workplace Safety and Insurance Board (WSIB) or your employer’s Long Term Income Protection (LTIP) plan.

WSIB: If you are off work due to a workplace injury and apply for WSIB benefits, then your contributions will continue automatically, as long as you are still paid by your employer.

If you are paid directly by WSIB, you have the option of paying contributions to OPTrust.

As with other unpaid leaves, you must complete an online application or *Application to Contribute During an Unpaid Leave of Absence* form (OPTrust 1025), indicating whether or not you want to contribute while you are away from work. If you choose not to contribute, you can apply to buy back the missed credit after the leave is over, subject to the Plan’s 24-month application deadline.

LTIP: If you are eligible to receive LTIP benefits while you are absent from work, your employer is *required* to pay both the member’s and the employer’s regular contributions. As a result, you will continue to earn credit for this period.

If you have any questions about your pension contributions while you are on WSIB or eligible to receive LTIP benefits, please contact OPTrust.

Service with another Canadian registered pension plan (Non-Ontario Public Service Buyback)

This category includes service with an employer that did not contribute to the OPSEU Pension Plan, the PSPP or its predecessor. To be eligible, you must have been a member of your previous employer’s pension plan for the period you want to buy back.

Under CRA rules:

- For periods before 1992, you must still have credit in the prior plan for the service you are buying and transfer the funds directly to the OPSEU Pension Plan. If you don’t have sufficient funds remaining with your previous pension plan, then to complete the buyback, you will be permitted to make a top up payment directly.
- For post-1991 service, your purchase must be approved by CRA.

YOU CAN NOW GET
AN INSTANT COST
QUOTE FOR YOUR
LOA ONLINE AT
WWW.OPTRUST.COM.

Transferring credit under a reciprocal transfer agreement

If you still have credit in your previous employer's pension plan you may be able to transfer this credit directly to the OPSEU Pension Plan under a "reciprocal transfer agreement." Examples of transfer agreements include:

- the Major Ontario (Public Sector) Pension Plans (MOPPs) portability agreement, which includes 14 Ontario pension plans
- agreements between OPTrust and other pension plans, such as the Federal Public Service Pension Plan and provincial public service pension plans in British Columbia and Newfoundland.

These agreements set out specific eligibility criteria for transferring credit. If you are eligible, a credit transfer will generally cost you less than a buyback.

There are special transfer arrangements between OPTrust and the Ontario Pension Board (administrator of the PSPP). Transferring your credit from the PSPP to the OPSEU Pension Plan may be optional or mandatory, depending on your circumstances.

Strict time limits apply to these transfer options. *If you have recently joined the OPSEU Pension Plan and think you may be eligible for a credit transfer, you should contact OPTrust immediately. For more information, see the Fact Sheet, Transferring Credit into the OPSEU Pension Plan, available from OPTrust or online at www.optrust.com.*

If you have service with a prior employer that cannot be transferred because there is no transfer agreement or because transfer timelines have been missed, you may apply to purchase the service as a non-Ontario Public Service buyback.

How can I obtain a cost quote?

| TYPE OF LEAVE OF ABSENCE | APPLICATION METHOD |
|--|---|
| Contributions During Leave of Absence | <ul style="list-style-type: none">• Log on to our secure <i>Online Services</i> and follow the instructions, or• Download, fill out and submit to OPTrust an <i>Application to Contribute During an Unpaid Leave of Absence</i> form (OPTrust 1025). |
| Buybacks After Leave of Absence | <ul style="list-style-type: none">• Log on to our secure <i>Online Services</i> and follow the instructions, or• Download, fill out and submit to OPTrust an <i>Application for Past Service Credit</i> form (OPTrust 1036). |
| Prior Service | Please fill out and submit an <i>Application for Past Service Credit</i> form (OPTrust 1036). |

NOTE: When you join the Plan, OPTrust looks for any gaps between your Continuous Service Date (CSD) and your Plan Membership Date (PMD) for an indication that you have prior non-contributory OPS service. If OPTrust finds that you have prior non-contributory OPS service, we will “deem” you to have made an application and send you a cost quote automatically.

By “deeming” the application we ensure that the cost quote is given to you before the 24-month deadline expires, which enables you to take advantage of the 10-year payment timeline. Please note that the 10-year payment begins three months after we provide you with the cost quote.

Unfortunately, not all periods of non-contributory service are found this way. It remains your responsibility to apply for all other periods of prior past service during the 24-month deadline. **If OPTrust has already sent you a cost quote for a period of service, you should not submit another application for this period.**

When can I apply?

**THERE IS A STRICT
24-MONTH TIME LIMIT
FOR SUBMITTING
YOUR BUYBACK
APPLICATION FORM
TO OPTRUST.**

The OPSEU Pension Plan sets out strict time limits for submitting a buyback application. As a member, you are responsible for ensuring that OPTrust receives:

- your online or written application form by the Plan's deadline, and
- any supporting documents that may be required.

24-month application deadline

FOR PRIOR SERVICE – BOTH CONTRIBUTORY AND NON-CONTRIBUTORY

To be eligible to purchase prior service, you must submit an application within 24 months of the date you first become and continuously remain a member of the OPSEU Pension Plan or the PSPP.

To apply you must complete OPTrust's *Application for Past Service Credit* form (OPTrust 1036). Copies are available from the OPTrust website at www.optrust.com, OPTrust or your Human Resources representative.

CONTRIBUTIONS DURING A LEAVE OF ABSENCE (LOA)

To submit an application to purchase service during an unpaid LOA:

- First, finalize the start and end dates of your LOA with your employer.
- Advise OPTrust of your decision to *either* contribute or *not* contribute during your LOA by applying online. By applying online you immediately obtain your cost quote and you will be given an opportunity to select a payment option if you choose to make payments. You may also fill out the *Application to Contribute During an Unpaid Leave of Absence* form (OPTrust 1025).

Please note that to be eligible to make contributions during your LOA you must submit your application before your LOA begins.



BUYBACKS AFTER A LEAVE OF ABSENCE

To be eligible to buy back credit after the LOA ends, you must submit your application within 24 months of the end date of the LOA. Please submit the *Application for Past Service Credit* form (OPTrust 1036) within the deadline. This form is available at www.optrust.com.

IMPORTANT: If OPTrust does not receive your application within the 24-month time limit, you will not be eligible to complete your buyback. Please note that your application is not considered a commitment to purchase. Your application simply permits OPTrust to provide you with a purchase agreement, which details the eligible service and related cost. It also provides you with the option to begin and complete payments over 10 years, if you so choose.

What is a “complete application”?

To make contributions while on an LOA, only the *Application to Contribute During an Unpaid Leave of Absence* form (OPTrust 1025) or online application is required. For all other buybacks, the *Application for Past Service Credit* form (OPTrust 1036) is the essential document that must be received within the 24-month deadline. However, additional documents may be needed to complete your application. OPTrust would contact you if additional documents were required.

One factor in the cost calculation is your salary rate *at the time OPTrust receives your complete application*. We cannot calculate the cost of your buyback – or process your purchase – until we have received all the required documents. If your salary increases before we receive this information, your cost will increase as well. So, it is in your best interest to ensure OPTrust receives these documents as quickly as possible.

The documents needed to complete your application depend on the type of service you are buying back.

ADDITIONAL DOCUMENTS MAY BE NEEDED TO COMPLETE YOUR APPLICATION. YOU SHOULD MAKE SURE OPTRUST RECEIVES THESE AS SOON AS POSSIBLE.

PRIOR SERVICE WITH AN EMPLOYER WHO CONTRIBUTED TO THE OPSEU PENSION PLAN, THE PSPP OR ITS PREDECESSOR

For most members who work in the OPS (and are paid through the Government's CORPAY system), providing the *Application for Past Service Credit* form (OPTrust 1036) is all you will need to do to complete your application. OPTrust will confirm your current salary rate and eligible service directly with your employer.

If you work for an agency, board or commission, you may also have to provide OPTrust with a copy of OPTrust's *Employment Information* form (OPTrust 1035), completed by your Human Resources representative. This form is required if your buyback is for a period of non-contributory service, including contract or unclassified employment.

If your employer cannot provide the necessary information, you may be able to complete your application if you have other supporting documents – e.g., pay stubs, T4s, employment contracts or letters from your employer.

UNPAID LEAVES OF ABSENCE

Contributions During a Leave of Absence

To make contributions during an unpaid LOA, apply online at www.optrust.com (secure *Online Services*) or fill out the *Application to Contribute During an Unpaid Leave of Absence* form (OPTrust 1025). You may download this form at www.optrust.com, or get it from your HR representative. This is your complete application.

Buybacks After a Leave of Absence

If you decide not to contribute during your leave, you can apply to buy back credit later, subject to the 24-month application time limit. The *Application for Past Service Credit* form (OPTrust 1036) is the only form you will need to provide.

SERVICE WITH ANOTHER PENSION PLAN

If you are applying to purchase service with another Canadian registered pension plan, you will need to provide documentation from your previous employer and/or your previous pension plan. OPTrust will need the following information:

- the name of your previous employer
- the name of the pension plan and its CRA registration number
- the dates of your membership in the plan
- the details of any periods when you did not work full-time
- your total credited service
- your pensionable earnings and “pension adjustment” amounts, for service after 1989
- confirmation that the funds are still in the previous plan, for service before 1992
- details of any benefits paid.

Buyback quotes and payment options are available online!

Want to see how you could benefit?

You can use OPTrust’s online pension estimator to see how buying back credit could increase your pension and affect your retirement eligibility date. To use the pension estimator, visit the OPTrust website at www.optrust.com.



How much will my buyback cost?

THE COST OF YOUR BUYBACK DEPENDS ON THE TYPE OF SERVICE YOU ARE PURCHASING.

Once OPTrust receives your complete application and confirms your eligibility, we will calculate the cost of your buyback and send you an *Agreement to Purchase Credit* form. If you apply online, you will receive your cost quote immediately. The agreement sets out the cost of your purchase and your payment options. It also shows how much your estimated pension will increase and when you will be eligible to retire with an unreduced pension, if you complete your buyback.

Your cost for the buyback depends on:

- the type of service you are buying back
- the amount of credit you are buying back
- the contribution rates in effect during the period of service you are buying back, and
- your salary rate at the time OPTrust receives your complete application.

In some cases, your employer will make a matching payment. This applies to:

- i) prior service with an employer who contributed to the OPSEU Pension Plan, the PSPP or its predecessor, and
- ii) unpaid LOAs for pregnancy, parental, adoption, family medical or illness leaves including WSIB.

For other cases, the member pays the entire cost of the buyback. This applies to purchases of service with a non-OPS employer, special and educational leaves.

Service with an employer who contributed to the OPSEU Pension Plan, the PSPP or its predecessor

NON-CONTRIBUTORY SERVICE

Your cost for buying prior non-contributory service – including periods of contract/unclassified employment – is based on this formula:

YOUR ANNUAL SALARY RATE
(When OPTrust receives your complete application)

X

THE MEMBER CONTRIBUTION RATE
(During the period you are purchasing)

X

YEARS OF CREDIT YOU ARE PURCHASING

One part of this formula is the member contribution rate in effect during the period of service you are buying back. For some periods, the Plan's normal member contribution rate applies: member contribution rates were reduced during the periods April 1, 1994 to March 31, 1997 and December 1, 1999 to December 31, 2004. For these periods, the buyback cost would be lower as well.

OPSEU Pension Plan contributions are integrated with the Canada Pension Plan. Starting in 2005, the normal contribution rate equals:

6.4% of earnings up to the Year's Maximum Pensionable Earnings (YMPE)
plus 8% of earnings above the YMPE.

The normal member contribution rate applies to service between January 1, 1990 and March 31, 1994; between April 1, 1997 and November 30, 1999; and the reduced contribution rates that were in effect during other periods up to December 31, 2004.

| CONTRIBUTION PERIOD | MEMBER CONTRIBUTION RATE ON SALARY | | |
|--------------------------------|------------------------------------|-------------|------------|
| | UP TO YBE* | YBE TO YMPE | ABOVE YMPE |
| Jan. 1, 1990 – March 31, 1994 | 8% | 6.2% | 8% |
| April 1, 1994 – March 31, 1997 | 7% | 5.2% | 7% |
| April 1, 1997 – Nov. 30, 1999 | 8% | 6.2% | 8% |
| Dec. 1, 1999 – Nov. 30, 2002 | 4% | 2.2% | 4% |
| Dec. 1, 2002 – Nov. 30, 2003 | 5% | 3.2% | 5% |
| Dec. 1, 2003 – Nov. 30, 2004 | 6% | 4.2% | 6% |
| Dec. 1, 2004 – Dec. 31, 2004 | 7% | 5.2% | 7% |

*YBE means Year's Basic Exemption and is set by CPP each year.

YOUR COST MAY ALSO DEPEND ON THE CONTRIBUTION RATE FOR THE PERIOD YOU ARE BUYING BACK.

CONTRIBUTORY SERVICE

If you previously received a refund or transferred your entitlement out of the Plan (or the PSPP or its predecessor) and want to buy back this service, the cost of your buyback will equal *the higher of*:

- the amount based on the formula above, and
- the gross amount paid to you from the Plan (or the PSPP or its predecessor), plus interest.

Unpaid leaves of absence

For family medical, illness, WSIB, pregnancy, parental and adoption leaves, your buyback cost is calculated using the same formula as service with an employer who contributed to the OPSEU Pension Plan (see above). The employer pays matching contributions for these leaves.

The employer does not make a matching payment for special and educational leaves. Depending on the dates of the service you are buying, your cost will be calculated using either:

- two times the member contribution rate in effect for that period, or
- the member contribution rate plus the employer contribution rate.

Service with another Canadian registered pension plan

The buyback cost for service with another pension plan is calculated differently. It is based on the projected – or “actuarial” – value of the additional pension you will receive from OPTrust when you retire. If your purchase will allow you to retire sooner, this will be reflected in your cost, too. When you buy back this type of credit, your employer does not make any matching contributions. The buyback cost goes up with increases in your age, years of membership, earnings, and early retirement eligibility. You can get an estimate of your non-OPS buyback cost online at www.optrust.com.

COSTING TRANSFERS UNDER A RECIPROCAL TRANSFER AGREEMENT

Where OPTrust has reciprocal transfer agreements with other plans, the transfer amount is based on actuarial assumptions set out in each agreement. In general, it is less costly to the member to transfer credit than to purchase the service as a buyback.

In some cases, the funds that are available for transfer out of your former plan may be less than the cost of the same amount of credit in the OPSEU Pension Plan. If this is the case, you can:

- accept a reduced amount of credit in the OPSEU Pension Plan, or
- decide to buy back the credit shortfall from OPTrust.

BUYBACK COST EXAMPLES

The following table shows examples of the member's cost for two common types of buyback:

- Non-contributory service under the OPSEU Pension Plan, the PSPP or its predecessor – including contract/unclassified employment, and
- Unpaid pregnancy, parental or adoption, family medical leaves and leaves due to illness.

The cost shown is for one year of credit, based on the Plan's normal contribution rate. The buyback cost would be less for periods when a lower contribution was in effect – including periods between April 1, 1994 and March 31, 1997 and between December 1, 1999 and December 31, 2004.

| Member's Salary Rate (at time of complete application) | Cost for Buying Back 1 Year of Credit (at OPTrust's normal contribution rate) |
|--|---|
| \$ 35,000 | \$ 2,240 |
| \$ 40,000 | \$ 2,560 |
| \$ 45,000 | \$ 2,926 |
| \$ 50,000 | \$ 3,326 |
| \$ 55,000 | \$ 3,726 |
| \$ 60,000 | \$ 4,126 |
| \$ 65,000 | \$ 4,526 |

Serge's leave of absence: Example

Serge returned to work in July 2005 after a two-year unpaid leave of absence due to illness. He then submitted a buyback application within the 24-month time limit. His salary at the time OPTrust received his complete application was \$45,000.

Serge's cost to buy back his two-year leave period is calculated as follows:

| | |
|--------------|--|
| | His salary rate at the time OPTrust receives the complete application |
| times | The reduced member contribution rate in effect for the period purchased |
| times | The number of years of credit he is purchasing. |

Because there was a reduced contribution rate in effect during Serge's leave, his buyback cost is \$4,481. If the normal contribution rate had been in effect for the period of his leave, the cost would have been \$5,913.

Note: To obtain an accurate quote for your own period of eligible service, you must submit a complete online or written application to OPTrust within the time limits described on pages 14-15.

What are my payment options?

If you complete your application online, you will receive a cost quote and payment options immediately. Otherwise, OPTrust will mail you an *Agreement to Purchase Credit* form once we have received your complete application, confirmed your eligibility and calculated the cost. As well as providing you with a quote of your total cost, the agreement will spell out the available payment options.

Payment options

There are a number of payment options that may be available, depending on your circumstances and the cost of your buyback. If you apply online, you can select a payment option, as well as get updated balances of your buyback after you begin payments.

LUMP SUM PAYMENTS

In most cases, you can pay for your buyback in a lump sum, either by cheque or money order. Lump sum payments can also be made through a direct transfer from a tax-sheltered source such as an RRSP. In some cases, a direct transfer from a tax-sheltered source may be the only payment option permitted under CRA's rules.

FINANCING OPTION (PAYROLL DEDUCTION)

For buybacks costing more than \$500, you may have the option of paying through a series of biweekly payroll deductions. This financing option is available only to regular full-time and part-time (not seasonal) employees. If you choose the financing option, your total cost will include interest as well as the principal cost of your buyback.

If you are eligible for this option, OPTrust will include details of your payment amounts and duration when we mail your *Agreement to Purchase Credit* form, or provide you with payment options online. This will show the amount of your biweekly payroll deductions based on how long you take to complete your payments. The minimum payment is \$10.00 per pay period and must cover interest charges as well as some portion of the principal.

COMBINED LUMP-SUM/FINANCING OPTION

Regular full-time and part-time employees may also opt to pay for buybacks costing more than \$500 through a combination of lump sum payments and payroll deductions. To exercise this option there must be at least \$500 remaining to be financed after the lump sum payment is made.

OTHER OPTIONS

Members who are on an unpaid leave of absence, including WSIB or LTIP, or who work on a seasonal or casual basis may be able to make other arrangements to pay for their buybacks. Options include regular monthly or quarterly cheques mailed to OPTrust.

Payment time limits

Once OPTrust has provided you with an online cost quote, or an *Agreement to Purchase Credit* form, there are several time limits that affect the start and the completion of your payments.

RESPONDING TO YOUR AGREEMENT TO PURCHASE CREDIT

If you complete your LOA buyback online, follow the instructions and select your payment arrangements as soon as possible. Interest begins to accrue three months after the date that you obtain your online cost. If OPTrust mailed your *Agreement to Purchase Credit* form to you, then be sure to return your completed agreement form to us – along with your lump-sum payment or payment instructions – within 45 days. This will allow us to obtain CRA approval promptly (if required) and set up your biweekly payment schedule or process your lump-sum payment in a timely fashion. If you are transferring funds from your RRSP to pay for your buyback, be sure to complete OPTrust's transfer form (OPTrust 2033) and send it to your financial institution with a copy to OPTrust. For those members who make full payment within three months of the date we provide the cost quote, no interest is applied. Members making payment after the first three months will have interest applied for the entire period the payment remains outstanding.

If you decide not to complete your purchase, you should check the “decline” option, sign the form and return it to OPTrust. Online users should indicate if they don’t wish to proceed with the buyback. Even if you decline your purchase, you still have the option of completing your buyback at a later date, provided you complete payment within the 10 year, three-month time limit.

It is a good idea to retain a copy of your completed *Agreement to Purchase Credit* form for your records.

COMPLETING YOUR PAYMENTS

Once we provide you your cost quotation, you have up to 10 years and three months to complete your buyback payments. This period starts three months after the date OPTrust presents you with your online cost or the date we mail you your original agreement form.

You can make a lump sum payment for part or all of your buyback cost any time within this 10-year payment period. Interest will be applied to the outstanding balance after OPTrust provides you with the cost quotation, unless you make full payment within three months.

Your credit in the Plan will increase as your buyback payments are received. If you leave the Plan or retire before your payments are complete, you will have the option to pay the outstanding balance as a lump sum before you leave your job. If you don’t complete your purchase within the 10-year time limit – or before you leave the Plan or retire – you will receive credit only for the paid portion of your buyback.

MISSED/INTERRUPTED PAYMENTS

If you are paying for your buyback through payroll deductions and take an unpaid leave or are absent on a WSIB or LTIP leave, your payments may be interrupted. If you will be taking an unpaid leave – or if your payroll deductions are interrupted for any other reason – you should contact OPTrust to arrange to complete your payments within the 10-year time limit. Your options may include:

- making payments directly to OPTrust during your leave
- making a catch-up payment (including interest) at the end of your leave and resuming your remaining payroll deductions at the original amount
- having OPTrust recalculate your remaining payroll deductions to include the missed amount plus interest.

How will my buyback affect my taxes?

**YOUR BUYBACK MAY
REDUCE YOUR
AVAILABLE RRSP
CONTRIBUTION ROOM
FOR THE FOLLOWING
YEAR.**

Your buyback may affect your income tax in two ways: by reducing your available RRSP room, and by reducing your taxable income.

Your buyback and your RRSP room

Canada's *Income Tax Act* sets out rules that limit the total amount of tax-sheltered savings you can accumulate in different types of retirement savings plans. Under these rules, the benefit you earn in the OPSEU Pension Plan for periods after 1989 reduces your available RRSP contribution room.

PENSION ADJUSTMENTS (PAs)

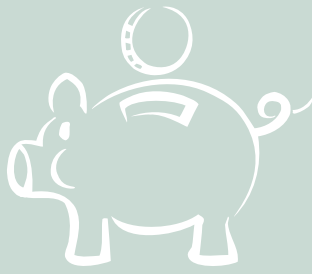
A pension adjustment (PA) is an estimate of the benefit earned during each year. A PA is calculated for your pension earned during the year. Your PA:

- is reported each year on the T4 slip issued by your employer, and
- reduces your contribution room for the following tax year.

Buying back credit for periods of past service after 1989 also reduces your RRSP room. In some cases, your buyback may result in an additional pension adjustment. Where this is the case, the additional PA amount will be reported on a separate T4A issued by OPTrust or included in the pension adjustment reported on the T4 slip issued by your employer. You will need to report your PAs on your income tax return.

PAST SERVICE PENSION ADJUSTMENTS (PSPAs)

For other buybacks, the rules are more complex. In these cases, OPTrust must get prior approval of a "past service pension adjustment" (PSPA) from CRA. Once you have informed us of your agreement to purchase the credit, we will calculate the amount of your PSPA and forward it to CRA for approval. CRA will approve your PSPA if you have enough RRSP room.



If your PSPA is approved, we will process your payment according to the option you selected. You do not have to report your PSPA on your annual income tax return.

If you don't have enough RRSP room and your PSPA is denied, you may still be able to complete your buyback. This may be done either by:

- paying for your buyback through a qualifying transfer from an existing RRSP, or
- making a qualifying withdrawal from your RRSP to create the additional room needed for the approval of your PSPA.

If this applies to you, CRA will provide you with additional information.

Your buyback and your taxable income

Contributions to the OPSEU Pension Plan are tax deductible. This applies to your regular contributions, which are reported each year on the T4 slip you receive from your employer. It also applies to most buyback payments made to the Plan. (Buyback payments made through direct transfers from a tax-sheltered source such as an RRSP are not tax deductible.)

OPTrust will provide you with an official income tax receipt, reporting any tax-deductible buyback payments you make in a given year. Your receipt will be mailed by February of the following year, in time for you to report the buyback contributions on your annual income tax return.

UNDERSTANDING THE TAX IMPLICATIONS

The income tax rules regarding buybacks can be complex. If you are buying back pre-1990 credit, you should pay particular attention to the rules for deducting your buyback contributions from your taxable income. Depending on your personal circumstances, you may want to consult a tax professional about how your buyback will affect your income tax situation.

Frequently asked questions

**YOUR EMPLOYER WILL
PAY PART OF THE COST
FOR SOME TYPES OF
BUYBACK – INCLUDING
CONTRACT/
UNCLASSIFIED SERVICE.**

I took a leave of absence that ended in 1998, but did not submit a buyback application. Is it too late to buy back this credit?

Yes. There is a strict 24-month time limit for submitting a buyback application to OPTrust. You must ensure that we receive your application within 24 months of the later of:

- the date you first become and continuously remain a member of the OPSEU Pension Plan or the PSPP, or
- the last day of the leave of absence you are applying to buy back.

If you miss the application deadline, you will not be eligible to buy back credit for your leave.

If I buy back my unclassified service will my employer make contributions too?

Yes. When you buy back prior non-contributory service with the OPSEU Pension Plan (or the PSPP or its predecessor), your employer pays as well. This applies to periods of contract or unclassified employment.

Your employer also contributes if you buy back credit for an unpaid leave of absence due to family medical leave, illness and WSIB, or for a pregnancy, parental or adoption leave. The amount your employer pays is based on the employer contribution rate for the period you are buying back.

Member contributions were reduced December 1, 1999 and returned to the normal rate on December 31, 2004. Will this affect my cost if I buy back service from this period?

The member contribution rate is used to calculate your cost for some types of buyback. These include: i) periods of service with the OPSEU Pension Plan, the PSPP or its predecessor; and ii) unpaid leaves of absence.

Your cost is calculated using the member contribution rate in effect *during the period you are buying back*. So, for periods when the contribution rate is reduced, your buyback cost will be lower as well.



I applied to buy back my unclassified service when I joined the Plan in 1999, but couldn't afford the payments at the time. Can I still complete this purchase?

Yes. As long as OPTrust received your application within the 24-month time limit, you have up to 10 years and three months to complete your payments. The payment period starts from the date we mailed you your original *Agreement to Purchase Credit* form.

If you leave your job or retire, you must complete your payments before you terminate active membership in the Plan. If you don't finish your payments within the 10-year time limit – and before you leave the Plan or retire – you will not get credit for the unpaid portion of your buyback. To make payment arrangements, please contact OPTrust Member and Pensioner Services.

My buyback payments are scheduled to continue until 2010, but I'm planning to retire under Factor 90 in 2007. Can I keep making buyback payments after I retire?

No. You need to complete your payments before you retire to receive full credit for your buyback. Otherwise, you will get credit only for the paid portion of your buyback.

Having less credit could affect you in two ways:

- your OPTrust pension will be lower when you retire, and
- your Factor 90 eligibility date will be delayed.

To complete your payments before you retire, please contact OPTrust's Member and Pensioner Services.

My job is going to be divested to a non-OPS employer. Can I keep making buyback payments after this happens?

No. After a divestment to an employer that does not contribute to the OPSEU Pension Plan, you cannot continue making contributions to the Plan. If you want to receive credit for the full period you are buying back, you will have to arrange to complete your payments before or immediately following your transfer to your new employer. Please contact OPTrust for more information.

Why is my PSPA higher than the cost of my buyback?

Your PSPA is not linked to the cost of your purchase. The PSPA is an estimate, for income tax purposes, of the value of the additional pension benefit you will receive as a result of your buyback. PSPAs are calculated based on a formula established by CRA.

Commonly used pension terms

Average annual salary – your average salary rate for your five highest consecutive years of salary during your membership in the OPSEU Pension Plan. For part-time employees, the average annual salary reflects the “full-time equivalent” salary rate, not your actual earnings.

Buyback – the purchase of credit in the Plan for an eligible period of past service. See pages 7-13 for a description of the different types of service you may be eligible to buy back.

CPP integration – a reduction to your OPTrust pension at age 65. CPP integration reflects the lower contributions you pay to the OPSEU Pension Plan for the portion of your earnings – between the Year’s Basic Exemption (YBE, see below) and the Year’s Maximum Pensionable Earnings (YMPE, see below) – for which you also contribute to the Canada Pension Plan.

CRA (Canada Revenue Agency) – the federal government department responsible for administering the *Income Tax Act*.

Credit – the total period of employment (in years and partial years) during which you contribute to the Plan, or for which contributions are made on your behalf, plus any period of past service you buy back or transfer into the Plan. If you work part-time, your credit is prorated based on the proportion of full-time hours you work.

Factor 90 – a permanent early retirement option allowing members whose age plus credit total *at least* 90 years to retire with an unreduced OPTrust pension.

OPSEU Pension Plan – a defined benefit pension plan for employees of the Ontario Public Service and other provincial agencies, boards, commissions and organizations who are represented by the Ontario Public Service Employees Union (OPSEU) or other designated bargaining agents.



OPSEU Pension Trust (OPTrust) – the organization that administers the OPSEU Pension Plan and invests and manages the Plan’s assets in the interests of its members and pensioners. A 10-member Board of Trustees governs OPTrust. Five Trustees are appointed by each of the Plan’s sponsors – the Ontario Public Service Employees Union (OPSEU) and the Government of Ontario.

Past Service Pension Adjustment (PSPA) – an increase in the “deemed value” of your pension resulting from a “past service event,” such as buying back credit for periods of post-1989 service. A PSPA will reduce your available RRSP contribution room. Your PSPA must be approved by CRA before your buyback can proceed.

Pension Adjustment (PA) – the “deemed value” of the pension benefit you earn during a given year. Your PA reduces your RRSP contribution room for the following year.

Public Service Pension Plan (PSPP) – the predecessor plan to the OPSEU Pension Plan and the pension plan for employees of the Ontario Public Service and other provincial agencies, boards, commissions and organizations who are not members of the OPSEU Pension Plan. The PSPP is administered by the Ontario Pension Board.

RRSP (Registered Retirement Savings Plan) – a tax-sheltered retirement savings plan that allows you to make contributions that can be deducted from your taxable income, subject to limits set under the *Income Tax Act*.

60/20 – a permanent early retirement option allowing members who are age 60 or older and have *at least* 20 years of credit to retire with an unreduced OPTrust pension.

Year’s Basic Exemption (YBE) – the amount of employment income you may earn in a given year without being required to make contributions to the Canada Pension Plan.

Year’s Maximum Pensionable Earnings (YMPE) – the maximum amount of employment income in a given year on which you will be required to make contributions to the Canada Pension Plan. The YMPE for each year is established by CPP based on average industrial wage levels.

How we stay in touch

OUR PUBLICATIONS

It's Your Pension – A guide to the OPSEU Pension Plan

Your Pension and Your Beneficiaries – Detailed information on naming beneficiaries for your pension survivor benefits

Your Pension and the Canada Pension Plan – An overview of how the OPSEU Pension Plan is integrated with CPP

Your Pension and Leaving Your Employment – Detailed information on your pension options when you leave your employment

Your Pension and Your Retirement – A guide to planning your retirement

OPTions – A newsletter for OPTrust members

The Pension Connection – A newsletter for OPTrust pensioners

OPTrust Annual Report – A yearly report on the administration of the OPSEU Pension Plan, its annual investment results and audited financial statements

Annual Pension Statement – A personalized statement for plan members estimating their earned pension and projecting their pension amount at retirement

OUR WEBSITE

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

Need more information?

For more information on buying back credit in the OPSEU Pension Plan, please contact the OPSEU Pension Trust, your Human Resources representative, or visit our website at www.optrust.com.

The OPSEU Pension Trust manages one of Canada's largest pension funds and administers the OPSEU Pension Plan, with assets under management of \$10.5 billion. The OPSEU Pension Plan is a defined benefit plan covering approximately 74,000 plan members and pensioners.