



Your Pension and the Canada Pension Plan

Information on how
your OPSEU Pension Plan
is integrated with CPP



OPSEU Pension Trust

Fiducie du régime de
retraite du SEFPO

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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, some mathematical examples have been rounded to the nearest dollar.

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Introduction

WHEN YOU RETIRE
BEFORE AGE 65, THE
PENSION YOU RECEIVE
FROM OPTRUST
INCLUDES A “TOPPING
UP” AMOUNT MEANT
TO EVEN OUT YOUR
INCOME UNTIL AGE 65,
WHEN CPP PAYMENTS
TYPICALLY BEGIN.

As a member or retiree of the OPSEU Pension Plan, you have earned the right to a secure, lifetime pension in your retirement. You may also have other sources of retirement income, including the Canada Pension Plan (CPP), Old Age Security (OAS) and your personal retirement savings.

Like most major Canadian pension plans, the OPSEU Pension Plan is “integrated” with CPP. Integration means that your OPTrust pension is adjusted to take into account both your CPP contributions and the benefits you will receive from CPP.

The aim is 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. (As we explain later, your actual combined pension income may vary depending when you start to receive your OPTrust and CPP pensions.)

CPP integration means different things at different stages of your life:

- **While you are working**, it means that your contributions to the OPSEU Pension Plan are reduced to reflect the fact that you also pay contributions to CPP.
- **Once you retire**, it means that the pension payments you receive from OPTrust are reduced, starting at age 65. This reflects your eligibility for benefits from CPP.

This booklet provides an overview of how your OPTrust pension is integrated with CPP. 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 using the information at the end of the booklet.

CPP funding and contributions

The Canada Pension Plan was established in 1966 to provide all working Canadians with a source of retirement income. CPP is financed through contributions from employees, employers and self-employed individuals, as well as through revenue earned on CPP investments.

Every Canadian is entitled to earn a certain amount in a calendar year before beginning to contribute to CPP. This amount is referred to as the Year's Basic Exemption (YBE).

Contributions to CPP are made on the portion of a person's annual earnings that exceed the YBE, up to a ceiling known as the Year's Maximum Pensionable Earnings (YMPE). Annual increases to the YMPE are linked to the average Canadian wage. The CPP contribution rate is set by the Canada Revenue Agency.

In 2005, the YMPE was \$41,100, while the CPP contribution rate was 4.95%. As a result the maximum CPP contribution in 2005 – payable on the amount between the YBE and the YMPE – was \$1,861.20.

OPSEU Pension Plan contributions

Contributions to the Plan are based on a formula that takes into account CPP contributions. Under the Plan's normal formula, your OPTrust contributions equal:

6.4% of your salary up to the YMPE

plus

8% of your salary above the YMPE

IN ADDITION
TO A MONTHLY
RETIREMENT
PENSION, CPP
OFFERS A
DISABILITY
PENSION AND A
SURVIVOR
PENSION.

EXAMPLE: OPTRUST AND CPP CONTRIBUTIONS

Let's look at how OPTrust and CPP contributions are calculated for a typical employee.

Susan earns an annual salary of \$46,900. Based on a YBE of \$3,500 and a YMPE of \$41,100, and the CPP contribution rate of 4.95%, Susan would contribute as follows:

1) Susan's OPTrust contributions

6.4% times salary up to the YMPE (0.064 x \$41,100)	\$2,630
<i>plus</i> 8% times salary above the YMPE (0.08 x [\$46,900 - \$41,100]) <i>or</i> (0.08 x \$5,800)	\$464

Total OPTrust contributions	\$3,094
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2) Susan's CPP contributions

4.95% times salary between the YBE and YMPE (0.0495 x [\$41,100 - \$3,500]) <i>or</i> (0.0495 x \$37,600)	\$1,861
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Total CPP contributions	\$1,861
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3) Susan's combined contributions: OPTrust plus CPP

OPTrust contributions	\$3,094
<i>plus</i> CPP contributions	\$1,861

Total combined contributions	\$4,955
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What CPP offers

CPP PROVIDES THREE MAIN TYPES OF BENEFITS: RETIREMENT PENSIONS, DISABILITY PENSIONS, AND SURVIVOR BENEFITS.

CPP Retirement Pension

A retirement pension from CPP is a monthly benefit based on how much, and for how long, you contributed to CPP over your working life. The pension is designed to replace about 25% of the earnings on which a person paid into the plan. CPP sets a maximum monthly benefit each year.

If you have contributed to CPP, you qualify to receive a retirement pension at age 65. A retirement pension may also be paid as early as age 60, provided you stop working. If you take CPP before age 65, your CPP pension is reduced by 6% for each year you are under age 65. Similarly, if you elect to start taking CPP later than age 65, the amount of your 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

When you die, your eligible spouse is entitled to a survivor pension from CPP. For information on qualifications for this benefit, please contact CPP.

AT AGE 65, YOUR
OPTRUST PENSION
IS ADJUSTED
TO REFLECT CPP
INTEGRATION.

Integration with CPP at age 65

Your basic OPSEU Pension Plan benefit at age 65 is calculated as follows:

2%	X	your best five-year average annual salary	X	your credit (maximum 35 years before 1992, no maximum after 1991)
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Less reduction for CPP integration:

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 (to a maximum of 35 years)
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Equals the OPSEU Pension Plan benefit you contributed towards.

When you turn 65 your OPTrust pension is adjusted (reduced) for CPP integration.

It's important to note that the integration formula shown above is **not** directly related to the total years of CPP contributions you have made.

The integration (reduction) of your OPTrust pension is based only on the number of years you contributed to the OPSEU Pension Plan and its predecessor plans.

Taking CPP before age 65

You can begin taking your CPP pension as early as age 60 at a reduced rate, as we mentioned earlier. In this case, the CPP benefit will be “stacked” on top of your OPTrust benefit until you turn 65. Your OPTrust pension is not adjusted for CPP until age 65.

You will receive the benefit of the reduced CPP and “topped up” OPTrust pension until age 65. At age 65, your CPP remains reduced, **and** your OPTrust pension is reduced for CPP integration. You will notice a reduction in your combined income from the two pensions at age 65. Some of this reduction in income 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 of CPP integration after age 65

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 with CPP, and
- ii) the possibility of taking an early reduced pension from CPP.

In calculating Luis’s lifetime pension, we have assumed he will live to age 75. This example does not show the effect of annual inflation-related increases to Luis’s OPTrust and CPP benefits.

YOUR DECISION
 WHETHER OR NOT TO
 TAKE CPP BEFORE
 AGE 65 WILL DEPEND
 ON YOUR OWN
 CIRCUMSTANCES.
 THESE EXAMPLES
 SHOW THE DIFFERENCE
 BETWEEN TWO
 POSSIBLE OPTIONS.

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

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

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 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 per month x 10 years (after CPP integration)	\$173,040
CPP payments of \$700 per month x 10 years	\$84,000
Total pension income, age 65 to 75 \$2,142 per month x 10 years	\$257,040
LUIS'S TOTAL LIFETIME PENSION, 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 reduced for CPP integration. As a result, his total pension income will remain relatively stable. In fact, because the OPTrust CPP reduction is less than his total CPP benefit, Luis's monthly pension income will increase from \$2,000 to \$2,142.

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 payments of
\$2,000 per month x 3 years \$72,000

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

From age 60 to 65

OPTrust pension payments of
\$2,000 per month x 5 years \$120,000
CPP payments of \$490 per month x 5 years \$29,400

Total pension income, 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 x 10 years \$173,040
(after CPP integration)
CPP payments of \$490 per month x 10 years \$58,800

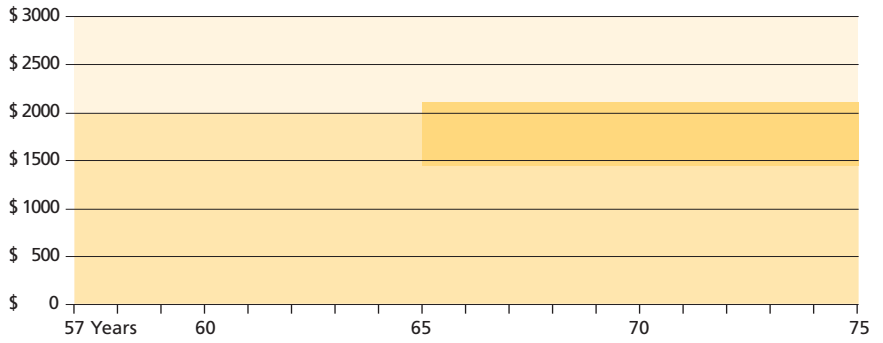
Total pension income, age 65 to 75
\$1,932 per month x 10 years \$231,840

LUIS'S TOTAL LIFETIME PENSION, 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 age 60 and 65. When Luis turns 65, his OPTrust pension will be reduced for CPP integration, while his CPP payments will continue at the reduced level. As a result, his monthly pension income after age 65 will be lower than if he had started CPP at 65.

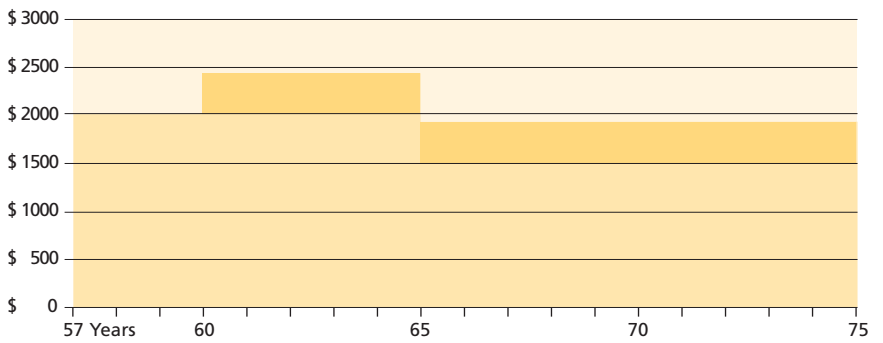
THE CANADA
 PENSION PLAN IS
 ADMINISTERED
 SEPARATELY FROM
 THE OPSEU PENSION
 PLAN. YOU MUST
 APPLY FOR CPP
 THROUGH HUMAN
 RESOURCES
 DEVELOPMENT
 CANADA.

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

CPP and your OPTrust pension

To help understand how CPP integration affects your OPTrust pension, it helps to think about it this way. If you retire before the age of 65, your OPTrust pension includes two amounts:

- i) your CPP-integrated pension, which will continue for your lifetime and
- ii) an additional “top up” amount that continues until age 65, when CPP typically begins.

The “top up” amount from OPTrust is designed to even out your combined pension income before and after age 65. However, as the previous example shows, your decision about when to start receiving CPP benefits will affect your combined pension income amount at different ages.

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 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’s actuaries estimate that women who retire at age 60 will live to 84, on average. Men who retire at age 60 are expected to live to an average of age 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.



**WHEN A RETIREE
DIES BEFORE AGE 65,
HIS/HER SURVIVOR
RECEIVES A PENSION
BASED ON 60% OF
THE RETIREE'S
OPTRUST PENSION.**

When a retiree 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.* This survivor pension will be reduced for CPP integration on the date you would have turned age 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 monthly pension amount *before CPP integration*. 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 reduced for CPP integration.

To illustrate how OPTrust survivor pensions are integrated with CPP, let's use the example of Luis on the previous pages. In this 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 for 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.

* 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 forever.

Further 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.

For more information on CPP:

The federal government offers a Canada-wide toll-free information line on CPP: 1-800-277-9914 or

Web site: www.sdc.gc.ca/en/isp/cpp/cpptoc.shtml

To locate the nearest Human Resources and Skills Development Canada – Income Security Programs office, look in the blue pages of your phone book under Pensions.



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 75,000 plan members and pensioners.