



Employer *update*

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OPTrust 2006 Pension Escalation Factor: 2.2%

OPTrust's pension escalation factor for 2006 is 2.2%. The pension escalation factor is the annual inflation-related increase applied to all OPTrust pensions. The 2006 increase will be reflected in pensioners' January 2006 pension payment.

Senior level positions

The escalation factor is also used to calculate employer-paid contributions for members who qualify for Long Term Income Protection LTIP or who are on leaves of absence without pay that extend beyond the end of the calendar year. In these cases, the escalated salary amount is also used to calculate the members' annual pension adjustment for the periods concerned.

All OPTrust Pensions Affected

All OPTrust pensions are adjusted annually for inflation. This adjustment is made each January, beginning the year after a former member's pension commences. The pension escalation is applied both to former members' pensions and to survivors' pensions.

The increase after the first year of retirement is pro-rated. The first annual increase is based on the number of complete months for which a pension was paid in the preceding calendar year.

The pension escalation is also applied to deferred pensions and to divested members' "special deferred" pensions. In these cases, the member's deferred pension entitlement is calculated as of the date of termination or, in the case of a divested member, the divestment date. The cost of living adjustments are accumulated starting from the next month and applied up to the date the pension begins.

How the Pension Escalation Factor is Calculated

OPTrust's pension escalation factor reflects the increase in the cost of living in Canada, as measured by the Consumer Price Index. It is calculated using the average Consumer Price Index

for the two 12 month periods ending the preceding September. For example, the 2006 escalation factor was calculated as follows:

$$\frac{\text{Average CPI for October 2004 to September 2005}}{\text{Average CPI for October 2003 to September 2004}} = \frac{126.6}{123.9} = 2.2\%$$

The maximum increase in any single year is 8%. Any increase above this level is carried forward, and applied in the next year when the adjustment is less than 8%.

2006 YBE & YMPE rates

The Canadian Revenue Agency has announced the Year's Basic Exemption and Year's Maximum Pensionable Earnings for 2006 under the Canada Pension Plan.

These figures are used to determine earnings on which CPP contributions are payable for 2006.

The YBE and YMPE are also used to determine the level of member and employer contributions that are payable to the OPSEU Pension Plan. CRA has also announced the CPP contribution rate for 2006.

- The YBE will remain unchanged at \$3,500.
- The YMPE for 2006 under CPP will be \$42,100. This is up from the 2005 rate of \$41,100.
- The CPP contribution rates for 2006 will remain unchanged at 4.95% for both employees and employers.

For more information see the CRA website at: www.cra-arc.gc.ca.

Long Term Income Protection contributions

For members who qualify for LTIP benefits, the pension escalation factor is used to calculate the annual salary on which contributions are based during the period of disability.

The employer pays both the member's and the employer's pension contributions for periods when members qualify for LTIP. These contributions are based on the member's regular salary rate on the date of disability. If a member's disability extends beyond the end of the calendar year, this base salary is increased by OPTrust's pension escalation factor every January.

At the end of first year of the member's disability, the annual salary escalation is pro-rated according to number of full months in the previous calendar year *since the effective date of the member's current salary* at the time of disability.

Contributions for Leaves of Absence without pay

Members who take an unpaid leave of absence may choose to continue paying pension contributions to OPTrust during their leave. If the leave spans more than one calendar year, the annual OPTrust escalation factor is used to adjust the salary rate on which both the member's contributions and the employer's contributions (as required) are based.

At the end of the first year of the member's leave of absence, the annual salary escalation applied is pro-rated according to the number of full months in the previous calendar year that the member was on leave. In following years, the full escalation increase is applied.

For pregnancy, parental and adoption leaves where contributions are deducted from the supplementary unemployment benefits (SUB) allowance, both the member and employer contributions are paid to OPTrust through regular payroll contributions. *Where a leave extends beyond the calendar year end, the employer is required to adjust base salary rate by the annual escalation factor as of January 1, 2006.*

For leaves where the member chooses to pay contributions directly to OPTrust, we calculate the total member and employer contributions for the period of the projected leave. If the leave is expected to extend beyond the calendar year, OPTrust uses a projected escalation factor to calculate contributions for the second calendar year. The projected total contributions are used to set the amount of the member's and employer's quarterly payments during the leave. At the end of the member's leave, OPTrust recalculates the total contributions required based on the actual escalation factor and makes any adjustments as required.

OPSEU Pension Trust Employer Update

This employer update is intended to provide participating employers with news and information about the OPSEU Pension Plan. It does not create any rights to benefits not provided for in the actual terms of the Plan. In the event of any conflict or omission, the legal documents of the OPSEU Pension Plan will govern in all cases. Members who have questions about their pension benefits should contact OPTrust directly. **For more information, please contact OPTrust.**

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