



# Employer Update

ISSUE NUMBER 38 • December 2010

## Contribution rates set to increase by 1% in January 2011

Contribution rates for OPSEU Pension Plan members and employers will increase by 1% of members' salary, starting in January 2011. The increase represents the second phase of a gradual 3% increase in members' and employers' contribution rates, which is being implemented in three annual increases of 1%.

The phased increase in contribution rates was approved by the Plan's sponsors in 2009 as part of a proactive strategy for managing the Plan's funding shortfall resulting from its 2008 investment losses. Under this strategy, member and employer contribution rates were raised by 1% of salary in January 2010. The second 1% increase will take effect as of January 2011, with the third increase scheduled for January 2012.

As a result, contribution rates for both member and employer contributions will be calculated as follows:

Currently both members and employers are paying 7.4% up to the Year's Maximum Pensionable Earnings (YMPE) set by the Canada Revenue Agency, and 9% above the YMPE.

YEAR	PERCENTAGE OF SALARY	
	UP TO YMPE	ABOVE YMPE
2011	<b>8.4%</b>	<b>10%</b>
Starting in 2012	<b>9.4%</b>	<b>11%</b>

For more information on the contribution rate increase and OPTrust's deficit management strategy, please see the news item on our website at [www.optrust.com](http://www.optrust.com).

## CRA announces YMPE for 2011

The Canada Revenue Agency has set the 2011 Year's Maximum Pensionable Earnings (YMPE) at \$48,300. The Year's Basic Exemption (YBE) remains unchanged at \$3,500. These figures are used to determine earnings on which Canada Pension Plan (CPP) contributions are payable for 2011.

The YMPE is also used to determine the level of member and employer contributions payable to the OPSEU Pension Plan. CPP contribution rates remain unchanged at 4.95% for both employers and employees.

For more information on CPP:

<http://www.hrsdc.gc.ca/eng/isp/cpp/cpptoc.shtml>

### In this issue

- Contribution rates set to increase by 1% in January 2011
- CRA announces YMPE for 2011
- OPTrust's 2011 pension escalation factor set at 1.4%
- Pension escalation and contributions for members on LTIP or unpaid LOA



## OPTrust's 2011 pension escalation factor set at 1.4%

OPTrust's pension escalation factor for 2011 is 1.4%. The pension escalation factor is the annual inflation-related increase applied to all OPTrust pensions. The 2011 increase will be reflected in pensioners' January 2011 pension payment.

The pension escalation factor is also used to calculate contributions for members who:

- qualify for or are deemed eligible to receive Long Term Income Protection (LTIP) benefits, or
- 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 each January for inflation. The adjustment begins the year after the former member's pension starts. The escalation is applied both to the former members' pensions and to survivors' pensions.

For recently retired pensioners, the increase after the first year of retirement is pro-rated. In this case, the increase is based on the number of full months for which a pension was paid in the preceding calendar year. In the following years, the full escalation is applied.

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

For more information, see OPTrust's fact sheet on inflation adjustments at [www.optrust.com](http://www.optrust.com).

---

## Pension escalation & contributions for members on LTIP or unpaid LOA

OPTrust's pension escalation factor is used to adjust the annual salary on which contributions are based for members who:

- qualify for or are deemed eligible to receive Long Term Income Protection benefits
- are making pension contributions during a leave of absence without pay, or
- have chosen to have pension contributions deducted from their Supplementary Unemployment Benefit allowance while on a pregnancy, parental or adoption leave.

The pension escalation factor is used in cases where the member's LTIP or leave of absence extends beyond the end of the calendar year.

### Pension contributions and LTIP

For members who qualify for LTIP benefits, the pension escalation factor is used to adjust 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. This includes periods when the member is deemed to be eligible for LTIP benefits. 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.



For the first calendar year following the member's disability, the annual salary escalation is pro-rated according to the number of full months in the previous calendar year since the effective date of the member's disability. In following years, the full escalation increase is applied.

## 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.

Where a members' leave is expected to extend into a second or subsequent calendar year and the escalation factor is not yet known, OPTrust uses a projected escalation factor to calculate contributions for subsequent calendar years. The projected total contributions are used to set the amount of the member's and employer's 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.

## Contributions for pregnancy, parental and adoption leaves

For pregnancy, parental and adoption leaves where contributions are deducted from the Supplementary Unemployment Benefit (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 the base salary rate by the annual escalation factor as of January 1, 2011.*

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 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 EmployerUpdate

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.

**General Inquiries:**  
(416) 681-6161 or 1-800-906-7738

**Member & Pensioner Services:**  
(416) 681-6100 or 1-800-637-0024

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

**E-mail:** [email@optrust.com](mailto:email@optrust.com)

**Website:** [www.optrust.com](http://www.optrust.com)

**Mailing Address:**  
1 Adelaide Street East, Suite 1200  
Toronto, ON M5C 3A7

