

Fact Sheet

HST divestment and your pension options

Under the *Ontario Sales Tax Administration Reform (OSTAR) Project; Human Resources Agreement* your employment ended with the Ontario Ministry of Revenue, and you became an employee of the Government of Canada. As a result of this change in employment, your pension plan affiliation also changed.

Ontario's pension law protects the pension benefits you have earned with the OPSEU Pension Plan, when your branch or unit is divested. The *Pension Benefits Act* (PBA) governs pension benefits in Ontario by setting out rules and regulations to protect employees and their pensions, for example during a divestment.

With your new position at the Government of Canada, you have two options regarding your earned OPTrust pension:

Option 1 – Taking your pension at a future date (special deferred pension)

You have the option to leave your pension entitlement with OPTrust and receive a “special deferred pension” payable in the future (see page 3 for retirement options). Your special deferred pension entitlement includes your service in the OPSEU Pension Plan up to your last day of employment with the Ministry of Revenue. See page 2 for details.

Option 2 – Transferring your pension to the federal pension plan

The OPSEU Pension Plan has a reciprocal transfer agreement with the Federal Public Service Superannuation Act Pension Plan (PSSA Pension Plan). Under this agreement, you have the option to transfer the value of your pension to that plan. See page 4 for details.

Since you have accepted a position with the Government of Canada, you do not have the option to withdraw your earned pension out of the OPSEU Pension Plan – other than to transfer to the PSSA Pension Plan – until you end your employment or retire from the federal government.

Note: If you have a court order to divide your pension assets due to a spousal relationship breakdown, you are required to take a special deferred pension (Option 1), until you stop working for the federal government. Pensions are considered family assets and if you contributed to an OPTrust pension during your spousal relationship, your former spouse may be entitled to a portion of your pension benefit.



This fact sheet is designed to outline your pension options with the divestment of your position from the Government of Ontario to the Government of Canada.



Option 1 – Special deferred pension (default option)

On the date of divestment, you stopped contributing to the OPSEU Pension Plan. The credit you earned up to the date of divestment will remain with OPTrust in the form of a special deferred pension until you end your employment with the federal government. In accordance with the PBA, OPTrust will recognize your credit in the OPSEU Pension Plan and the period of your employment with your new employer when determining your eligibility to receive an early unreduced pension with OPTrust.

The PSSA Pension Plan is not legislated under the *Pension Benefits Act*. As a result, that plan does not recognize your membership in the OPSEU Pension Plan when determining your eligibility to retire under their plan.

Your employment under the terms of the PBA and the OPSEU Pension Plan is not considered to have ended until you leave your employment with the federal government. At that time, you may be eligible for an immediate or deferred pension or one or more termination options under the OPSEU Pension Plan.

As a divested member, you will receive a special version of our *Annual Pension Statement* every year until you retire and start receiving an OPTrust pension.



Your OPTrust pension is designed to provide you with a combined pension income – from both OPTrust and the Canada Pension Plan (CPP) – that equals approximately 2% of your average salary multiplied by your years of credited service in the OPSEU Pension Plan.

OPSEU Pension Plan basics

Your OPTrust pension is designed to provide you with a combined pension income – from both OPTrust and the Canada Pension Plan (CPP) – that equals approximately 2% of your average salary multiplied by your years of credited service in the OPSEU Pension Plan.

When you retire before age 65, OPTrust pays the full 2% pension benefit. Starting at age 65, your 2% pension will be made up of an OPTrust portion plus a CPP portion.

Inflation protection

Your special deferred OPTrust pension is protected against inflation – both during the deferred period and once you retire. Each year, OPTrust pensions are increased based on the rate of inflation as measured by Canada's Consumer Price Index. The maximum increase in any single year is 8%. Any increase above 8% is carried forward into the next year, when the adjustment is less than 8%.

Each year before your pension starts, OPTrust will send you a statement showing the annual increase in the value of your special deferred pension. Once you retire, your pension will continue to be adjusted annually for your lifetime.

Calculating your pension at age 65

Your basic pension will be calculated as follows:

$$2\% \times (a \times b) - (c \times b) = \text{age 65 pension}$$

a = your best five-year average annual salary

b = your credit

c = reduction for CPP integration

0.655% x the final five-year average Year's Maximum Pensionable Earnings (YMPE)* under the CPP.

*The 2010 five year average YMPE is \$44,840.





OPTrust retirement options

Under the OPSEU Pension Plan, you are eligible to retire with an **immediate unreduced pension** if you qualify for one of the following options.

Pension at age 65

The normal retirement age under the OPSEU Pension Plan is 65.

Factor 90

Under the Factor 90 provision, you can retire with an unreduced pension if your age plus your credit in the OPSEU Pension Plan and period of employment with the federal government total 90 years or more.

60/20

If you are at least 60 years old and have 20 or more years of credit in the OPSEU Pension Plan and employment with the federal government.

If you are age 55 or older, but do not qualify for an early unreduced pension, you may be able to

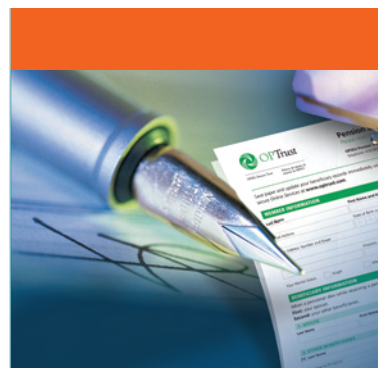
retire with a reduced pension anytime before age 65. The reduction equals 5% for every year you are under age 65 when your pension starts. The reduction is in effect for your lifetime.

Insured benefits once you retire

Under the current terms, you, your eligible spouse and your eligible dependent children may be entitled to insured benefits, if at the time of divestment, you:

- have at least 10 years of credit in the OPSEU Pension Plan
- have at least 10 years of continuous employment and have credit in the OPSEU Pension Plan for some part of each of those 10 years.

If you transfer the value of your OPTrust pension to the PSSA Pension Plan, you are not eligible for this insured benefits coverage when you retire. Your employment with the federal government does not qualify you for insured benefits with the OPSEU Pension Plan.



A summary of benefits

Insured benefits for eligible pensioners include coverage for dental, supplementary health and hospital, and basic life insurance. The coverage is provided by the Government of Ontario and administered by Great-West Life **not** OPTrust. Insured benefits are separate from your pension benefit. These benefits are negotiated and therefore subject to change.

For details on insured benefits, please refer to the Ministry of Government Services publication: *A Guide to your Benefits – After Retirement*. This booklet is available from OPTrust.

Survivor benefits

The OPSEU Pension Plan provides benefits for your survivors according to your wishes. Usually, your surviving spouse will automatically receive survivor benefits when you die. To qualify you and your spouse must **not** be living separate and apart at the time of divestment and when you start to receive an OPTrust pension.

Under Ontario's pension law, if you have a new spouse after divestment, you are required to provide a survivor benefit to your new spouse, unless he or she has waived the survivor benefit. To provide a survivor pension, your pension will be reduced to cover the cost.

For more information, read our booklet *Your Pension and Divestments* available online or contact OPTrust.



Future improvements to the Plan

As a divested member, you are eligible to receive OPSEU Pension Plan benefits that are in place at the date of divestment. Your right to these benefits is protected under provincial law.

If the Plan's benefits improve after your divestment date, the PBA does not automatically extend these benefit improvements to you. Any decision to extend additional benefits is made by the Plan's sponsors OPSEU and the Government of Ontario **not** OPTrust.

Option 2 – Transferring your pension

The OPSEU Pension Plan has a reciprocal transfer agreement with the PSSA Pension Plan. When you start your new position with the federal government, you have the option to transfer the value of your OPTrust pension to the PSSA Pension Plan under the special rules contained in the *OSTAR Project; Human Resources Agreement*.

Consolidating your pension credit in the plan you retire from may increase the overall value of your pension, in a couple of ways:

- pensions are usually calculated based on your best five-year average annual salary and pension credit when you end employment. The more credit you have the larger your pension will be in retirement.
- the additional credit you receive when you transfer may mean that you could retire earlier with an unreduced pension in the PSSA Pension Plan.
- generally, your salary is higher later in your career. If you transfer your pension, your best average annual salary applies to the additional credit, making it more valuable.

Transfer process

As a member, you are responsible to initiate the transfer out of the OPSEU Pension Plan to the PSSA Pension Plan. You will receive a *Request for Transfer Estimate* form (Appendix A1) from the PSSA Pension Plan. According to the reciprocal transfer agreement, you have one year from the effective date of divestment to submit an application to transfer.

You are required to complete the form and return it to OPTrust within the specified time limit. This form is not a commitment to transfer, but rather an authorization for both pension plans to exchange your personal data.

OPTrust will send your pension data and the estimated OPTrust transfer value to the PSSA Pension Plan. In turn, the PSSA Pension Plan will also calculate the estimated transfer value of your earned pension according to their plan. The lower amount of the two estimated transfer values will be included on the *Request to Transfer* form (Appendix B1) and mailed to you. You must sign and return the form within the stipulated timeframe to the PSSA Pension Plan to indicate whether or not you want to proceed with the transfer.



If you take a job with the federal government, you have the option to transfer the value of your OPTrust pension to your new plan.





Paying for a transfer

When you receive your estimate and decide to proceed with the transfer, the value of your OPTrust pension credit will be transferred from the OPSEU Pension Plan to the PSSA Pension Plan. Once the transfer is complete, you will have credit in your new plan to a maximum of the value of your OPTrust pension credit.

In some cases, pension credit transferred to the PSSA Pension Plan may not be equal to your earned credit with OPTrust. As a result, you may be eligible to make an additional payment in the PSSA Pension Plan to “top up” the transfer amount. Top up payments typically occur when the pension benefits provided by the new plan cost more than benefits in the

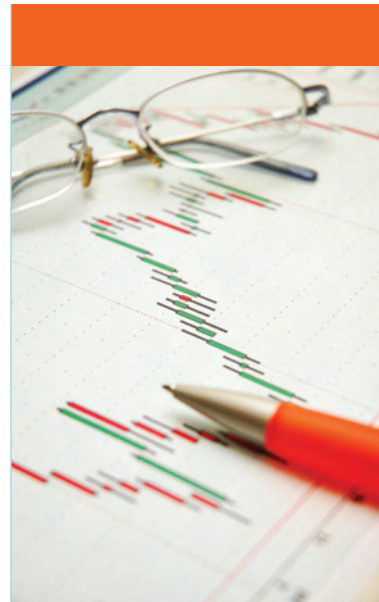
OPSEU Pension Plan, or if your salary is higher with the federal government than in the OPS.

If, at the time of payment, OPTrust determines that your earned pension in our plan is greater than the amount transferred to the PSSA Pension Plan, you may receive an “excess payment.” OPTrust will notify you if this happens. You will have the option to forward the payment directly to PSSA Pension Plan to cover a shortfall (if applicable), or receive the payment in cash, less withholding tax. In some cases, you will be required or have the option to transfer the excess to an RRSP account. OPTrust is not able to confirm if there is an excess payment until the final transfer value is known.

Special deferred pension or transfer – factors to consider

There are a number of important factors to consider when deciding between a special deferred pension or a transfer to the PSSA Pension Plan. We suggest you speak to an independent financial advisor before making your decision.

- OPTrust will provide you with a pension estimate, effective the date of your divestment, based on your credit and current salary. The Plan’s inflation protection feature is not applied to these estimates. However, your special deferred pension from OPTrust will increase annually for inflation.
- Do you expect your salary to rise greater than the Consumer Price Index? If so, it might be in your best interest to consider a transfer, as your OPTrust pension will only increase by CPI every year. On the other hand, your pension with the federal government will include your annual salary increases.
- Both pension plans offer insured benefits at retirement, but the coverage in each plan varies slightly. You should consider the insured benefits coverage in both plans to determine what is best for you. You should contact each plan for detailed information including your coverage, deductibles, and eligibility.
- Would you prefer to have your credit and collect a pension from one plan only? The PSSA Pension Plan does not recognize your credit in the OPSEU Pension Plan, unless it is transferred. Will you be eligible for an early retirement option sooner if you transfer?



There are a number of important factors to consider when deciding between a deferred pension or a transfer to the PSSA Pension Plan. We suggest you speak to an independent financial advisor before making your decision.





Questions and answers

Can I pursue the election service options through the PSSA Pension Plan and buyback my OPTrust service?

No. This option is not available to HST divested members.

Now that my position is divested, do I have the option to retire with an OPTrust pension, and still work for my new employer?

No. If you accept an offer of employment from CRA and join the PSSA Pension Plan due to a divestment, your employment has not ended. You will only become eligible for an OPTrust pension when you end your employment with the federal government.

Will I continue to receive an *Annual Pension Statement* from OPTrust?

Yes. You will receive an *Annual Pension Statement*, which is specifically designed for all special deferred pensioners. You will continue to receive a statement every year until you retire and begin your OPTrust pension.

I've completed the *Request for Transfer Estimate* form, but does that mean I'm committed to transfer my pension to the PSSA Pension Plan?

No. The *Request for Transfer Estimate* (Appendix A1) is an authorization to share your personal pension data with the PSSA Pension Plan to calculate a transfer value. The *Request for Transfer of Service Credits* form (Appendix B1) provides you with an estimate of the transfer value, and your option to proceed or decline the transfer.

If I transfer my pension to the PSSA Pension Plan, will I continue to receive future benefit improvements with the OPSEU Pension Plan?

No. By agreeing to transfer your pension to the PSSA Pension Plan, you are not entitled to benefit improvements in the OPSEU Pension Plan.



For more information please contact OPTrust

This **Fact Sheet** is intended as a summary description of the OPSEU Pension Plan. The Plan text contains numerous provisions not described here that may apply to you. In the event of any conflict between this Fact Sheet and the OPSEU Pension Plan text, the Plan text will govern.



How to Reach Us

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