

# FactSheet

FactSheets contain in-depth information on select topics for members of the OPSEU Pension Trust



## Pension options when your employment ends

**When you leave your job with an employer that participates in the OPSEU Pension Plan, you may have one or more options regarding your pension. Depending on your age and years of credit in the Plan you may be eligible for:**

- a refund of your pension contributions, plus interest
- an immediate unreduced pension from OPTrust
- a deferred pension (the right to receive a pension from OPTrust in the future), or
- a transfer of the commuted value of your deferred pension to another retirement savings arrangement, such as a locked-in retirement account (LIRA) or another pension plan.

### THE MOST COMMON OPTIONS

YOUR AGE + CREDIT AT TERMINATION		YOUR PENSION OPTIONS		
Age	Credit	Refund of Your Contributions (plus interest)	Immediate Pension	Deferred Pension, Transfer or Other Option
Under 65	Less than 2 years	YES	NO	NO
65 or older	Less than 2 years	YES – 2 x your contributions	NO	NO
Under 55	2 years or more	NO	NO	YES
55 or older	2 years or more	NO	YES—unreduced or reduced based on your age and credit	YES—deferred pension or transfer to another pension plan
65 or older	2 years or more	NO	YES	NO
60 or older	20 years or more	NO	YES	NO
Age + Credit = 90 years or more		NO	YES	NO





## Less than two years of credit

If you have less than two years (not vested) of credit in the Plan when you leave your job, you do not have the right to receive a pension from OPTrust. Instead, OPTrust will pay you a refund of your pension contributions.

- If you are under age 65 at termination, your refund will equal your own pension contributions, plus interest
- If you are age 65 or older, your refund will equal two times your own contributions, plus interest.

You are **not** entitled to a refund of the contributions made by your employer.

### REFUND OPTIONS

If you are not vested when your plan membership ends, you will have two options for how your contribution refund is paid:

- You can receive a cash refund. In this case, OPTrust is required to withhold income tax. Depending on your circumstances, you may have to pay additional tax when you file your annual income tax return.
- You can transfer your refund directly into a tax-sheltered retirement arrangement, such as an RRSP. If you take this option, no income tax will be deducted from your payment.

You can indicate your choice directly on your *Termination of Membership* form, in which case you must be sure to sign the form. Alternately, you can make your decision after OPTrust sends you your *Termination Statement* indicating the amount of your refund.

## Vesting: Your right to a pension

Once you have two or more years of credit in the Plan, you are “vested” and have the right to receive an unreduced pension from OPTrust at age 65. Depending on your circumstances, you may also be eligible for one or more early 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. If you are vested and are age 65 or older, you are entitled to an unreduced pension based on your credit.

### FACTOR 90

Under the Factor 90 provision, you can retire with an unreduced pension if your age plus your credit total 90 years or more.

### 60/20

If you are at least 60 years old and have 20 or more years of credit, you are eligible for an unreduced pension under the Plan’s 60/20 option.

If you are vested (have more than two years of credit in the Plan), you have earned the right to receive a pension from the OPSEU Pension Plan when you reach age 65, even if you are not yet eligible for an immediate unreduced pension when you leave your job. Depending on your circumstances, you may have a number of different options regarding your future OPTrust pension. These may include:

- leaving your “deferred pension” with OPTrust
- transferring the “commuted value” of your deferred pension to a locked-in retirement



account (LIRA) or similar retirement savings arrangement

- transferring your pension to another registered pension plan.

#### **IMPORTANT:**

If you choose to collect your pension later (deferred pension) and have at least 10 years of credit in the Plan, or 10 years of continuous employment with credit for some part of each of those years, you may be eligible for insured benefits coverage when your pension starts. This coverage is provided separately by the Government of Ontario and includes supplementary health, dental and life insurance.

### **Taking your pension at a future date (deferred pension)**

If you have more than two years of credit in the Plan when you leave your job but are not yet eligible for an immediate pension, you have the option of leaving your pension entitlement with OPTrust and receiving a deferred pension, payable in the future. If you choose a deferred pension:

- You have the right to receive an **unreduced pension** from OPTrust, starting when you reach age 65.
- You have the option of taking an **early reduced pension** payable as early as age 55.
- If your pension entitlement is based on 10 or more years of service, you may be eligible for insured benefits coverage when you retire.

- You may transfer the commuted value of your pension to a locked-in retirement arrangement anytime before you reach age 55 (see the section on commuted value transfers for more information).

#### **SECURITY**

Under the deferred pension option, you will receive a retirement income based on the OPTrust pension formula, your average salary and your years of credit in the Plan. The value of this “defined benefit” pension is guaranteed and does not depend on the Plan’s investment returns.

If in the future you start a job with an employer that participates in the OPSEU Pension Plan, your previous credit will be linked to credit you earn in your new position.

#### **INFLATION PROTECTION**

Your 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%. The remainder of any increase over 8% will be carried forward and applied in future years.

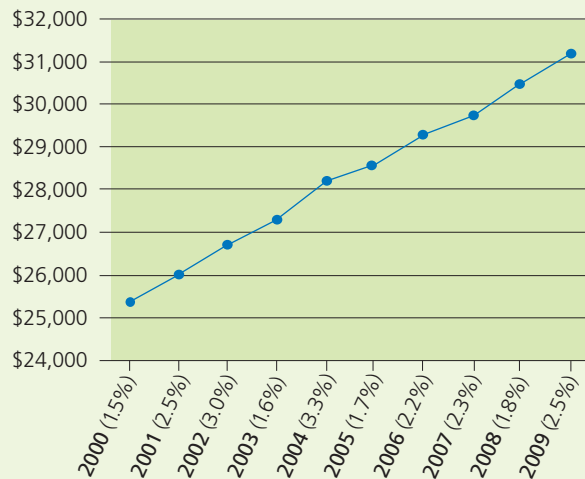
Each year before your pension starts, OPTrust will send you a statement showing the annual increase in the value of your deferred pension. Once your pension starts, it will continue to be adjusted for inflation each January, for the rest of your life.



## EXAMPLE: INFLATION PROTECTION AND LISA'S DEFERRED PENSION

Lisa left her job with the Ministry of the Attorney General at the end of 2000 after 20 years of service. Post-retirement health and dental benefits were important to her, so she decided to leave her deferred pension with OPTrust.

Based on her average annual salary, OPTrust calculated Lisa's deferred pension to be \$25,375, payable at age 65. In January 2009, after 9 years of inflation adjustments, Lisa's deferred pension was worth \$31,195. Lisa's pension will continue to be protected against inflation for her lifetime.



### INSURED BENEFITS ONCE YOU RETIRE

Depending on your circumstances you may be eligible for insured benefits coverage provided by the Government of Ontario, once you start to receive your OPTrust pension.

#### Who is covered?

You, your spouse and your eligible dependent children may be entitled to insured benefits if you:

- are receiving a pension based on at least 10 years of credit in the OPSEU Pension Plan
- are receiving a pension based on at least 10 years of continuous employment and have credit in the OPSEU Pension Plan for some part of each of those 10 years.

These benefits are available to eligible retirees, whether you receive an immediate or a deferred pension. If you were employed in the Ontario Public Service or by another eligible organization and meet either of these criteria, you are entitled to insured benefits in retirement.

### A summary of benefits

Insured benefits for eligible pensioners include coverage for dental, supplementary health and hospital, and basic life insurance. If you were employed by a scheduled agency, board or commission outside the OPS, any additional benefits depend on the collective agreement in place with your former employer at the time of your termination.

The Government of Ontario pays the premiums for these benefits. For pensioners who want vision care and hearing aid coverage, there is a small premium that is deducted from your monthly pension payment. The premiums for basic life insurance are paid by your employer and are a taxable benefit.

For details on insured benefits, please refer to the Management Board Secretariat publication: *A Guide to your Benefits – After Retirement*. This booklet is available from OPTrust.

### IMPORTANT:

If you transfer the value of your OPTrust pension out of the OPSEU Pension Plan, you will not be eligible for this insured benefits coverage when you retire.



## Transferring the future value of your pension

The “commuted value” of your pension is the current lump-sum dollar value of your future (deferred) pension benefit. In other words, it is the amount that you would have to invest – starting from your date of termination and based on an assumed interest rate – to purchase a lifetime pension equal in value to your deferred OPTrust pension.

Once you end your employment, you may have the option of transferring the commuted value of your future pension from OPTrust to a locked-in retirement arrangement.

To be eligible for a commuted value transfer, you must:

- be vested (have 2 or more years of credit in the Plan)
- be younger than age 55, and
- not be entitled to an early unreduced pension such as Factor 90.

### IMPORTANT:

If you transfer the commuted value of your pension out of the Plan, your future retirement income will be based on the market performance of the investments you choose. This option may be attractive if you want greater control over your retirement savings and are prepared to assume the individual investment risk.

If you choose to take a commuted value transfer, you will not be eligible for the insured benefits coverage provided by the Government of Ontario once you retire. The commuted value does not include the cost of providing these benefits.

## DETERMINING THE COMMUTED VALUE

The commuted value of your future (deferred) pension is based on your credit and average salary, plus factors such as your age and your spouse’s age. Because the OPSEU Pension Plan provides benefits such as inflation protection and survivor benefits, the commuted value is calculated taking all these factors into consideration. The calculation also reflects the interest rate and inflation assumptions in effect at the time you transfer the commuted value out of the Plan.

### EXAMPLE: JOE’S COMMUTED VALUE

Joe is leaving his job to move out of the province. He has 8 years of credit in the Plan and an average annual salary of \$42,000. Joe is 35 years old and is married. Based on his credit and salary, Joe is entitled to a deferred annual pension of \$4,705 (after CPP integration), starting at age 65.

He can also choose to start receiving a reduced pension as early as age 55. The commuted value that Joe can transfer to a locked-in retirement arrangement equals \$30,183.

## Refund of excess contributions

Under Ontario’s *Pension Benefits Act*, your contributions (plus interest) made after 1986 cannot exceed 50% of the value of your earned pension for the same period. When your plan membership ends, OPTrust compares your total contributions since 1987, plus interest, to the commuted value of your pension.

If your contributions exceed 50% of the commuted value, the balance will be refunded to you. Under the *Income Tax Act*, you may be



able to transfer some or all of your refund to an RRSP. Any amount that cannot be transferred to an RRSP will be paid to you in cash. In this case, OPTrust must deduct income tax.

### COMMUTED VALUE TRANSFER OPTIONS

Ontario pension law requires that the commuted value must be transferred to a locked-in retirement arrangement. You cannot withdraw this money until you reach age 55 – the earliest retirement age under the OPSEU Pension Plan.

If you are eligible, you have the option of transferring the commuted value of your pension to one of the following locked-in retirement arrangements.

**Locked-in Retirement Account (LIRA):** A LIRA (or locked-in RRSP) is a vehicle for managing your retirement savings. If you transfer your funds to a LIRA, you will have to convert them to a form of retirement income between the ages of 55 and 71. Your options will include transferring your funds to a LIF or an LRIF, or purchasing an annuity.

**Life Income Fund (LIF):** If you are 53 or 54 years old at termination, you have the option of transferring your commuted value directly into a LIF. Unlike a LIRA, a LIF allows you to make withdrawals from the fund within predetermined limits, starting at age 55. Once you reach age 80, you will be required to use the money remaining in your LIF to purchase a life annuity.

**Locked-in Retirement Income Fund (LRIF):** A LRIF is similar to a LIF, but has the additional flexibility in that it can be maintained throughout your entire lifetime. There is no requirement to convert it to a life annuity at age 80. LRIFs are usually chosen by people who want to continue actively managing their financial affairs.

**Life Annuity:** A life annuity is a financial arrangement with an insurance company in which you purchase a guaranteed lifetime income for you and your spouse. You can either use the commuted value of your pension to buy a deferred annuity to start after age 55, or transfer it to a LIRA and purchase the annuity at a later date.

The amount of your monthly income from the annuity will depend on a number of variables including: your age and sex, the age and sex of your spouse (if applicable), the amount of your commuted value or LIRA, and interest rates at the time of the purchase. If you buy an annuity with inflation protection or additional survivor benefits, this will also increase the cost. For more information on annuities, contact a reputable life insurance company.

**FOR MORE INFORMATION:** see the OPTrust fact sheet *Deferred Pension or Commuted Value Transfer*, available on the OPTrust website ([www.optrust.com](http://www.optrust.com)) or by contacting us directly.

## Transfer to another pension plan

### IF THERE IS A TRANSFER AGREEMENT

The OPSEU Pension Plan has reciprocal transfer agreements with many other Canadian public sector pension plans. If you take a job with a new employer that participates in one of these plans, you may be able to transfer the value of your OPTrust pension to your new plan. If you qualify, you can transfer your pension even if you are 55 or older.

Each transfer agreement sets out strict application deadlines. If you are interested in transferring your credit, you must submit your



application **to your new plan** within the specified time limit. OPTrust will then work with your new plan administrator to complete the transfer.

Other pension plans may provide different benefits (e.g., early retirement options, survivor benefits, inflation protection). As a result, the actuarial values may vary. In some cases, your credit in the OPSEU Pension Plan may be worth more, less or the same as the equivalent credit in your new plan.

If your OPTrust pension has a higher value, you may be eligible to transfer the remaining value of your OPTrust pension to a LIRA. If your OPTrust pension has a lower value, you will have the option of paying the difference or accepting reduced credit in your new plan. The relative value of your credit in the two plans – and your available options – will be calculated when you apply for the transfer. You will usually have 90 days to make your decision.

**FOR MORE INFORMATION:** including a list of pension plans with which we have transfer agreements, please see the OPTrust fact sheet *Transferring Pension Credit Out of the OPSEU Pension Plan*.

### **TRANSFERS TO THE PUBLIC SERVICE PENSION PLAN (PSPP)**

There are special transfer arrangements between OPTrust and the Ontario Pension Board, which administers the PSPP. If you take a job that is covered by the PSPP, transferring your credit may be either mandatory or optional.

- A transfer to the PSPP is mandatory if you move to your new job without a break in employment (e.g., you are promoted to a management or excluded position with your current employer).
- If you terminate your employment before starting your new job, you will have the option of transferring your OPTrust credit to the PSPP, leaving it in the OPSEU Pension Plan, or possibly taking a commuted value transfer. To transfer your OPTrust pension to the PSPP, you must apply to the Ontario Pension Board within 24 months of becoming a member of PSPP.

**FOR MORE INFORMATION:** please see the OPTrust fact sheet on *OPB/OPTrust Transfers*.

### **PLANS WITH NO TRANSFER AGREEMENT**

If there is no transfer agreement between OPTrust and your new pension plan, you may be able to use the commuted value of your OPTrust pension to purchase credit in your new plan. In this case, you may be able to transfer the commuted value listed on your OPTrust *Termination Statement* directly to your new pension plan. Otherwise, you have the option of transferring the commuted value to a LIRA, and then using the funds to purchase credit in your new plan. You should ask your employer about your transfer options before deciding what you want to do with your OPTrust pension entitlement.



## Divestments

Ontario's *Pension Benefits Act* sets out special rules to protect your pension if your branch or unit is divested to a new employer or privatized. The effect of the divestment on your pension depends on whether your new employer participates in another registered pension plan.

If you will be covered by a pension plan with your new employer, the *Pension Benefits Act* imposes special obligations on both the OPSEU Pension Plan and your new plan. As a result, you may have special entitlements – including the right to become eligible for a pension from both plans in the future.

If your new employer does not provide a registered pension plan, you will be eligible for OPTrust's normal termination options described on page 1.

In some divestment situations, your membership in the OPSEU Pension Plan may be "grandfathered," allowing you to continue contributing to the Plan as long as you remain with your new employer.

**FOR MORE INFORMATION:** please refer to the OPTrust booklet *Your Pension and Divestments*. If you are involved in a divestment situation and have specific questions about your pension options, please contact us.

### FOR MORE INFORMATION PLEASE CONTACT OPTRUST

**Member & Pensioner Services:**

416 681-6100 in Toronto  
1 800 637-0024 toll-free in Canada

**General Information:**

416 681-6161 in Toronto  
1 800 906-7738 toll-free in Canada

**Fax:** 416 681-6175

**E-mail:** email@optrust.com

**Website:** www.optrust.com

**Mail:** OPSEU Pension Trust  
1 Adelaide Street East, Suite 1200  
Toronto, ON M5C 3A7



OPSEU Pension Trust

Fiducie du régime de  
retraite du SEFPO

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.