

THE  
**PENSION**  
*connection*

A newsletter  
for the Pensioners  
of the OPSEU  
Pension Trust

## Pensioners Could Get a Tax Break

**B**eing able to reduce your taxes through income splitting and increased tax credits could be possible for the 2007 tax year. Both were introduced in the recent federal government budget. While not legislation yet, the following is a summary of how the new tax credit and income splitting opportunities could be applied.

- Right now, all pensioners aged 65 or older receive a credit toward their incomes when income tax is calculated. (This is an additional credit to the \$2,000 tax credit given to all pensioners whether 65 or not).
- The proposed changes increase that amount by as much as \$1,000 depending on the pensioner's income.



> Pensioners Could Get a Tax Break... continued on page 3

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## 2006 Investments Exceed Long Term Funding Targets and Market Benchmarks

**I**n 2006, OPTrust's assets under management grew to \$13.1 billion. We saw strong investment gains of 13.4%, and we continued to exceed the long-term funding target of 7% and market-based benchmarks of 11.7%. These benchmarks reflect the markets in which OPTrust invests and serves as a performance reference point.

> 2006 Investments... continued on page 2





# Annual Highlights Report

## IT'S FOR YOU AND ABOUT YOU

**O**PTrust is committed to serving our membership, so it only makes sense that the Annual Highlights Report is entitled *For you. About you.*

Take a few minutes to review the *2006 Annual Highlights Report* included with this mailing. It will guide you through the Plan's 2006 investment performance, financial overview, pension funding and membership services.

To order a printed copy of the full Annual Report, please contact OPTrust.

> 2006 Investments... continued from page 1

“OPTrust’s strong financial status is a testament to the prudent financial plan that has been followed by management,” said Jordan Berger, 2006 Vice-Chair of the OPTrust Board of Trustees and Chair of the OPTrust Investment Committee. “It is particularly gratifying to see these successes knowing that member contribution rates have not increased and no pension benefits or services have been reduced.”

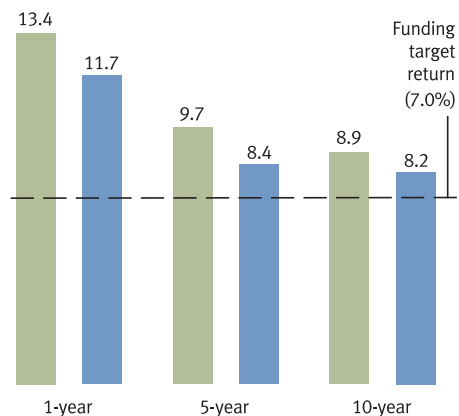
### Smart Investment Strategies

During the first 12 years of operation, the OPSEU Pension Plan has achieved an average rate of return of 10.6% on our investments. This exceeds the 12-year weighted return of 9.6% on its composite benchmark by a significant margin.

In 2006 we surpassed our benchmarks in the following:

- global equities returned 23.8% versus the benchmark performance of 21.1%
- Canadian equities returned 18.6% versus the 17.0% benchmark
- fixed income investments returned 2.2% versus benchmarks performances of 2.1%
- active management strategies added \$120 million in value

### Investment Performance



— OPTrust's total return (%)  
— Benchmark (%)

Strong investment returns of 13.4% in 2006 exceeded both our long-term funding target of 7% and our market-based benchmark return of 11.7%.

- The maximum amount of \$1,000 will be applied to incomes of \$30,270 and less.
- For seniors with income over \$30,270, the credit will be reduced by up to 15%.
- At the income level of \$64,043, the credit will be eliminated completely. (In the past, the credit was eliminated on incomes over \$55,377).

This means the average pensioner could receive up to \$150 and a couple could receive up to \$300 as tax refunds.

### Income splitting

Income splitting means sharing an income with a spouse for tax purposes. This can reduce the amount of the person's income significantly which may result in less tax being paid.

**For example,** Jim Smith's eligible pension income totals \$67,000 and his wife Christine Smith's is \$12,000. Before income splitting Jim's higher income of \$67,000 would not be eligible for a tax credit for pensioners age 65. Credit is given only to the individuals with income under \$64,043.

When Jim and Christine combine their incomes (\$67,000 and \$12,000) and split it, Jim's income becomes much lower – \$39,500. Now Jim qualifies for a tax credit.

Being able to split pension incomes depends on the amount of the eligible income and can include the following:

- pension income from a Registered Pension Plan (RPP)
- income from a Registered Retirement Savings Plan (RRSP) annuity, a Registered Retirement Income Fund (RRIF), a Locked In RRIF (LIF) or a Deferred Profit Sharing Plan (DPSP) annuity, if the recipient is 65 years of age or older.

Note that the following pension income is NOT eligible:

- Old Age Security (OAS)
- Guaranteed Income Supplement (GIS)
- Canada Pension Plan (CPP)
- RRSP annuities, RRIFs and DPSP if the recipient is under 65 years of age
- Income from Retirement Compensation Arrangements (RCA)

Please note that CPP income does not qualify as eligible pension income for the pension income credit. However, CPP pensioners can split their CPP retirement benefit under the CPP rules for income splitting.

### RRSP and RPP Contributions

The proposed changes to the age for conversion of RRSP/RPPs from 69 to 71 is significant in three ways:

1. It allows contributions to RRSPs to be made for two more years.
2. It allows those working and contributing to RPPs to do so for a further two years.
3. It allows conversion to RRSPs to be delayed a further two years meaning the required RRIF withdrawal will take effect at the end of the year that the pensioner turns 71.

**Please note,** the federal government budget is proposing provisions that have not yet been enacted into law. Until such time, the tax implications of your pension plan entitlement remain unchanged. As more information becomes available, we will be advising you about the changes and what it means to you through *The Pension Connection* and at [www.optrust.com](http://www.optrust.com).

# Your Pension Stories



## A pension to smile about

There is happiness in Maryke Foxworthy's voice when she talks about her pension and OPTrust.

After 17 years with the Ministry of Education, she was laid off when her section was dissolved. Although disappointed, she transferred her pension and moved on. For 12 years, she worked part-time and on contracts thinking she would not have a pension.

In 2006, court reporters were transferred to classified status at the Ministry of the Attorney General, and she learned pension buy backs were possible. She contacted a Member and Pensioner Services staff member, who helped her find the information for what she calls, "one of my best decisions." She decided to buyback her pension – all the way back to 1979.

Maryke had an unusual situation with different types of purchases with many types of plan and income tax requirements. It was a challenge trying to determine how best to maximize her pension, but ultimately she was guided to a

solution that allowed her to achieve her ultimate goal – retirement.

"Having a pension makes all the difference," said Maryke. "It gives me a freedom I just love."

## Busy retirement

Sylvia Freeman liked her retirement – a woodworking hobby, her lakefront cottage and a comfortable pension from her 29 year career with the provincial government.

Then, on her way to Meaford, she stopped for lunch in Forest, Ontario and that changed everything.

"I fell in love with this little community of 2,800 people," said Sylvia. Following lunch, she crossed the street to the real estate office and rented a house. She moved in, planning to garden and volunteer "from time to time".

Now Sylvia volunteers almost full-time. "All the volunteering I do is very rewarding," said Sylvia who belongs to the Kiwanis Club, helps at the Kineto movie theatre (the third oldest in the world), sings in the Community Singers choir and manages the local museum.

The Forest Museum is the second oldest in south-western Ontario. Sylvia finds the skills she learned at the Ministry of Industry and Trade valuable in promoting the museum and organizing events.

She still plans to do some woodworking, but there is much to do and spring is coming. The museum needs new displays, the Kiwanis Club has upcoming events and the choir has bookings. And then there is the garden!

# No Increase to Pensioners' Premiums for 2007

**P**ensioners eligible for post-retirement insured benefits will **NOT** see an increase to the monthly premium rates in 2007. However, the cost of benefits has increased, and that cost will be paid for by the employers.

The chart below shows that over a 10-year period, the premiums that pensioners pay have actually decreased, whereas employers have had to offset those costs with increases of almost 100%. Supplementary health benefits are costly, but the Ontario Government feels these costs should not be incurred by our pensioners, which is why your premiums have always remained low.

SINGLE COVERAGE			FAMILY COVERAGE		
	Retiree pays	Employer pays	Retiree pays	Employer pays	
1997	\$1.46	\$64.57	\$2.95	\$114.80	1997
2007	\$1.35	\$122.94	\$2.74	\$222.29	2007
	7.5% decrease	90% increase	7.1% decrease	93% increase	



## Our Green Partners

Establishing a “green office environment” is an ongoing initiative here at OPTrust. It’s about making the right choices. OPTrust has adopted numerous “green” measures in an effort to work toward environmentally sound business practices, and we actively seek vendors and suppliers who do the same.

When printed materials are required, OPTrust has committed to creating partnerships with suppliers who have also chosen to reduce, reuse and recycle. We will continue to seek out these suppliers who make positive environmental choices.

## Drug Cards Coming Soon

**A**s a result of an agreement reached with pensioners relating to health and dental benefits, the Ontario Government has agreed to provide pensioners with a drug card no later than November 30, 2007.

OPTrust has worked and will continue to work with the Ontario Government and Great-West Life to help with the distribution of the cards because we understand how important they are to you. With the drug card you will no longer need to send in a claim form to be reimbursed for your prescription drug costs.

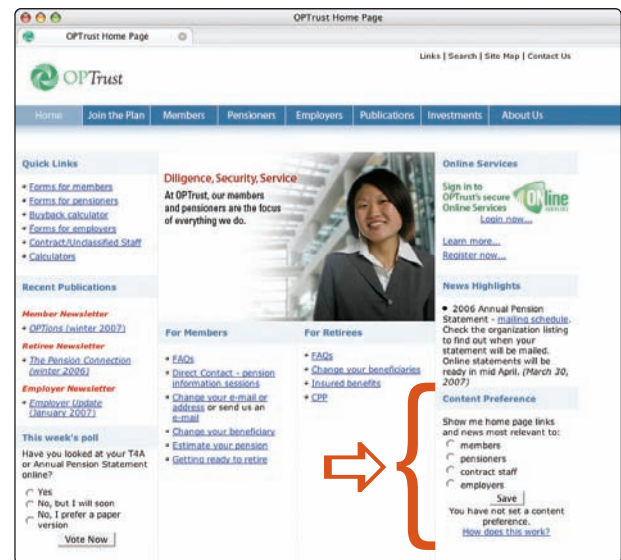
At this time we do not have a firm date on when Great-West Life will send out the drug cards, but we will keep you informed in upcoming issues of *The Pension Connection* and with notices on the OPTrust website.

# You can make OPTrust's website homepage ready for you – every time

**Y**ou can now personalize the homepage of [www.optrust.com](http://www.optrust.com) to have pensioner information come up first every time. To set it up follow these four easy steps.

- go to [www.optrust.com](http://www.optrust.com)
- see Content Preference box (see bottom right corner)
- click on Pensioners
- click on Save

Now each time you go to [www.optrust.com](http://www.optrust.com), pensioners' information on the homepage will be displayed automatically.



## New Trustee Mahmood Nanji

**M**ahmood Nanji was appointed to the OPTrust's Board of Trustees by the Government of Ontario for a three-year term beginning January 1, 2007.

Mahmood Nanji is the Assistant Deputy Minister responsible for the Strategic Asset Management Unit at the Ministry of Public Infrastructure Renewal.

He brings to his role fifteen years of public policy and public management experience in both the federal and provincial governments, specifically in economic, financial and policy positions.



**Mahmood Nanji**

**Deborah Stark** was appointed to the Board by the Ontario Government in 2002, and stepped down as Chair and as Trustee at the end of 2006. Currently she works for the Ontario Ministry of Agriculture and Food (OMAF) and is Ontario's Chief Veterinary Officer. She joined the OMAF in 1987 as an extension veterinarian for dairy and beef, then became Ontario's Provincial Veterinarian and Director of the provincial Veterinary Laboratory Services in 1992.

As Board Chair Deborah chaired the Administration Committee, as well as sitting on the Investment and Governance & Compensation Committees.

# Online Services

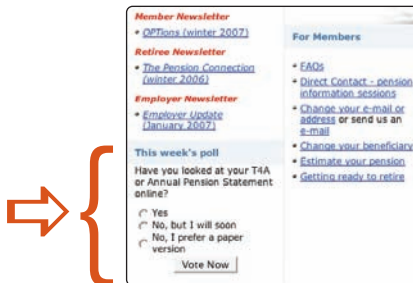


## Today's Hot Topic keeps you in the know!

Keep up-to-date on what's new at OPTrust! When we get a lot of calls and questions on a certain subject, we post the answers on our website so everyone benefits from the information provided. Check regularly for the Hot Topic feature on our website. Your question may have already been answered!

## Your opinion counts!

Have your say with our new weekly poll, and check the results to see how others have answered. A new question will be posted every Tuesday. Check it out and tell us what is on your mind!



## Making changes in Online Services

You can change your address, telephone number and e-mail address easily online. Follow these simple steps to ensure we have accurate contact information for you.

- On the OPTrust homepage, login to *Online Services* using your OPTrust ID and password.
- On "My Secure Homepage" click on the phrase that best describes what you want to do.
- Complete the specific information you want to change. Follow the instructions on the screen and your information will be updated automatically.

## Oops! I forgot my password!

It's not uncommon to forget your password. Simply go to the log-in section in *Online Services* and click on "I forgot my OPTrust ID number or password." Complete the information as it is shown on the screen. An e-mail containing your password will be sent to you. If you don't receive an e-mail, please call Member and Pensioner Services toll-free at 1-800-637-0024.

# Your Opinion Counts

**T**hanks to the thousands of pensioners and members who participated in our communications research earlier this year. In our focus groups we met with pensioners and members in Oshawa, Peterborough, Orillia, London, and Toronto. Through our telephone and online surveys we heard from pensioners and members throughout the province.

The results of this province-wide survey will be used to help OPTrust with planning future communication initiatives. We've heard what you had to say and we will carefully consider your suggestions for improvement and keep doing the things that you told us we do well.

As part of the telephone and online survey, we offered you a chance to win one of ten \$25 gift cards to Canadian Tire, as thanks for your participation. The winners are listed in the sidebar on the right.

## Survey winners:

- **E. Larocque**, Lancaster
- **D Vigna**, Carleton Place
- **G. Presley**, Ashton
- **R. Clarke**, Maple
- **D. Lindsey**, Richmond Hill
- **M. Scott**, Markham
- **C. Graham**, Sault Ste. Marie
- **M. Desjardins**, Orillia
- **C. Jarvis**, Wyevale
- **N. Gallagher**, Perkinsfield



## YOU ASKED

**Question: My husband died late last year. He would have turned 65 last month. Since he died, my survivor benefit payment was 60% of his pension entitlement. The most recent survivor benefit payment was reduced to less than 60%. Why?**

**Answer:** When your husband died, he had not turned 65; therefore, you were entitled to 60% of his lifetime pension plus the OPTrust bridge. When a pensioner turns 65, the OPTrust bridge is no longer paid because the pensioner can collect CPP; therefore, the month

after he would have turned 65, your survivor benefit is adjusted to 60% of his lifetime pension minus the bridge. This amount is payable for your lifetime.

**Question: If OPTrust has a publication that is not available online, how do I get it?**

**Answer:** All of OPTrust's publications are available on our website, but if you would like a paper copy call Member and Pensioner Services toll-free at 1-800-637-0024 and we will mail it to you, or e-mail us at [email@optrust.com](mailto:email@optrust.com).

**Question: Why is my pension reduced at age 65?**

**Answer:** If you retire before age 65 you are entitled to a bridge benefit until you reach 65. This temporary benefit helps level your pension income until age 65 when you can collect a CPP pension. When you retire at age 65 you will start to receive your lifetime retirement pension benefit only.

## **Pension Connection in an Envelope?**

Among OPTrust's green initiatives is the decision to no longer use envelopes in mailing our newsletters. However, in the interest of consolidating the mailing of our *Annual Highlights Report* along with *Pension Connection*, we decided it would be much more cost effective to mail these two publications together in an envelope. Although we are committed to incorporating green initiatives wherever possible, envelopes will still be used on occasions when they are warranted. Your next issue of *Pension Connection* will arrive without an envelope.

*The Pension Connection* is published by OPSEU Pension Trust for its pensioners.

If you have any comments or questions, please contact **Member and Pensioner Services** at:

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