



LATEST
EDITION
JUNE 2011

Your Pension and Planning Your Retirement

A guide for getting started
on your retirement plans



OPSEU Pension Trust

Fiducie du régime de
retraite du SEFPO

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This booklet is intended as a summary description of the OPSEU Pension Plan. The Plan text contains numerous provisions not summarized in this booklet, which may apply to you. In the event of any conflict between this booklet and the OPSEU Pension Plan text, the Plan text will govern.

Throughout this booklet, some mathematical examples have been rounded to the nearest dollar.



Important Facts

My lawyer is:

Phone number:

My Will is located:

The administrator of my Will is:

Phone number:

My life insurance policy is with:

Policy number:

Amount:

My RRSPs are at:

Account number:

Account number:

My bank account(s) are at:

Account number:

Account number:

Financial Power of Attorney is:

Phone number:

Health care Power of Attorney is:

Phone number:

Other key contacts in the event of death or serious illness:

Two empty light blue rounded rectangular boxes provided for additional contact information.

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Introduction

How you and your family can use this booklet

This booklet is geared to the member who is planning to retire within a few years. If you are eligible for or planning to collect a pension within the next five years, the first part of the booklet will guide you through the decisions you will need to make and the processes that occur while you are still a member. The second part of the booklet explains pension changes during retirement, such as integration with the Canada Pension Plan at age 65, how your pension is affected if you work after retirement and other matters of interest to pensioners.

This booklet includes the provisions of the Plan as of April 2010.



KEEP THIS BOOKLET IN A PLACE WHERE FAMILY MEMBERS CAN ALSO FIND IT, WITH COPIES OF OTHER IMPORTANT DOCUMENTS LIKE YOUR WILL.



What retirement options are available?

IN ADDITION TO THE PERMANENT UNREDUCED EARLY RETIREMENT PROVISIONS, MEMBERS ALSO HAVE THE OPTION OF TAKING A REDUCED PENSION AT AGE 55.

Normal retirement age – 65

The normal retirement age under the OPSEU Pension Plan is 65. If you have two or more years of continuous membership or credit in the Plan, you are entitled to a pension based on your credit. Pensions are effective the first day of the month following the month you retire, paid on the 26th of the month and are payable for your lifetime and if applicable, your surviving eligible spouse's lifetime. If you don't have an eligible spouse, your other beneficiaries may be entitled to a survivor benefit. See page 19 for information on how we calculate your pension.

Early retirement with an unreduced pension: Factor 90 and 60/20

You may be eligible for an early **unreduced immediate pension** if you attain:

- **Factor 90** – your age plus your credit (in years and part years) total at least 90 years
- **60/20** – you are at least 60 years old and have 20 or more years of credit.

If you qualify for one of the early retirement options, OPTrust pays the full 2% pension until you turn 65. At age 65, your 2% pension is made up of two pieces, from both OPTrust and the Canada Pension Plan (CPP). If you decide to collect your CPP pension before age 65 that does not affect your OPTrust pension. OPTrust does not integrate your pension with CPP until age 65.

SURPLUS FACTOR 80 – TEMPORARY PROVISION

Surplus Factor 80 is a temporary early retirement option available to eligible pension plan members who are permanently laid off. The



provision allows affected members to qualify for an unreduced OPTrust pension if their age plus credit in the Plan total 80 or more years by the time their employment ends.

Who qualifies?

If you work in the Ontario Public Service (OPS), you may qualify for the temporary Surplus Factor 80 provision if you meet all of the following conditions:

- you are a member of the Plan and are covered by the Central Collective Agreement
- you are laid off before January 1, 2013
- your age plus your credit in the Plan equal 80 years or more before January 1, 2013 and on the date your employment ends, **and**
- your employer provides OPTrust with confirmation that the layoff is consistent with the OPS collective agreement. Appendix 17 of the collective agreement says, in part, that a laid-off member is eligible for Surplus Factor 80 only if the available options for reassignment, redeployment or displacement to a permanent vacancy have been exhausted.

Surplus Factor 80 in non-OPS bargaining units

For members of other bargaining units, employers and OPSEU may negotiate an agreement to provide access to the Surplus Factor 80 option or other similar provisions. In these cases, the parties must notify OPTrust of the terms of any such agreement.

Please contact your human resources representative or OPTrust for more information if this option could apply to you.

BRIDGING TO A PENSION

OPTrust members who receive a notice of layoff may be able to “bridge” to an unreduced pension.

Bridging requires special provisions in your collective agreement allowing the use of leaves of absence, the surplus notice period and the period represented by

**IF YOU CHOOSE
A DEFERRED
PENSION, YOU
HAVE THE OPTION
TO TAKE A
REDUCED PENSION
AS EARLY AS AGE
55. ALL DEFERRED
PENSIONS ARE
ADJUSTED FOR
INFLATION
ANNUALLY.**

severance payments to reach the date on which you become eligible for one of the Plan's unreduced retirement options. Bridging is currently available to:

- members in the Ontario Public Service who are declared surplus and are covered by the Central Collective Agreement between OPSEU and Management Board of Cabinet
- members whose positions are declared surplus as a result of privatization, and are covered by the collective agreement between the Liquor Board Employees' Division of OPSEU and the LCBO
- anyone in a divestment situation who
 - is covered by the Central Collective Agreement between Management Board of Cabinet and OPSEU
 - and**
 - declines a job offer that is less than 85% of his or her current salary or where the member's service or seniority is not carried over to the new employer
 - or**
 - is declared surplus and the collective agreement provides for bridging
 - or**
 - the new employer's collective agreement provides for bridging.

For more information on bridging, see OPTrust's fact sheet, *Bridging to an unreduced pension* or contact your employer, union representative or OPTrust.

Early reduced retirement – age 55+

You are eligible for early retirement with a reduced pension if you:

- have at least two years of credit or continuous membership in the Plan, **and**
- are at least 55 years old when you end your membership in the Plan.

With this type of early retirement, your pension is calculated using the basic pension formula (and does not include the CPP reduction until age 65). Your pension is then reduced by 5% for each year you are under age 65, if you do not qualify for other forms of early retirement. The reduction will be pro-rated for partial years.

Deferred pension

If you leave your money with OPTrust and choose a deferred pension entitlement, you will receive a deferred pension statement as proof of your deferred status. The letter indicates that you are entitled to a pension from OPTrust, normally payable at age 65. As a deferred pensioner you also have the option of a reduced pension payable as early as age 55.

Inflation protection for your deferred pension

A cost-of-living adjustment for a deferred pension is applied annually each January after your termination date. The adjustment is calculated annually to provide protection from inflation while you wait for your deferred pension to start. OPTrust sends a statement to deferred pensioners every year to inform them of the cost-of-living adjustment. Deferred pensions accumulate annual cost-of-living adjustments starting the January after your employment ends. This helps prevent your pension from declining in purchasing power while you wait to reach retirement. Inflation adjustments are based on increases in the Consumer Price Index in the previous year.

If you are considering a disability pension

To qualify for a disability pension you must be totally and permanently physically and/or mentally disabled. To receive the disability pension you must:

- apply to OPTrust
- satisfy the above criteria, **and**
- resign from your employment (if your application is approved).

The medical evidence must be satisfactory to OPTrust. The amount of your disability pension will depend on your total credit in the Plan and your best five-year average salary:

- **If you have less than 10 years of credit and membership** you do not qualify for a disability pension. You may receive a special disability refund under the Plan, plus interest. If you are not eligible for a refund, you are still entitled to a regular pension at age 65 based on your credit and salary. Taking a reduced pension at age 55 is also an option.
- **If you have 10 or more years of credit or continuous membership** your disability pension is calculated using the basic pension formula (see page 19). Adjustments for inflation will be taken into consideration to calculate your salary for the period during which you were receiving or eligible to receive Long Term Income Protection (LTIP). Your pension benefit is based on your credit in the Plan up to the date of your resignation.

**YOU CAN APPLY
TO WITHDRAW
FUNDS FROM YOUR
PENSION IF YOU
HAVE A LIMITED
LIFE EXPECTANCY
OF LESS THAN
TWO YEARS.**

EXAMPLE:

Suppose you were approved for a disability pension from the OPSEU Pension Trust. Your highest consecutive five-year average salary was \$52,000 and you resigned at the end of 2011 with 19 years of credit. Your disability pension would be calculated as follows:

$$.02 \times \$52,000 \times 19 \text{ years} = \$19,760$$

$$\text{Annual disability pension} = \$19,760$$

As with all pensions, OPTrust integrates your OPTrust pension with CPP at age 65 regardless of whether or not you are receiving a CPP disability pension.

If you have a limited life expectancy

If, based on medical evidence satisfactory to OPTrust, you have a life expectancy of less than 24 months, you may be able to get a lump-sum payment in cash, instead of continued pension payments for the remainder of your lifetime and the lifetime of your surviving spouse. However, if you have eligible children (see definition on page 48), you cannot withdraw funds from your pension.

You must apply in writing to OPTrust to withdraw the funds. The written request, explaining the circumstances, must be sent to OPTrust accompanied by:

- a *Termination of Membership* form available from your employer, if you are not currently receiving a monthly OPTrust pension
- a physician's assessment that you have an illness or physical disability that is likely to shorten your life expectancy to less than two years, recorded on a *Medical Examination Report* form
- the written consent of your married or common-law spouse, if you have one, agreeing to waive any and all rights to survivor benefits from OPTrust upon your death, using the *Spousal Waiver of Survivor Benefit Entitlement* form
- a *Pension Beneficiaries* form revoking any and all previous designations. To do this, simply complete the "Personal Information" section then sign and date the form. All other sections must remain blank.

Why there are limited transfer options at age 55 and beyond

When you turn 55 and have more than two years of credit or continuous membership, you are eligible for a pension under the provisions of the OPSEU Pension Plan upon terminating plan membership. This means that if you end your active membership in the Plan and do not qualify for an unreduced pension you have three options:

- taking an immediate reduced pension
- or**
- deferring your pension until a later date
- or**
- transferring your pension to another registered pension plan under a reciprocal transfer agreement.

Even though you may only qualify for a reduced pension, you no longer have the option of transferring your pension entitlement to another retirement arrangement.

Deferred pensions are not liquid assets, i.e. they cannot be cashed except in the case of limited life expectancy (see page 12). In the OPSEU Pension Plan, you can start receiving your pension at age 55. From this point forward, you can no longer transfer your pension contributions or entitlements out of the Plan (e.g. to a locked-in RRSP).

If you are entitled to an immediate pension before age 55, e.g. age 53 and are eligible for an early unreduced pension, you cannot transfer your pension entitlement out of the Plan except under a reciprocal transfer agreement.



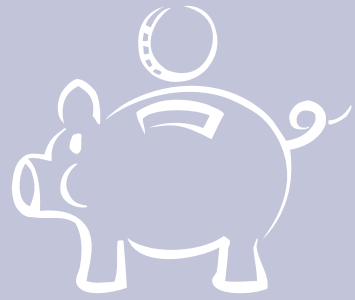
Planning for your retirement

TO FIND OUT MORE ABOUT YOUR PENSION, REGISTER FOR AN OPTRUST DIRECT CONTACT SESSION. YOU CAN ALSO ASK IF YOUR EMPLOYER OFFERS A RETIREMENT PLANNING COURSE.

Retirement income needs

Many financial advisors recommend that a comfortable retirement requires a retirement income of 60% to 80% of pre-retirement employment income. However, that percentage can be lower depending on the lifestyle you wish to have. Figuring out what expenditures you will and won't have during retirement will help you plan and be prepared for the future. One of the unknowns in planning is future increases in the cost of living. Your OPTrust pension is indexed for inflation so you know that it will not depreciate.

Preparing detailed lists of your expenses and your income will help you form a clear picture of your financial status. What percentage of your current employment income do you estimate as your retirement income? Will it be enough to pay your expenses and still have money for discretionary items? Will you need to find another source of income during retirement, such as a part-time job? Will your spouse be contributing to your household income? Do you have potential income from RRSPs? Once you have your personal "balance sheet" you can use it as a basis for planning.



YOUR ESTIMATED EXPENSES AT RETIREMENT:

| | | |
|--|----|--|
| Long-term debt: include mortgage/rent, loans, credit cards, etc. | \$ | |
| Estimated living expenses: food, clothing, medical and health, house and car maintenance, etc. | \$ | |
| Discretionary living expenses: entertainment, travel, etc. | \$ | |
| TOTAL HOUSEHOLD EXPENSES | \$ | |

YOUR ESTIMATED RETIREMENT INCOME:

Try the retirement income calculator on our website or use this worksheet to calculate your retirement income.

| | | |
|-------------------------------------|----|--|
| Pension from OPTrust | \$ | |
| Pension from CPP (\$960/mo.)* | \$ | |
| Other pensions/annuities | \$ | |
| Old Age Security (starts at age 65) | \$ | |
| RRSP income | \$ | |
| Employment income | \$ | |
| Other investments | \$ | |
| Draw down from savings | \$ | |
| TOTAL HOUSEHOLD INCOME | \$ | |

*This represents the maximum monthly retirement pension payable from CPP at age 65 in 2011.

If you have a spouse, all these calculations should include your spouse's expenses and income. This is simply a starting point for determining your financial picture at retirement. By starting the exercise of examining your financial health before retirement, you can take the necessary steps to either increase your savings for retirement or adjust your lifestyle. A certified financial planner can help you do a thorough analysis of your financial situation and help you with planning for retirement. Some employers and some community agencies offer retirement planning courses.

Other sources of retirement income

CANADA PENSION PLAN (CPP)

Most working Canadians are required to contribute to the Canada Pension Plan (CPP). When CPP started in 1966, the decision was made to blend (integrate) CPP contributions with those of the existing pension plan rather than pay an additional contribution to CPP. As a result, a portion of your contributions to the OPSEU Pension Plan is reduced (see contributions to Plan example on page 22). In retirement you will receive **two** payments that make up your 2% pension – one from CPP and one from OPTrust. To receive CPP, you must apply for it through Service Canada. You can collect CPP payments at age 65 or as early as age 60 with reductions in your CPP pension for early payment. The CPP reduction is 6% per year for every year you are less than 65. The maximum CPP retirement payment at age 65 in 2011 was \$960 per month.

OLD AGE SECURITY

In addition to CPP, you may be entitled to a monthly retirement benefit from Old Age Security (OAS). It is payable monthly and indexed quarterly. Your OPTrust pension is not adjusted due to OAS payments. OAS payments are separate from OPTrust and CPP payments. OAS starts at age 65 and cannot be taken any earlier. In the second quarter of 2011, maximum OAS monthly basic benefit payments were \$527. For more information on OAS monthly payments, maximum income and repayment, see the Service Canada website at www.servicecanada.gc.ca/eng/isp/oas/oasrates.shtml

RRSPS, EMPLOYMENT INCOME, SAVINGS, HOME EQUITY AND INSURANCE

You may have other sources of retirement income over and above your OPTrust pension and government pension benefits. RRSPs can provide a supplement to your pension or they can be kept until age 71 and then converted into Registered Retirement Income Funds (RRIFs) or annuities.

Many pensioners choose to continue employment in either a full-time or part-time capacity as a means of supplementing their pensions. If you choose to return to work for an employer who contributes to the OPSEU Pension Plan, please read the section on re-employment (pages 34-35).

If you own your home, you may decide to move to a smaller place to use the home equity for living costs and to reduce expenses. Personal savings can also be a source of more liquid assets in retirement.

Life insurance options are available that offer a variety of packages from term to whole life annuities. This is a competitive field so you should explore your options and research the alternatives available.

Handling life changes

Retirement is a major life change. Adjusting to it requires more planning than looking for a job, getting married or buying a new house. Two of the most important elements of your life that will change are time and money. These two factors will have an impact on other areas of your life – family, friends, home, interests, leisure activities and health.

Keeping busy is key for a happy retirement. Although your time will likely be less structured, managing your time is as necessary for success in retirement as it was while you were working. The years before retirement are an ideal time to think about the things you want to do during retirement and to plan whether you will have the financial resources to do them. As a starting point, think of all the things you like to do outside of work. How will you fit those activities/events into your daily and weekly schedule? How will you deal with your spouse and family if you will be at home more of the time? Do you have dreams and interests that you haven't had time to pursue but want to investigate in retirement? Now is a good time to start thinking about them and see if you can incorporate them into your retirement.

There are many books and internet sites on planning for retirement. They can provide different ways to examine the lifestyle issues that may occur in retirement. Thinking about how you envision the future will help you to plan for it and achieve your retirement goals.

ALL OPTRUST
PENSIONS ARE
ADJUSTED FOR
CPP INTEGRATION
AT AGE 65.

How much pension will you get from OPTrust?

The basic pension benefit you accrue in the OPSEU Pension Plan:

- is based on
 - i) the average annual salary rates for the five consecutive years that produce the highest average and
 - ii) accrued pensionable service credit
- is paid for your lifetime
- is adjusted for inflation on an annual basis
- may be paid early without penalty if you qualify for early retirement options
- contains a survivor pension component for your eligible spouse and/or children.



CALCULATING YOUR PENSION AT AGE 65

Your basic pension will be calculated as follows:

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

a = your best five-year average annual salary

b = your credit

c = reduction for CPP integration

0.655% x the lesser of:

your best average annual salary **and**

your final five-year average Year's Maximum Pensionable Earnings (YMPE) under the CPP

d = your credit after 1965 to a maximum of 35 years

Note: Your pension is integrated with the Canada Pension Plan (CPP) at age 65. The reduction for CPP integration at age 65 is an adjustment to your pension that reflects your reduced contributions to the OPSEU Pension Plan for the portion of your salary that is less than the YMPE. CPP integration is explained further on pages 20-22.

Your **average annual salary** is the average of your highest consecutive five-year salary rates during your membership.

The average **YMPE** under the CPP is an average of the amount set by CPP for the year your membership in the OPSEU Pension Plan ends and the four preceding years.

**IF YOU RETIRE
BEFORE AGE 65,
OPTRUST PAYS THE
FULL 2% PENSION.
AT AGE 65,
YOUR OPTRUST
PENSION IS
REDUCED TO
REFLECT YOUR
LOWER
CONTRIBUTIONS
TO OPTRUST
WHILE YOU WERE
A MEMBER.**

INTEGRATION OF CPP CONTRIBUTIONS AND BENEFITS

While you are working, you make CPP contributions on the portion of your salary between the Year's Basic Exemption (YBE) and Year's Maximum Pensionable Earnings (YMPE). For 2011, the YBE is \$3,500 and the YMPE is \$48,300, so the portion of salary used for determining the 2011 CPP contribution is \$44,800 (\$48,300 minus \$3,500). On this amount, you will pay 4.95% of your salary to CPP in 2011.

The example on page 22 shows that your contributions* to the Plan are separated into two parts (8.4% and 10% in 2011). It also shows how your contributions to the OPSEU Pension Plan and CPP are integrated. You contribute a smaller amount to the OPSEU Pension Plan on the portion of your salary that is less than the YMPE because you also make contributions to CPP on that portion of your salary.

Your pension is integrated with CPP at age 65. The pension reduction reflects your reduced contributions to the OPSEU Pension Plan as a result of your contributions to CPP.



*In 2012 the contribution rate increases by 1%.

EXAMPLE:

Let's assume you are 65 years old and retired on August 31, 2011, with the following:

Average annual salary: \$52,000

Credit: 20 years

Average Year's Maximum Pensionable Earnings (YMPE)

| | |
|------|----------|
| 2011 | \$48,300 |
| 2010 | \$47,200 |
| 2009 | \$46,300 |
| 2008 | \$44,900 |
| 2007 | \$43,700 |

$$\underline{\$230,400} \div 5 = \$46,080$$

Using the basic pension formula, your retirement pension would be calculated as follows:

$$.02 \times \$52,000 \times 20 \text{ years} = \$20,800$$

minus

reduction for CPP integration:

$$.00655 \times \$46,080 \times 20 \text{ years} = \$6,036$$

**Gross annual OPTrust pension
benefit starting Sept. 1, 2011**

$$(\$20,800 - \$6,036) = \$14,764$$

OPTrust uses either the five-year average YMPE or your average annual salary – whichever is lowest – to calculate the CPP integration. In this example, the average Year's Maximum Pensionable Earnings is used to calculate the reduction for CPP integration because the five-year average YMPE of \$46,080 is less than the average annual salary of \$52,000.

ASK OPTRUST TO
CONFIRM YOUR
CREDIT IN THE PLAN
AT LEAST SIX
MONTHS BEFORE
YOUR RETIREMENT
DATE.

CONTRIBUTIONS

Contributions to the Plan are based on your pensionable earnings (your regular salary not including overtime pay). Contributions to the Plan are based on a formula that takes into account CPP integration.

EXAMPLE: MEMBER CONTRIBUTIONS*

Salary: \$52,000

2011 Year's Maximum Pensionable Earnings (YMPE**): **\$48,300**

8.4%* of your salary up to the YMPE
contributions to the fund: $.084 \times \$48,300 = \mathbf{\$4,057}$

plus

10%* of your salary above the YMPE
contributions to the fund: $.10 \times [\$52,000 - \$48,300] = \mathbf{\$370}$

Total member contributions*** to the fund:
 $\$4,057 + \$370 = \mathbf{\$4,427}$

*Contribution rates will increase by 1% in 2012.

**The YMPE refers to the maximum earnings from employment on which CPP contributions and benefits are calculated for that year. The YMPE is based on average wage levels and changes every year.

***All calculations use the 2011 YMPE. Actual contributions will vary annually depending on the YMPE set by CPP.

Getting a pension estimate

A pension estimate will give you a general idea of your retirement income. It is based on a snapshot of your current records. Many members want this general information before making a decision whether to take early retirement or as a tool for planning retirement needs. Usually the same information about your earned pension and pension at retirement appears in your *Annual Pension Statement*. You can also use OPTrust's pension estimator on the website to get an up-to-date estimate.

OPTrust can also provide you with an estimate of your early retirement dates based on existing records. However, if you are firm in your decision to retire, we advise you to confirm your credit in the Plan and ask for a written confirmation of your pension eligibility date. This allows a thorough review of your file prior to confirmation.

DIVESTED MEMBERS

You will receive a pension from OPTrust and one from your other employer. Please allow time for both administrators to balance and coordinate the pension estimate information.

WHEN TO CONFIRM CREDIT IN THE PLAN

It's advisable to ask OPTrust to confirm your credit in the Plan at least six months before your termination date. This provides enough time to check your file and make sure that we have all the necessary information to process your pension.

Working past age 65 or age 71

If you continue to work past the age of 65 you may choose to continue to contribute to the Plan and defer your pension. However, by the end of the year you reach the age of 71, the *Income Tax Act* requires that you stop making contributions to a registered pension plan. So, your membership in and contributions to the Plan must end at this time and pension payments must begin.

**SOME OF THE
DECISIONS YOU
MAY HAVE TO FACE
INCLUDE WHETHER
TO CONTINUE
WORKING
AND WHAT
ARRANGEMENTS
TO MAKE FOR
YOUR SURVIVORS.**

Considering the pension needs of your spouse

If you have a spouse, that person's retirement needs will likely be part of your overall retirement plan. Your spouse's age and his or her own retirement income may affect your decision regarding the amount of the survivor pension you wish to provide. The OPSEU Pension Plan provides a 60% spousal survivor pension with no reduction to your pension.

Planning your survivor's pension

Your spouse's survivor pension is based on your pension at age 65. This means a pension that has been integrated for CPP. However, if you are receiving an OPTrust pension and die before age 65, your spouse or eligible child receives a survivor pension based on 60% of the pension you were receiving. The survivor pension is re-calculated to 60% of your CPP-integrated pension on what would have been your 65th birthday. If you die after age 65, your pension has already been integrated, so your spouse or eligible child will receive payments based on 60% of the amount of pension you were receiving when you died.

| | |
|--|------------|
| Member's age at death | 62 |
| Member's pension before age 65 | \$2,027/mo |
| Member's integrated pension at age 65 | \$1,400/mo |
| Percentage to surviving spouse | 60% |
| Surviving spouse's pension when member dies | \$1,216/mo |
| Surviving spouse's pension on member's 65 th birthday | \$840/mo |

The example above shows that the surviving spouse receives 60% of the pension the member was receiving when he or she died. On what would have been the member's 65th birthday, the survivor pension is reduced to 60% of the former member's CPP-integrated pension.

INCREASING THE SPOUSAL SURVIVOR PENSION

You also have the option of providing a higher survivor pension for your spouse in increments of 5% (65%, 70%, 75%). To provide this increased benefit, your pension will be reduced. You must inform OPTrust before you retire if you want to increase your spouse's survivor pension. If you apply at least two years before the month your pension begins, no medical information is necessary. If you apply after this time but before the month when your pension begins, we require a *Certificate of Health* and OPTrust must approve your application. This report must prove that you are in good health for your age. Both the *Application for Increased Survivor Benefits* and the *Certificate of Health* are available from your human resources representative or from the OPTrust website.

If you are considering an increased survivor pension option, you may also want to consider other alternatives such as life insurance.

You may cancel the higher survivor benefit at any time, up to one month before your pension starts. **Once your pension is effective, you no longer have the option to cancel the increased survivor pension. This means that if your spouse dies before you do, you continue to receive a reduced pension.** Pensions are effective on the first of the month.

| EXAMPLE: | A | B |
|---|------------|------------|
| Percentage to surviving spouse | 75% | 60% |
| Member's age at death | 78 | 78 |
| Member's basic integrated pension | \$1,400/mo | \$1,400/mo |
| Member's pension at death (after spousal reduction) | \$1,282/mo | \$1,400/mo |
| Surviving spouse's pension | \$962/mo | \$840/mo |

Example "A" above shows a 75% survivor pension with the actuarial reduction that is made to the member's pension for the higher survivor pension. The resulting survivor pension is \$962 per month.

If the member in these examples had no surviving spouse but did have an eligible child, for example a 22-year old university student, that child would typically receive 60% of the member's pension. This would continue until the student stopped full-time attendance at school or reached the limit of five years in a post-secondary institution.

**A NUMBER OF
CONDITIONS MUST
BE MET BEFORE A
NEW SPOUSE CAN
BE SET UP FOR A
SURVIVOR PENSION.**

IF YOU HAVE A NEW SPOUSE BEFORE YOUR PENSION BEGINS

Your current spouse at retirement (when your pension begins) is legally entitled to a 60% survivor pension. But, if this person was not your spouse when you ended your employment, your pension will be reduced to pay the full cost of the 60% survivor benefit. If you are in this situation, you and your spouse do have the option to waive this survivor benefit.

This requirement to pay for a survivor pension for your spouse applies if:

- 1) you did not have a spouse when you ended your membership in the Plan, but have a spouse when your pension begins (the deferred period), **or**
- 2) you have a different spouse when your pension begins.

Please note that if your spouse has waived the survivor pension and you die before your spouse, he or she will no longer be covered for insured benefits. In these circumstances, we urge both you and your spouse to get independent legal advice before deciding to waive the survivor benefits.



If your spousal relationship ends

Before retirement

If your spousal relationship ends before you retire, your spouse may be able to receive the same options for pension benefit payments as you have when you retire or terminate from the Plan.

SPOUSAL RELATIONSHIP BREAKDOWN

If your spousal relationship ends, your spouse may become entitled to a portion of your pension accrued during your spousal relationship as part of the equalization process under the *Family Law Act*. If you enter into a domestic contract or are a party to a court order requiring a split of your pension, you must file a copy with OPTrust. This document must clearly identify how the pension is to be split.

Pension law will not permit the payment of more than 50% of the pension benefit earned during the period of the spousal relationship, to be paid to your former spouse for the equalization of family property. If you were in a spousal relationship at the time you first began to receive your pension (and unless he or she waived it at the time), your ex-spouse is eligible to receive a full survivor pension after your death.

In all cases of separation, you and your spouse should obtain independent and separate legal advice about your pension rights and obligations.

If you die

If you die before your pension begins, your spouse may be eligible for a portion of the death benefit payable under the Plan, depending on the terms of the domestic contract or court order, and subject to the 50% rule.

How to retire from the OPSEU Pension Plan

DOCUMENTATION FOR RETIREMENT INCLUDES A NUMBER OF FORMS AS WELL AS A VOID CHEQUE FOR DIRECT DEPOSIT OF YOUR PENSION PAYMENT.

WHEN TO APPLY

Approximately six months before you plan to retire is a reasonable period of time to start making arrangements for retiring. Of course, if you give less notice, OPTrust will serve you in a timely manner but waiting until only a few weeks before retirement could cause delays in receiving your first pension payment.

HOW TO APPLY AND WHOM TO INFORM

Once you've made the decision to proceed with retirement, you need to inform your human resources office. They will have the necessary forms that must be completed to start the process.

CHOOSING A RETIREMENT DATE

When choosing a retirement date bear in mind that while your pension and insured benefits are in effect as of the first day of the month after your retirement date, you will not receive your pension payment until the 26th of the month.

THE NECESSARY FORMS

Your human resources representative will provide you with a number of forms. The most important one is the *Termination of Membership* form – it will confirm your intention to retire. You will also be asked to complete a spousal relationship form that states your current spousal status and "TD1" forms for income tax purposes. If you qualify, you will be asked to complete a benefits form for your post-retirement health, dental and medical benefits and you will be given a *Pension Beneficiaries* form to update your beneficiaries or you can complete the online version on OPTrust's secure *Online Services* site.



DOCUMENTS NEEDED

Some of these forms require additional documentation as proof, such as a birth certificate or information establishing your spousal relationship. Gather all of the relevant pieces of documentation and provide them to your employer so they can be forwarded to OPTrust as part of your termination package. You also have the choice of sending your confidential documentation and forms to OPTrust directly, (i.e. all your forms and documentation other than the *Termination of Membership* form can be sent directly to us). Your employer needs a completed *Termination of Membership* form to start the process for your retirement. We cannot process your pension until we receive all the relevant documentation.

For spousal benefits:

Because spousal benefits are provided under the Plan, OPTrust needs proof of your spousal status when you end your membership in the Plan. If you are married, we require a copy of the marriage certificate; if you have a common-law partner we need three pieces of proof that you have been in the common-law relationship for at least three years or have been living together and have a natural or adopted child together. In addition, we need a copy of an eligible spouse's birth certificate and a completed *Statement of Spousal Relationship* form from everyone – married or common-law, same or opposite sex.

For pension payroll:

OPTrust has its own payroll system for pensions. We have no access to your employer's payroll system, so we must set you up on OPTrust's system to deposit your monthly pension into your bank account. To do that, we need a void cheque for the financial institution you plan to use for your retirement banking.

If you have special payroll deductions from the Canada Revenue Agency or for child/family support, you must have the appropriate agencies send us a "requirement to pay" notice for your pension. We cannot transfer this information from your employer. We cannot continue your deductions for Canada Savings Bonds, mortgage payments, car payments, loans, etc. You will have to set up these payments with your financial institution.

From your employer:

We will ask your employer for information to verify your salary and the period of time you worked, if records are not already complete.

Once we receive your *Termination of Membership* form, we will check to ensure we have everything we need and send you a letter of acknowledgement and a retirement package. It includes:

- a request for any missing or required information
- *Your Pension during Retirement* booklet
- a *Pension Beneficiaries* form
- a *Personal Information Change Request* form
- any current information that may apply to you
- the benefits booklet *A Guide to your Benefits – After Retirement* (if applicable)
- an insured benefits claim form (if applicable)
- a life insurance waiver form and information sheet (if applicable).

Once we receive all of the forms and documentation, we will process your file and send you a confirmation of the amount of your pension.

OPTrust keeps in regular contact with our pensioners through our newsletter, e-mail alerts and our website.

LIMITED LIFE EXPECTANCY

Generally, once you have started receiving a pension, what you would receive is the present-day value of the stream of pension payments expected to be paid under the Plan, as a lump-sum amount. Because of your limited life expectancy, this amount would be approximately one year's pension payment. If you are considering applying, contact OPTrust as soon as possible.

If you are currently entitled to insured benefits from Great-West Life and are approved to receive a lump-sum pension payment, your insured benefits, including any family coverage will continue until the end of the month that you die. Once you die, all insured benefits coverage stops.

Changing the decision to retire

When is it too late to change your decision?

Situations change. You may decide that your plans to retire need to be changed. At OPTrust we will try to accommodate your needs. However, we strongly encourage you to inform us of any change by the first day of the month before your pension is scheduled to start (i.e. if you were to start getting a pension in May, let us know of your decision to change that by April 1st). If you decide to change your decision to retire or your retirement date, please let us know as soon as possible.

Retroactive salary changes affecting your pension

In cases where you receive a retroactive salary increase, please have your former employer notify OPTrust and we will re-calculate your pension using your new salary. We must have salary information from the employer. Employers often provide this information but sometimes miss those who are retired. It is a good idea to follow up.

What happens to your pension after you retire?

ALL OPTRUST PENSIONS ARE PAID ON THE 26TH OF EACH MONTH, EXCEPT DECEMBER WHEN THEY ARE PAID EARLIER.

IF A SCHEDULED PAY DATE FALLS ON THE WEEKEND OR A HOLIDAY, YOUR PENSION IS PAID THE FRIDAY BEFORE.

How and when your pension is paid

At OPTrust, pensions are paid on a monthly basis, usually by the 26th, except for December when we pay pensions earlier. For your convenience, we offer direct deposit to the financial institution of your choice anywhere in Canada and in the United States. When you retire your first pension payment is effective on the first day of the month following your retirement. It will be paid on the 26th of the month following your retirement, i.e. if you retire on May 15th, your first pension payment would arrive on June 26th. Normally, we only deduct income tax based on your OPTrust pension income unless you tell us you want other deductions (see pages 37-38). If you want additional tax deducted, you can use our secure *Online Services* or complete a *Personal Information Change Request* form and send it to OPTrust.

Inflation protection – annual increase

Every January your pension, or that of your survivor, is adjusted for the increase in the cost of living. The adjustment is applied the year after you start to receive a pension. The first adjustment is pro-rated for the length of time you received a pension in the previous year. The inflation adjustment reflects the increase in the cost of living in Canada (as measured by the Consumer Price Index). It is calculated by dividing the Consumer Price Index (CPI) average for the two 12-month periods ending the preceding September. For example, the 2010 inflation adjustment was calculated as:

$$\frac{\text{October 2009 to September 2010} = 115.8}{\text{October 2008 to September 2009} = 114.2} = 1.4\%$$



The maximum increase in any one year is 8%. Any increase above 8% is carried forward into the next year when the adjustment is less than 8%.

EXAMPLE OF PENSION WITH PRO-RATED INFLATION INCREASE:

| | |
|-----------------------------|-------------------|
| Terminated from Plan | June 2010 |
| Pension began | July 2010 |
| Number of months on pension | 6 (July–December) |
| CPI increase for 2010 | 0.5% |

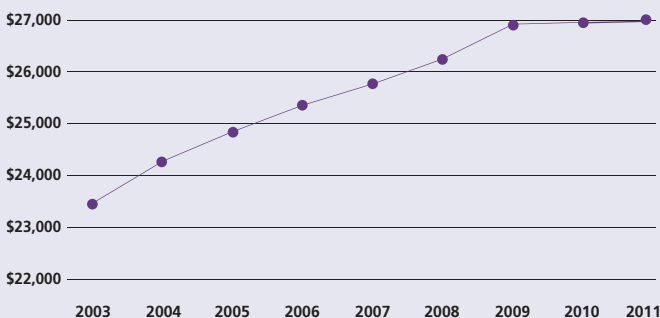
How to calculate your 2010 increase:

number of months on pension, divided by 12 x increase in CPI for 2011
= your 2011 adjustment

$$(6 \div 12 \times 1.4\% = 0.07\%)$$

In January 2011, your pension would be increased by 0.375% to reflect the cost of living for six months. In following years the full CPI increase (up to 8%) in any given year is applied.

INFLATION PROTECTION CHART



This chart shows how the inflation protection feature of the OPSEU Pension Plan works. The graph plots the growth of an average pension over a 9-year period from 2003.

IF YOU WORK
AFTER YOUR
PENSION HAS
STARTED AND
YOUR NEW
EMPLOYER DOES
NOT CONTRIBUTE
TO THE OPSEU
PENSION PLAN,
YOUR PENSION IS
NOT AFFECTED.

Changes to your pension at age 65

Canada Pension Plan and your OPTrust pension: The Canada Pension Plan (CPP) provides retirement benefits to individuals who have contributed to it during their employment. Your OPTrust pension is designed to provide you with a combined pension income – from both OPTrust and CPP – that equals approximately 2% of your average salary multiplied by your years of credited service in the OPSEU Pension Plan.

In effect, when a pensioner retires before age 65, OPTrust pays the full 2% pension benefit. However when you were a contributing plan member, you made reduced contributions to the OPSEU Pension Plan on the portion of your earnings that is also covered by CPP. This contribution “integration” is taken into account in the way your OPTrust pension is calculated starting at age 65.

Starting at age 65, your 2% pension will be made up of an OPTrust portion plus a CPP portion.

Even though the normal age for starting CPP benefits is 65, you can apply for a CPP pension as early as age 60. If you receive an early CPP pension, it is reduced 6% for every year you are less than 65. CPP annual maximum benefits increase every year to reflect changes in the cost of living. The maximum monthly CPP retirement pension in 2011 was \$960.

The CPP benefit calculation can be complex. As well, CPP benefits and contributions change over time. For more detailed information on the Canada Pension Plan, we suggest you contact CPP.

Working after your pension begins

If you are receiving a pension from the OPSEU Pension Plan and start working again, who you work for may affect your pension. If you work for an employer who does not contribute to the Plan, your pension is not affected. If you are re-employed or engaged (see page 48 for definition) by an employer who contributes to the Plan, the impact on your pension depends on your salary and whether or not

you re-join the Plan. It is your responsibility to inform a participating employer that you are currently receiving a pension from OPTrust.

Without re-joining the Plan: Your monthly pension is subject to a re-employment earnings maximum each calendar quarter (e.g. January – March), if you are i) re-employed or engaged by an employer who contributes to the Plan, and ii) if you do not re-join the Plan as a contributing member. Your re-employment earnings maximum is determined by subtracting your quarterly OPTrust pension income from your final quarterly pre-retirement salary. The amount left over is the maximum amount you can earn in a calendar quarter from re-employment before we reduce your pension. This amount is provided on your confirmation statement from OPTrust and your *Pensioner Information Change Statement*. If you are unsure of the limit, please call OPTrust. If you do exceed your maximum for the quarter, we will reduce future pension payments by the amount that you have exceeded your maximum.

EXAMPLE: DETERMINING YOUR RE-EMPLOYMENT MAXIMUM EARNINGS

| | |
|--|-------------------------------|
| Final quarterly pre-retirement salary: | \$11,725 |
| minus Quarterly pension income: | \$ 4,500 |
| <hr/> | |
| = Re-employment maximum earnings: | \$ 7,225 (per quarter) |

Note: We use your gross salary and gross pension in our calculations. Your maximum is also expressed as a gross amount.

When your employer reports your quarterly re-employment earnings to our office, they report the amounts paid to you on the pay dates that fall within the calendar quarter.

With re-joining the Plan: Depending on the nature of your re-employment and your age, you may have the option or may be required to re-join the Plan. If you re-join, your pension stops immediately. While you are making contributions to the Plan, you are accruing additional pension credit so when your employment ends, we will re-calculate your pension.

OPTrust will add the additional credit you earned during your re-employment to your previous credit whether you retired under the Factor 80, Factor 90 or 60/20 provision or age 65. OPTrust then re-calculates your pension at the end of your re-employment period to include the additional credit you accrued. However, if you were previously receiving a reduced pension, your new pension amount will be actuarially adjusted to take into account any pension payments you have already received.

WHEN A PENSIONER IS NO LONGER ABLE TO DEAL WITH HIS OR HER OWN FINANCIAL AFFAIRS, OPTRUST CANNOT RECOGNIZE ANOTHER PERSON ACTING ON THE PENSIONER'S BEHALF WITHOUT PROOF OF PROPER LEGAL AUTHORIZATION.

If a pensioner lacks the capacity to deal with his or her financial affairs

When a pensioner is no longer able to deal with his or her financial affairs and a Power of Attorney is in effect, OPTrust needs a notarized copy of the document or the original, to validate the appointment. (All original Power of Attorney papers will be returned to the owner). The person appointed under the Power of Attorney may then handle any matters dealing with the pension in the usual manner.

If the pensioner wants to redirect his or her material to another address (e.g. to a daughter's address, so there is assistance available in reading and understanding material), he or she can do so by sending OPTrust a written change of address notice. Then everything we send will go to the new address. We cannot have two addresses on file. Since any bank change under this arrangement would require the pensioner's signature, we cannot make funds payable to another person or make deposits in someone else's account without a Power of Attorney or a court order.

If there is no Power of Attorney in place, the family needs to seek legal advice from the proper authorities and make the necessary arrangements. OPTrust cannot accept changes without the proper authority, i.e. Power of Attorney or court order.

If the pensioner has not made the arrangements prior to his or her incapacity, improper withdrawals from a pensioner's account are unlawful. It is the responsibility of those caring for the pensioner to ensure they act under proper legal authority. They have the legal obligation to act in the best interests of the pensioner. Accordingly, it is the responsibility of the person caring for the pensioner to obtain proper authorization to deal with financial affairs including an OPTrust pension. Pensioners can assist by putting in place a Power of Attorney before incapacity occurs.

Please note that the person appointed as a Power of Attorney cannot change life insurance designations, nor can he or she designate beneficiaries under the Plan.

What deductions are taken from your pension?

Taxes

Pensions are considered income and as such are subject to income tax. As part of your retirement package we ask you to complete two TD1 forms, one federal and one provincial form. Unless you inform us otherwise, we only deduct tax based on your OPTrust pension income. If you are collecting CPP and OAS and have other income, you may be in a higher tax bracket, but unless you provide that information on your TD1, we don't know and can't deduct additional money. This could lead to tax owing and even tax penalties.

Spousal or child support payments

It is your responsibility to provide OPTrust with the necessary paperwork if you are required to pay either spousal or child support from your pension. Family support is one type of third party demand that we will deduct from your pension. If we receive a court order or domestic contract we will deduct the specified amount from your pension.

Additional Canada Revenue Agency deductions

Additional deductions required by the Canada Revenue Agency are the other third party demand that we will deduct from your pension. If you have a requirement to pay, we need to have the documentation sent to us by the Canada Revenue Agency in order to make the deduction. We do not have access to your employer's records and cannot use that requirement in our administration.

**PENSIONS ARE
LEGALLY EXEMPT
FROM MOST
CREDITORS.**

No other deductions permitted

While you are receiving your pension, it is exempt from most creditors. The exceptions are the Canada Revenue Agency, your former spouse in the case of a marriage breakdown and orders for child support. If you die after retirement and do not have an eligible spouse, eligible children or other beneficiaries, payments made to your estate can be claimed by creditors.



What death benefits are available for your survivors after retirement?

The OPSEU Pension Plan provides benefits for your survivors, whether you die before or after your pension begins. The entitlements for survivors, if death occurs after retirement, are outlined below.

Who gets a survivor benefit?

For death after retirement, benefits normally flow as follows:

**ELIGIBLE SPOUSE GETS:
60% of pension**

- *if no eligible spouse*

**ELIGIBLE CHILDREN GET:
60% of pension**

- *if no eligible children*

**OTHER BENEFICIARIES GET:
lump-sum residual balance (if any)**

- *if no other beneficiaries*

**ESTATE GETS:
lump-sum residual balance (if any)**

For eligible spouse

If your spouse is eligible for a survivor pension when you die (see definition on page 47), he or she may be entitled to 60% of your pension at no additional cost to you.

If you started receiving an OPTrust pension and you die before age 65, your spouse will receive 60% of your pension until the date you would have reached age 65.

At that time, your pension would have been integrated for CPP, so your spouse's pension is reduced to 60% of your CPP-integrated pension.

**AN ELIGIBLE
SPOUSE IS ELIGIBLE
TO RECEIVE A
SURVIVOR BENEFIT
FOR HIS OR HER
LIFETIME.**

For eligible children

If your children are “eligible” (see definition on page 48), and are the recipients of the survivor benefit, they will each receive an equal share of 60% of your pension.

Survivor benefits are payable to an eligible child only if there is no eligible spouse or if the eligible spouse has waived the survivor pension.

Residual balance

If you die after your pension payments have started, a lump-sum residual balance may be payable. Your adult children, friends or other family members can be named as beneficiaries, in case there is a residual balance payment. We only calculate the residual balance when there are no more survivors, i.e. eligible spouse or eligible children.

To determine if there is any residual balance OPTrust calculates the difference between your contributions plus interest at retirement, minus all the pension payments made to you and your survivors. If your contributions and interest exceed the pension payments, this is the residual balance and we will refund it to your beneficiaries. You can name a beneficiary by using the *Pension Beneficiaries* form. If you have not named a beneficiary, any residual balance is paid to your estate.

Note: generally there is no residual balance after four or five years of pension payments.



RESIDUAL BALANCE CALCULATION

$$\begin{array}{l} \text{Your contributions to the Plan, plus interest} \\ \text{minus pension paid to you + survivor benefits paid} \\ \hline = \text{residual balance} \end{array}$$

Changes in your spousal relationship

IF YOU HAVE A NEW SPOUSE AFTER RETIREMENT

When a pensioner marries or starts a common-law relationship after retirement (after your pension starts) the new spouse is not automatically set up for survivor benefits. Under the OPSEU Pension Plan, for a spouse to be eligible to receive survivor benefits, the person must have been your spouse when you terminated from the Plan and when your pension began. However, if you do marry after retirement or acquire a common-law spouse you may request that a survivor pension be established for your new spouse. To fund the survivor benefit, your pension is actuarially reduced. If your spouse dies before you, the actuarial adjustment to your pension will continue.

To set up a new spouse for survivor benefits, send us a request for information, a copy of the marriage certificate and your spouse's birth certificate. If your spousal relationship is common-law, call OPTrust and we will send you a package outlining the information we need.

To set up a survivor pension for a new spouse, the following conditions must be met:

- If you already have an eligible spouse who is entitled to a survivor pension, you cannot set up a survivor pension for a post-retirement spouse.
- Your application to set up a survivor pension must be delivered to OPTrust within 90 days of whichever occurs first, either:
 - the date of your marriage, or
 - the date on which your common-law criteria are satisfied (see definition on page 47).

YOUR SPOUSAL STATUS WHEN YOU END YOUR EMPLOYMENT AND AT RETIREMENT IS USED TO DETERMINE SURVIVOR BENEFITS FOR YOUR SPOUSE.

- If there is an eligible child from your former spousal relationship, the child will receive a survivor pension until the child no longer meets the definition of “eligible.” To set up your new spouse, you must deliver the application to OPTrust within 90 days from the date that the child is no longer eligible to receive a survivor pension.
- If your application is delivered after the time limits noted in the points above, you must prove you are in good health.

When we receive your spousal documentation, we will send you an election form showing the cost for providing a 50%, 55%, 60%, 65%, 70% or 75% survivor pension (see page 25 for examples).

Your new spouse may be eligible for coverage under your insured benefits (if you are receiving them) and if you do not have a former spouse who is covered by your insured benefits. To start the coverage, please send a written request to OPTrust.

IF YOUR SPOUSAL RELATIONSHIP ENDS

If your spousal relationship ends, your spouse may become entitled to a portion of your pension accrued during your spousal relationship as part of the equalization process under the *Family Law Act*. If you enter into a domestic contract or are a party to a court order requiring a split of your pension, you must file a certified copy with OPTrust. This document must clearly identify how the pension is to be split.

Pension law will not permit the payment of more than 50% of the pension benefit earned during the period of the spousal relationship, to be paid to your former spouse for the equalization of family property. If you had an eligible spouse at the time you first began to receive your pension, your ex-spouse is entitled to receive a full survivor pension after your death (unless he or she waived it at that time).

The end of the spousal relationship after retirement does not affect the ex-spouse’s eligibility for a survivor pension under the Plan.

After retirement

If your spousal relationship ends after you retire and start receiving your pension payments, your former eligible spouse will be able to receive the pension benefit payments from the date stated in the court order or domestic contract as long as the date is in the future. Pension payments to a former spouse cannot be backdated.

REMARRIAGE OF SURVIVING SPOUSE

If your surviving spouse remarries after your death, he or she will continue to receive survivor benefits from OPTrust. However, if your surviving spouse remarries, that new spouse is not eligible for insured benefits or survivor benefits. If your surviving spouse dies, any further benefits go to any of your eligible children. If there are no eligible children, any residual balance is payable to any beneficiary you have named or your estate, not to your spouse's estate.

IF YOUR SPOUSE DIES BEFORE YOU

In cases where your spouse dies before you, there is no change in the pension you are receiving. Please notify OPTrust if your spouse dies so we can adjust our records accordingly. As noted on page 25, if you chose an increased survivor pension for your spouse, you will continue to receive a reduced pension despite the fact that your spouse died before you.

IF YOU HAVE NO ELIGIBLE SURVIVORS WHEN YOU DIE

When a pensioner does not have any eligible survivors, that is, there is no eligible spouse, children or beneficiary, any residual balance payable from the Plan will be paid to the estate of the pensioner.

What about health, dental and life insurance benefits?

HEALTH AND
DENTAL BENEFITS
FOR YOU AND
YOUR DEPENDANTS
ARE AN IMPORTANT
COMPONENT OF
YOUR PENSION.

What are the benefits?

Insured benefits for eligible pensioners include coverage for: dental, supplementary health and hospital, vision care and hearing aid plan coverage* and basic life insurance. The premiums for these benefits are paid by the Ontario Government. Employer-paid premiums for basic life insurance are considered a taxable benefit.

For more details on insured benefits, please refer to the Ministry of Government Services booklet: *A Guide to your Benefits – After Retirement*. This booklet is available from OPTrust. *Pension Connection*, the OPTrust newsletter for pensioners, regularly provides questions and answers related to insured benefits.

Who gets the benefits?

Currently, you, your spouse and your eligible dependent children qualify** for insured benefits if you meet one of the following criteria:

1. you are receiving a pension based on at least 10 years of credit in the OPSEU Pension Plan or the PSPP, **or**
2. you are receiving a pension based on at least 10 years of continuous employment and have some credit in the OPSEU Pension Plan for at least some part of each of those 10 years.

If you were employed in the Ontario Public Service (OPS) or certain other eligible organizations and meet any of the above requirements, you are entitled to insured benefits in retirement.

Please note that these insured benefits are provided by your employer, not the OPSEU Pension Plan.

*If you are a former employee of GO Transit, you will pay a small premium for vision and hearing aid coverage.

**Eligibility for coverage under the group insured benefit plans for eligible Ontario government retirees, is subject to the policy terms and conditions in effect at retirement.

What should be done when a pensioner dies?

Contacting OPTrust

When an OPTrust pensioner dies after his or her pension has started, the family or other authorized person should notify OPTrust immediately.

We need to know:

- the date of the death
- if there is a surviving spouse or eligible children
- who is handling the estate along with his or her name, address and phone number.

The necessary forms

For any pensioners who have basic life insurance through Great-West Life, there is a \$2,000 life insurance benefit payable to the person designated as the beneficiary. OPTrust will send the claim form to the person who is handling the estate. The executor or administrator must then mail the form to Great-West Life. They will then send a cheque to the beneficiary. It takes approximately three weeks for Great-West Life to send the basic life insurance cheque. If there is no named beneficiary on the policy, the benefit is payable to the estate.

Documents needed

The most important information we need is banking information for the survivor (i.e. account number for direct deposit of the payments). Many spouses have joint banking accounts, but these can be frozen as part of an estate settlement, so it may be advisable for the survivor to set up his or her own account. The financial institution can help with this when the survivor is ready to deal with it.

OPTrust does not usually need a copy of any Will since survivor benefits cannot be designated through a Will. See page 39 for how benefits flow.

Payments to survivors, beneficiaries or the estate

Usually survivor benefits are automatically payable to your eligible spouse once the information is provided, avoiding any gaps in pension payment. But, you may not have a surviving eligible spouse. When you die after you have started receiving a pension and you do not have an eligible spouse or eligible children, no further benefits will be paid from the OPSEU Pension Plan. What may be payable is a residual balance payment, which is defined on page 40.

How to plan ahead to avoid delay and reduce costs

It's important to know that benefits paid to an eligible survivor are not subject to probate fees and can not be claimed by other creditors.

A surviving eligible spouse will automatically receive benefits. In cases where there is no surviving spouse, there may be benefits payable to eligible children. Unless someone is named as the beneficiary, any money payable will be paid to the estate and can be claimed by creditors and is subject to probate fees. By completing a *Pension Beneficiaries* form, OPTrust can pay directly to a beneficiary rather than the estate. A photocopy of this completed form should be kept with your other important documents such as your Will.

If OPTrust is not informed of a pensioner's death, we will continue to pay the full pension, which will result in an overpayment. When that happens all overpayments will be recovered by OPTrust.

Defined Terms

Accrued pension/benefit – the amount of an annual pension earned by a plan member based on credit and salary rate up to a given date.

Basic pension – is the gross pension payable at age 65. See *Calculating your pension at age 65* on page 19.

CPP integration – is a reduction to your pension at age 65 to reflect the lower contributions you pay to the OPSEU Pension Plan for the portion of your earnings below the Year's Maximum Pensionable Earnings (YMPE).

Deferred pension – a specified pension determined at the time of termination of membership which is payable at normal retirement age.

Defined benefit plan – a plan that defines the pension to be provided (based on credit and average salary) but not the total contributions.

Eligible spouse – a spouse is defined as someone, of the same or opposite sex, with whom you:

- are married
- or**
- are living together in a conjugal, common-law relationship
 - (1) for at least three years
 - or**
 - (2) in a relationship of some permanence and are the natural or adoptive parents of a child.

If you die *before* your pension begins, to be eligible, your spouse must not be living separate and apart from you at the time of termination from the Plan *and* at the time of your death.

If you die *after* your pension begins, to be eligible, your spouse must not be living separate and apart from you at the time of termination from the Plan *and* at the time your pension began.

Eligible child – under the OPSEU Pension Plan, a child is eligible to receive survivor benefits if the child is under the age of 18 or, if over 18, the child is in continuous full-time attendance at a secondary school or, immediately following secondary school, is attending a post-secondary institution to a maximum of five years.

Immediate pension – a pension that is effective on the first day of the month following your retirement and paid on the 26th of the month following the month of termination from the Plan. An immediate unreduced pension may be payable to a member who qualifies for Factor 90, 60/20 or age 65. An immediate reduced pension is payable as early as age 55.

Inflation protection – is the annual adjustment applied every January to all pensions that reflects the increase in the cost of living in Canada as measured by the Consumer Price Index.

Pensionable service credit (credit) – is the total period of time during which a member contributes to the pension fund or has contributions made on his or her behalf.

Re-employed or engaged – a re-employed pensioner is someone who is working for (becomes an employee of) an employer who contributes to the OPSEU Pension Plan. The pensioner is considered engaged if he or she has a fee-for-service contract with an employer who contributes to the Plan.

Residual balance – when a pensioner dies and all eligible survivors have been paid, a calculation is done to determine if there is any money owing. This calculation compares the pension payments made plus all the survivor benefits paid to the total amount the member contributed, plus interest, to the Plan.

Year's Basic Exemption (YBE) – the earnings amount set every calendar year by CPP below which Canadians do not make any CPP contributions.

Year's Maximum Pensionable Earnings (YMPE) – the maximum earnings from employment on which CPP contributions and benefits are calculated. The YMPE is changed every year according to a formula based on average industrial wage levels.

Commonly asked questions

Who should I contact about my Great-West Life benefits – Great-West Life or OPTrust?

If your questions are about coverage of a specific drug, treatment or procedure, contact Great-West Life at **1-800-461-6090** or **www.greatwestlife.com**. If you want to know if you are covered for benefits or if you have a general question, contact OPTrust.

Do medical benefits exist past age 65?

Your medical benefits with Great-West Life remain the same except for drugs that are covered under the Ontario Drug Benefit Plan (ODB). The Ontario Drug Benefit Plan for senior citizens goes into effect when you turn 65. It covers the cost of certain drugs according to a formula. If that drug is covered by the ODB, Great-West Life will not reimburse you for the cost.

Why do my taxes drop so much at age 65?

At age 65 your pension is smaller as a result of CPP integration (see page 34). Once you reach age 65, you are eligible for additional tax credits. However, you must submit revised federal and provincial TD1 forms to change your non-refundable tax credits.

Do I have to notify OPTrust if my spouse dies?

Yes, please provide proof of death – either a copy of the Death Certificate or the Funeral Director's Certificate. OPTrust requires this information to update your beneficiary information.

After my pension started I got married and had my pension reduced so my spouse would get a survivor pension when I die. We are now divorced. Will the deduction to my pension be reversed so I get a full pension?

No, there is no provision under the Plan that permits a pensioner to withdraw the survivor pension or to permit the spouse to waive his/her right to it. Your ex-spouse will receive a survivor pension if you die first.

How we stay in touch with pensioners



OUR PUBLICATIONS

Pension Connection – a newsletter for OPTrust pensioners.

OPTrust Annual Report and Financial Statements – a yearly report on the administration of the pension plan, investment results each year end and annual audited financial statements.



OUR WEBSITE

Visit our website at www.optrust.com for additional information and online resources.

Secure *Online Services* for registered pensioners

Use OPTrust's secure *Online Services* to:

- view and print your current T4A and your monthly *Pensioner Information Change Statement*
- update your TD1 and change your tax deductions
- update beneficiary information – you can update this as needed
- view your insured benefits coverage
- change address information – can be changed as needed
- send and receive secure e-mail messages for your pension questions.

To register for *Online Services*, click on the secure *Online Services* icon on the homepage of OPTrust's website, or call us at **416-681-6100** or toll-free at **1-800-637-0024**.



www.optrust.com

Online Services... your pension information at your fingertips.

The OPSEU Pension Trust manages one of Canada's largest pension funds and administers the OPSEU Pension Plan. The OPSEU Pension Plan is a defined benefit plan covering approximately 82,000 plan members and pensioners.