

# Employer

## UPDATE

ISSUE 45 | FALL/WINTER 2015

### OPTrust 2016 Contribution Rates Unchanged

Contribution rates to the OPSEU Pension Plan will not change in 2016. They remain as follows:

PERCENTAGE OF SALARY	
Up to YMPE	Above YMPE
9.4%	11%

Members and employers pay a lower contribution rate on salary up to the Year's Maximum Pensionable Earnings (YMPE) set by the Canada Revenue Agency. This reflects the fact that salary up to the YMPE is also subject to deductions for the Canada Pension Plan (CPP).

### 2016 YMPE

The Canada Revenue Agency has set the 2016 YMPE at \$54,900. The Year's Basic Exemption (YBE) remains unchanged at \$3,500. These figures are used to determine earnings on which CPP contributions are payable for 2016. CPP contribution rates remain unchanged at 4.95% for both employers and employees.

The YMPE is also used to determine the level of member and employer contributions payable to the OPSEU Pension Plan.

For more information on CPP see the [Canada Revenue Agency site](#).



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# OPTrust's 2016 Pension Escalation Factor is 1.3%

The pension escalation factor for 2016 is 1.3%. The pension escalation factor is the annual inflation adjustment that is applied to all OPTrust pensions. It is effective January 1, 2016.

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

- qualify for or are deemed eligible to receive Long Term Income Protection (LTIP) benefits, or
- are on leaves of absence without pay that extend beyond the end of the calendar year.

In these cases, the escalated salary amount is used to calculate the members' annual pension adjustment for the periods concerned.

## CALCULATING THE INFLATION ADJUSTMENT

The annual pension increase is calculated based on the change in the average monthly Consumer Price Index (CPI) between October and September for the previous two years. For example the 2016 increase was calculated as follows:

$$\frac{\left[ \begin{array}{l} \text{October 2014 to} \\ \text{September 2015} \end{array} \right] \text{ minus } \left[ \begin{array}{l} \text{October 2013 to} \\ \text{September 2014} \end{array} \right]}{\text{October 2013 to September 2014}} = \frac{[ 126.2 - 124.6 ]}{124.6} = 1.3\%$$

## ALL OPTRUST PENSIONS ADJUSTED FOR INFLATION

Currently all OPTrust pensions are automatically adjusted annually each January for inflation, beginning the year after the former member's pension starts. The escalation is applied both to former members' pensions and to survivors' pensions.

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

For more information, see OPTrust's [fact sheet on inflation adjustments](#).

## Submitting Reports for Re-Employed Pensioners

When an employer is aware that an employee is receiving an OPTrust pension, the employer is required to submit the *Pensioner's Quarterly Re-employment Earnings and Calculations Report* (OPTRUST1008). This form should be submitted regardless of whether the employee exceeds the limit or not.

For further information please refer to the *Working After Retirement* section in the Employer Manual.

# Missed Mandatory Contributions Refresher

## BACKGROUND

Employers are required to remit pension contributions to OPTrust for all Plan members. This includes contributions for all pensionable earnings as well as for certain leaves of absences (LOA) where contributions are mandatory under the *Employment Standards Act*.

Required contributions for regular or LOA service that are not remitted to OPTrust are referred to as “missed mandatory contributions.”

Upon identifying missing pension contributions a report will be generated and uploaded to the secure Employer site on a monthly basis.

See the [Employer Manual section](#) for more information about missed mandatory contributions.

## THE FOUR MOST COMMON CAUSES OF MISSED MANDATORY CONTRIBUTIONS

These are the most common reasons outstanding contributions have not been received and how to correct them.

### 1. Employer is waiting for the member to respond

Employers should inform members of the deduction arrangement but it is not necessary to obtain agreement from the member before remitting missed mandatory contributions.

### 2. Member has been terminated

In this instance contributions are still mandatory up to the member’s termination date.

### 3. Enrolment form returned late

If a new member with mandatory membership returns the enrolment form late and contributions do not begin at the plan membership date, the employer can contact OPTrust to request that a Missing Pension Contribution case be opened to provide the amount owing.

### 4. Member transfers and contributions are sent to the Ontario Pension Board

On occasion, when a member transfers from or to the Ontario Pension Board, contributions do not accurately align with the transfer date. The employer must make the appropriate adjustments as the pension plans are not permitted to transfer misdirected contributions.

Once the missed mandatory contribution error has been identified, the payroll representative should contact OPTrust’s Data Management Coordinator and provide the pay date we can expect to receive the missing contributions.

## INTEREST CALCULATION ON MISSING PENSION CONTRIBUTIONS

Effective January 1, 2016, in accordance with the Trust Agreement, OPTrust will be charging the higher of the:

- fund’s rate of return during the period of delinquency, or
- appropriate rate chargeable for pre-judgment interest under the Courts of Justice Act, R.S.O. 1990.

*The applicable rates will be posted in the Employer Manual available on the [OPTrust website \(optrust.com\)](#).*



## Fixed Term Employees with Plan Membership

It's important for fixed term employees to understand that once they join the Plan, they cannot leave the Plan. Employees who elect to join the Plan voluntarily cannot cancel their membership at a later date unless they terminate their employment or retire. For more details see the [enrolment section](#) of the *Employer Manual*.

If an employee who is employed on a fixed term basis is uncertain of the benefits and cost of plan membership, please refer them to the [Join the Plan](#) section of the OPTrust website or to contact Member Services.

**Contributions rates are 9.4% up to the Yearly Maximum Pensionable Earnings (YMPE) and 11% for pensionable salary above the YMPE.**

ANNUAL SALARY RATE	ANNUAL CONTRIBUTIONS IN 2015	BI-WEEKLY CONTRIBUTIONS IN 2015
\$50,000.00	\$4,700.00	\$180.15
\$56,770.00	\$5,366.30	\$205.69
\$60,000.00	\$5,721.37	\$219.30

*Please refer to our Employer Update Issue Number 30 for additional [information on plan membership](#).*

### FOR MORE INFORMATION SEE THE [EMPLOYER MANUAL](#)

This Employer Update is intended to provide participating employers with news and information about the OPSEU Pension Plan. It does not create any rights to benefits not provided for in the actual terms of the Plan. In the event of any conflict or omission, the legal documents of the OPSEU Pension Plan will govern in all cases. Members who have questions about their pension benefits should contact OPTrust directly.

### HOW TO REACH US

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For general inquiries only. This is not a secure email address.

