



Employer Update

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Starting October 1, 2010, changes to the OPSEU Pension Plan affect the cost of reinstating past service

The OPSEU Pension Plan's sponsors – OPSEU and the Government of Ontario – have approved a new buyback provision for the reinstatement of prior contributory service for active plan members. This provision will affect members who choose to “buy back” credit for past service in the OPSEU Pension Plan or the Public Service Pension Plan for which they received a contribution refund or pension transfer when their previous employment ended.

Effective October 1, 2010, the cost to reinstate prior contributory service in the Plan will be based on the projected – or “actuarial” – value of the additional pension service. Employers are no longer required to make matching contributions for this type of buyback. Depending on the member's individual circumstances, this may substantially increase the cost to reinstate prior service.

However, applications to reinstate prior contributory service that are received by OPTrust on or before September 30, 2010, will be processed under the Plan's previous method for calculating the cost.

OPTrust has notified members, who are still within their 24-month application window, of the new change, with a reminder of their opportunity to reinstate prior contributory service under the old cost calculation rules before October 1, 2010.

Application deadlines

For applications received on or before September 30, 2010 and within the 24-month application window, the cost to purchase prior contributory service is calculated as the higher of the member's:

- gross payout amount plus interest, and
- contributions for the period calculated at the salary rate at application.

The employer is required to match the cost. This means that for members who apply before the deadline and opt to finance his or her payments through payroll deductions, the employer matches the payments for the payment period (up to 10 years).

Similarly, if a member opts to make a lump sum payment or finance a portion the buyback during the Plan's 10-year, three-month payment window, the employer is required to match the payment.

For applications received on or after October 1, 2010, the cost to reinstate prior contributory service will be calculated as the “actuarial” value of the member's pension benefit. The full cost of the buyback is paid by the member.



Who is affected by this change?

This change may affect a member's option to reinstate past service if he or she:

- joined the OPSEU Pension Plan within the last 24 months
- had a period of prior membership with OPTrust or its predecessor (the Public Service Pension Plan) and
- received a payout from the Plan when his or her previous employment ended.

When is the change effective?

The new buyback provision goes into effect on October 1, 2010.

Applications received on or before September 30, 2010 and within the 24-month application window will be calculated under the "old" rules. Applications received on or after October 1, 2010 will be calculated under the "new" rules.

Why is there a change?

When a member ends his or her membership in the Plan before retirement, he or she has the choice to leave their pension benefit with OPTrust and collect a pension at retirement or transfer the value of the pension benefit out of the Plan and invest it elsewhere.

If a member's pension benefit is transferred out of the Plan, he or she no longer has credit in the Plan and does not qualify for an OPTrust pension. To restore his or her credit in the Plan, the current value of the pension must be repaid.

How to apply

Members, who are interested in reinstating prior service, must complete OPTrust's Application for Past Service Credit form and return it to our office on or before September 30, 2010, to qualify under the Plan's previous cost rules. OPTrust will then provide a formal cost quote.

Why should members apply?

Buying back past service is optional. But to be eligible to reinstate prior service under the less expensive costing option, a member must apply within 24 months of the date he or she became a member of the OPSEU Pension Plan and before October 1, 2010.

Buying back credit will increase the amount of a member's OPTrust pension at retirement and may help him or her qualify for one of the Plan's early retirement options – or qualify sooner.

Previously submitted applications

Members who have submitted an application to reinstate prior service to OPTrust within the 24-month application window on or before September 30, 2010, do not need to reapply.

Members have up to 10 years to complete his or her buyback payments. This period starts three months after the date the original agreement form is mailed.



What if a member can't afford the buyback payments?

Members are not obligated to purchase any periods of past service. That's why we suggest submitting an application, even if a member is not ready to buy.

Once an application is submitted, the cost to reinstate past service is "locked-in" (under the old rules) and a 10-year window is opened. This gives the member the flexibility to consider his or her buyback options and to complete buyback payments. OPTrust will apply interest to principal cost three months after the original quote is mailed.

OPTrust's payment options

The payment options are the same regardless of the date a member applies to reinstate his or her prior membership. Once OPTrust provides a cost quote, members have several payment options:

1. **Lump sum payment** – members can pay for a buyback in a lump sum, either by cheque or money order. Lump sum payments can also be made through a direct transfer from a tax sheltered source such as an RRSP.

Special payment rules apply for service before 1992, which we will outline in the formal cost quote.

2. **Financing option** (payroll deduction) – regular full-time and part-time members have the option of paying through a series of biweekly payroll deductions. Other options are available to seasonal and casual employees (details are provided with the cost quote). The total cost will include financing interest.

3. **Combined lump sum/financing option** – regular full-time and part-time employees may also opt to pay for through a combination of lump sum payments and payroll deductions.

For more information

Employer representatives and plan members who have questions about the new buyback rule should read our online fact sheet *Open Option Buyback* or contact OPTrust's Member and Pensioner Services by phone or e-mail. OPTrust's publication *Your Pension and Buying Back Credit* does not reflect the new change.

OPSEU Pension Trust Employer Update

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. For more information, please contact OPTrust.

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