



Employer *update*

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OPTrust Clarifies Definition of “Salary” under the OPSEU Pension Plan

Under the OPSEU Pension Plan, the member’s salary is used in several important calculations. The Plan requires that current service contributions be deducted from each member’s “salary” according to a contribution formula. The member’s earned pension benefit computed under the Plan is based on the member’s “average salary.” The member’s salary rate is also used in calculating the cost of contributions for the purchase of past service (“buybacks”) and for determining the earnings ceiling for re-employed/re-engaged pensioners.

To ensure that the concept of “salary” is applied consistently in all cases, the OPSEU Pension Trust has clarified the definition of the term. In cases where this definition differs from employers’ past practice, the policy clarifying the definition of “salary” will be effective from March 1, 2002.

Definition

Under this definition, “pensionable salary” has the following attributes. It:

- 1) must be paid to the member
- 2) must be measured in terms of regular periods of time
- 3) includes, in addition to regular pay, any periodic payments paid on a regular basis as a permanent component of pay for a position
- 4) excludes fringe benefits and bonuses unless they are paid regularly and computed by reference to hours, days, weeks or other specific periods of time; these benefits cannot be *ad hoc* or

unexpected, they must be a regularly recurring payment

- 5) includes all earnings paid at regular rates for all hours up to full-time hours
- 6) cannot include overtime, which is interpreted as being wages paid at a rate greater than the regular rate
- 7) includes any other amount determined to be part of “salary” by the Board of Trustees of the OPSEU Pension Trust.

Application

In applying the above policy, “salary” is defined to include:

- regular earnings/base wages including market value adjustments and yearly increases that may vary but regularly occur each year (e.g., merit pay)
- payments for vacation when taken as a leave with pay
- allowances that are paid regularly
- retro earnings
- compensating time
- sick pay deemed to be regular wages
- permanent salary notes (e.g., for specific training/certification)
- isolation pay
- on-going long service pay
- statutory holiday pay (4%).

Although a member employed on a full-time basis may be in receipt of reduced wages under the short-term sickness plan or due to a self-funded leave, pension contributions are calculated on the full-time salary.

Payments not Included in “Salary”

“Salary” does not include:

- overtime (paid at rates exceeding regular rates)
- severance pay
- one-time payments
- reimbursement for expenses incurred
- lump-sum vacation payments in lieu of leave with pay
- 4% vacation pay in lieu of leave with pay
- payments not regularly paid
- shift premiums.

Effective Date

This definition of “salary” is not intended to be retroactive in cases where it differs from employers’ past practice. Accordingly, the effective date of this definition is March 1, 2002.

Payroll Deduction Rules

All participating employers should ensure that the deduction rules incorporated in their payroll systems are consistent with the definition of “salary” outlined above. If you need any assistance in this regard, please contact Sean Turner, Manager of OPTrust’s Data Management Group, at (416) 681-6184 or sturner@optrust.com.

Re-employment/Re-engagement Ceiling

In addition to the use of “salary” for the computation of pension contributions and entitlements, the definition of “salary” must also be used to calculate the earnings ceiling for re-employed/re-engaged pensioners. Employers are requested to use the definition above when completing the *Pensioner’s Quarterly Re-employed Earnings & Calculation Report* (OPTRUST 1008).

In clarifying the definition of “salary,” our intention is to provide participating employers the opportunity to confirm that their current practice is consistent with the requirements of the OPSEU Pension Plan. We do not expect that there are major variances between this policy and employers’ current practice.

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 the OPSEU Pension Trust.

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