Thinking of a career in management? Wondering what will happen to your pension if you move? Or perhaps, you’re competing for an OPSEU bargaining unit position but considering whether or not to take it. As you move between jobs over your career, one important consideration is what happens to your pension. Whether you’ve just started working or are nearing retirement, career changes may affect the amount of your pension and when you can retire.

If you are moving to a bargaining unit position, management position or an excluded position, there are several factors to consider concerning your pension and your career in the Ontario Public Service (OPS). For example your best five-year average salary rate is one factor used in calculating your pension. You should therefore consider the impact of a salary change on the value of your future pension and where it fits in your financial and retirement plans.

A change in your bargaining unit status may also mean a change in your pension plan membership – from the OPSEU Pension Plan to the Public Service Pension Plan (PSPP), or vice versa. For members who move from one plan to another, many important questions may arise: Will I receive the same pension service in the new plan? Are there additional costs when I transfer my service? When can I retire? Will the pension paid to my survivor be affected? Is my pension secure if I move to a new plan?

BACKGROUND

The OPSEU Pension Trust (OPTrust) administers the pension plan for the OPSEU bargaining units in the OPS and certain provincial agencies, boards, and commissions and for the OLBEU bargaining unit at the Liquor Control Board of Ontario. The Ontario Pension Board (OPB) administers the Public Service Pension (PSPP), which covers management and excluded positions with these employers, as well as employees in certain associations or agencies.
The PSPP and the OPSEU Pension Plan have been administered separately since 1995. Until December 1999, the benefits provided by the OPSEU Pension Plan and the PSPP were identical. However, funding gains in the OPSEU Pension Plan were used to make permanent improvements to OPTrust’s retirement and survivor benefits. As a result, service with the OPSEU Pension Plan now has a greater transfer value than the same service under the PSPP.

OPTrust members who leave an OPSEU or OLBEU bargaining unit position for a management/excluded/association position cease being members of the OPSEU Pension Plan and enroll in the PSPP. Similarly, employees who move into a position in one of these bargaining units stop contributing to the PSPP and join the OPSEU Pension Plan.

**TRANSFERING YOUR PENSION TO THE OPB**

When a member moves from the bargaining unit to a management/excluded position with no break in service or termination of employment, this triggers a mandatory transfer of his or her pension service from the OPSEU Pension Plan to the PSPP. You have the option to transfer your pension to the PSPP if there is a break in your service or if you change ministries within the OPS.

Because of improvements to the OPSEU Pension Plan made in 1999 and again in 2002, the same period of service has a higher value under the OPSEU Pension Plan than under the PSPP. As a result, the member will receive full pension service in the PSPP for his or her accrued service with OPTrust.

**OPTRUST TO OPB TRANSFER EXAMPLES**

Let’s look at some examples to see the impact on different members based on their various life stages. For example, a younger member – who has just started his or her career in the OPS – would have a smaller pension value at the time of his or her career change. But a member nearing retirement would have a significantly larger pension value and would need to consider the impact of transferring to a new pension plan so close to retirement.

The following examples illustrate the difference in pension value for the same service in both the OPSEU Pension Plan and the Public Service Pension Plan.
EXAMPLE ONE

Anna has taken a new job in the OPS in a position that is part of the AMAPCEO bargaining unit. At the time of her transfer, she:

- is 25 years old
- has 3 years of pension service in the OPSEU Pension Plan
- has an annual salary of $35,000
- is single

The transfer value of Anna’s OPTrust pension is $11,200. The cost of the same service in the PSPP is $10,900. As a result, Anna will receive full pension service in the PSPP.

For Anna the difference in pension value between the two plans is relatively small. By moving to a position outside of the OPSEU bargaining unit, Anna will be contributing to the PSPP but likely at a higher salary rate than if she stayed in the OPSEU Pension Plan. The value of Anna’s pension will likely increase at a higher rate based on her new average annual salary in the new plan and over time, given her age, she may have more promotional increases.

EXAMPLE TWO

Pierre has taken a new job as a manager in his ministry. At the time of transfer, he:

- is 35 years old
- has 10 years of pension service in the OPSEU Pension Plan
- has an annual salary of $40,000
- is single

The transfer value of Pierre’s OPTrust pension is $51,800. The cost of the same service in the PSPP is $49,700. As a result, Pierre will receive full pension service in the PSPP.

EXAMPLE THREE

Marisol was offered a new job as a director in a different ministry. At the time of transfer, she:

- is 45 years old
- has 15 years of pension service in the OPSEU Pension Plan
- has an annual salary of $50,000
- is married

The transfer value of Marisol’s OPTrust pension is $116,900. The cost of the same service in the PSPP is $112,600. As a result, Marisol will receive full pension service in the PSPP.

Before accepting her new position, Marisol will need to weigh the decrease in the value of her earned pension with other factors that could increase the value of her pension in future years such as an increase in her take home pay and an increase in her average salary for pension purposes under her new plan.
**TRANSFERRING YOUR PENSION TO OPTRUST**

The difference between the two plans also comes into play when a member of the PSPP transfers into the OPSEU Pension Plan. In this case, the transfer value of the member’s service with the PSPP is not enough to pay for the higher pension provided by OPTrust. As a result, the member has the option of receiving a reduced amount of pension service in the OPSEU Pension Plan or purchasing the difference in pension value.

**BENEFITS OF PURCHASING THE DIFFERENCE IN PENSION VALUE**

Depending on your personal circumstances, purchasing the difference in pension value may seem like an expensive option. But there are several important benefits for a member who decides to purchase this pension service.

Because both OPTrust’s pension formula and eligibility for early retirement depend on the amount of pension service, the additional pension service:

- will increase the amount of your pension at retirement
- may qualify you for early retirement
- may qualify you for retirement at an earlier time

If you decide not purchase the additional pension service to receive the same pension value, the reduction in pension service could affect your eligibility date for early retirement under OPTrust’s Factor 90 or 60/20 provisions.

Another important factor to consider is **insured benefits**. The Government of Ontario provides insured benefits for eligible pensioners. Insured benefits include coverage for: dental, supplementary health and hospital and basic life insurance. By not purchasing the difference in pension value it may affect your eligibility to receive insured benefits.

An additional factor to consider is **survivor benefits**. Your pension from OPTrust includes a survivor benefit for your eligible spouse, which is 60% of your pension. The higher your pension is, the higher your survivor’s pension will be.

Of course, each member must assess the cost and benefit of purchasing this additional pension service for his or her own situation. Some decisions may require the help of an independent financial advisor and should be discussed with your family.
OPB TO OPTRUST
TRANSFER EXAMPLES

Using the same information from the previous examples, let’s look at some examples of members who have moved from a management/excluded/association position or considering a new bargaining unit position. While there may be salary decreases for some members, the impact of transferring their pension to OPTrust may result in a higher pension value at retirement.

EXAMPLE ONE

Hortense has taken a bargaining unit position after holding an excluded position for the past three years. At the time of transfer, she:

- is 25 years old
- has 3 years of pension service in the Public Service Pension Plan
- has an annual salary of $35,000
- is single

The value of Hortense’s OPB pension is $10,900 when she transfers to OPTrust. The cost of the same service with OPTrust is $11,200. The difference in pension value is $300. Hortense has the option of buying back the difference in service at a cost of $300 to receive full pension service.

If Hortense chooses not to purchase the difference her credit in the Plan will be reduced by one month for her previous service with the PSPP. Even though Hortense is a younger member, if she decides to move to OPTrust, this will delay her eligibility for early retirement.

EXAMPLE TWO

Antoine has returned to a bargaining unit position after several years in the PSPP. At the time of transfer, he:

- is 35 years old
- has 10 years of pension service in the Public Service Pension Plan
- has an annual salary of $40,000
- is single

The value of Antoine’s OPB pension is $49,700 at the time he transfers his service. The cost of the same service with OPTrust is $51,800. As a result, Antoine would have to pay an additional $2,100 to receive the same 10 years of service with OPTrust.

For Antoine it might be a good idea to purchase the difference in pension value, because he may be able to retire at an earlier date with an unreduced pension. If Antoine decides not to make the purchase, his pension service would be reduced by 5 months.
EXAMPLE THREE

Ming has taken a job as a team leader with a new ministry. At the time of transfer, she:

- is 45 years old
- has 15 years of pension service in the Public Service Pension Plan
- has an annual salary of $50,000
- is married

The value of Ming’s OPB pension is $112,600 at the time she transfers her service. The cost of the same service in the Plan is $116,900. Ming therefore has the option of buying back the difference in pension value at a cost of $4,300 or not making this purchase and being credited with less service with OPTrust. If Ming decides not to make the purchase, her pension service would be reduced by 7 months. Eligibility for early retirement would be affected.

SHORTFALL PAYMENT OPTIONS AND TIMELINES

For members who join the OPSEU Pension Plan and decide to purchase the full pension service available, there are a number of payment options that may be available, depending on the member’s circumstances and the cost of their purchase. Members have the option to pay by lump-sum payment, by payroll deduction (for amounts over $500), through a combination of lump sum and payroll deductions, or with a transfer from a RRSP.

You can take up to 10 years to complete your purchase. The 10-year payment period starts 90 days from the date that OPTrust mails you your Agreement to Purchase Credit.

For more information, refer to our fact sheet Buying Back Pension Service.
WHAT ARE THE TAX IMPLICATIONS?
Payments to OPTrust, either by lump sum payments, or by payroll deductions may be deductible from the member’s taxable income in the year of payment. Excluded from this are transfers from tax-sheltered sources (e.g. RRSP). OPTrust issues tax receipts for lump sum payments and payments made through payroll deductions.

TRANSFER PROCESS
Whether you are transferring your service into or out of the OPSEU Pension Plan, the process will take some time. Since both plans must review and prepare the data for calculations and then process the transaction, **OPTrust/OPB transfers normally take up to 5 months to complete.** Generally, the transfer process follows several steps.

For a transfer from OPTrust to OPB
Once you accept a management/excluded position your employer will notify OPTrust. Then OPTrust will send you confirmation of the pension service transfer, dollar amount and when OPB will be paid. There is a payment window of up to four months after confirmation is sent to you.

For a transfer from OPB to OPTrust
Once you accept a bargaining unit position your employer will notify OPTrust. OPB provides OPTrust with your pension history. Since there may be a difference in pension value between the two Plans, OPTrust provides you with the cost to purchase the difference and the available payment options.
## APPENDIX

The following tables provide a quick reference to understand the difference in transfer values between the OPSEU Pension Plan and the Public Service Pension Plan, based on the examples used in this fact sheet.

### OPTrust TO OPB Transfer

<table>
<thead>
<tr>
<th>Age</th>
<th>Salary</th>
<th>Years of service</th>
<th>Value of an OPTrust pension</th>
<th>Value of same service at OPB</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>$ 35,000</td>
<td>3</td>
<td>$ 11,200</td>
<td>$ 10,900</td>
</tr>
<tr>
<td>35</td>
<td>$ 40,000</td>
<td>10</td>
<td>$ 51,800</td>
<td>$ 49,700</td>
</tr>
<tr>
<td>45</td>
<td>$ 50,000</td>
<td>15</td>
<td>$ 116,900</td>
<td>$ 112,600</td>
</tr>
<tr>
<td>55</td>
<td>$ 55,000</td>
<td>23</td>
<td>$ 252,900</td>
<td>$ 243,900</td>
</tr>
</tbody>
</table>

### OPB TO OPTrust Transfer

<table>
<thead>
<tr>
<th>Age</th>
<th>Salary</th>
<th>Years of service</th>
<th>Value of an OPB pension</th>
<th>Value of same service at OPTrust</th>
<th>To receive full service, member pays “top up”</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>$ 35,000</td>
<td>3</td>
<td>$ 10,900</td>
<td>$ 11,200</td>
<td>$ 300</td>
</tr>
<tr>
<td>35</td>
<td>$ 40,000</td>
<td>10</td>
<td>$ 49,700</td>
<td>$ 51,800</td>
<td>$ 2,100</td>
</tr>
<tr>
<td>45</td>
<td>$ 50,000</td>
<td>15</td>
<td>$ 112,600</td>
<td>$ 116,900</td>
<td>$ 4,300</td>
</tr>
<tr>
<td>55</td>
<td>$ 55,000</td>
<td>23</td>
<td>$ 243,900</td>
<td>$ 252,900</td>
<td>$ 9,000</td>
</tr>
</tbody>
</table>

Because of improvements to the OPSEU Pension Plan made in 1999 and again in 2002, the same period of service has a higher value under the OPSEU Pension Plan than under the PSPP. As a result, the member will receive full pension service in the PSPP for his or her accrued service with OPTrust.

---

**FOR MORE INFORMATION PLEASE CONTACT OPTrust**

This Fact Sheet is intended as a summary description of the OPSEU Pension Plan. The Plan text contains numerous provisions not described here that may apply to you. In the event of any conflict between this Fact Sheet and the OPSEU Pension Plan text, the Plan text will govern.

---

**HOW TO REACH US**

**OPSEU Pension Trust**
1 Adelaide Street East, Suite 1200
Toronto, ON MSC 3A7

**Member Services**
Tel: 416 681-6100 in Toronto
1 800 637-0024 toll-free in Canada
Fax: 416 681-6175

optrust.com | email@optrust.com