

Fact Sheet

OPTRUST/OPB TRANSFERS –
YOUR PENSION AND YOUR
CAREER IN ONTARIO'S PUBLIC
SERVICE

APRIL 2014

OPTrust/OPB Transfers

YOUR PENSION AND YOUR CAREER IN ONTARIO'S PUBLIC SERVICE

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.



This Fact Sheet provides important information for OPS employees who are considering a new career opportunity within the OPS and the implications of moving to a new pension plan. As well, it provides key information and examples to assist you in making an informed decision. See the other [transfer fact sheets](#) on our website for additional information.

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.

TRANSFERRING 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.

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 currently has a greater transfer value than the same service under the PSPP.



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.



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. Of course, each member must assess the cost and benefit of purchasing additional pension service for his or her own situation.

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.

In these examples, 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 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*.

OPTrust
YOUR PENSION AND BUYING BACK PENSION SERVICE
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Fact Sheet

Buying Back Pension Service

Are you a new OPTrust member? Have you taken an unpaid leave of absence recently? If so, applying to buy back pension service in the Plan could be one of the best financial decisions you can make.

WHAT IS "BUYING PENSION SERVICE"?

For OPTrust members, purchasing – or "buying back" – eligible periods of past service can be an important way to increase the value of your pension. Why? Because under OPTrust's pension formula, a key factor in calculating your pension is how much pension service you have in the Plan.

Pension service is the number of full or partial years of employment for which you have contributed to the OPSEU Pension Plan. The most common way to build up your pension service is by working. With each pay period, your pension contributions are automatically deducted from your pay cheque, and your pension service grows.

Depending on your circumstances, you may also have the option of buying back additional pension service. This can include service for:

- periods of seasonal, contract or casual employment with an OPTrust employer before you became a member of the Plan
- unpaid leaves of absence when you did not contribute to the Plan
- periods of past membership in the OPSEU Pension Plan, the Public Service Pension Plan or predecessors, if you received a refund or unvested your pension out of the Plan
- service with another Canadian registered pension plan.

IMPORTANT – STRICT TIME LIMITS APPLY

There is a strict 24-month time limit for submitting your buyback application under the Plan's normal calculation rules. If you miss the application deadline, you may still be able to complete your purchase as an "open option" buyback, but the cost is likely to be significantly higher. See page 3 for more information.

MEMBER'S FUTURE ANNUAL SALARY	BUYING BACK 1 YEAR OF PENSION SERVICE		BUYING BACK 2 YEARS OF PENSION SERVICE	
	RETIRE AGE 65	65 AND OLDER	RETIRE AGE 65	65 AND OLDER
\$40,000	\$800	\$920	\$1,600	\$1,840
\$50,000	\$1,000	\$720	\$2,000	\$1,440
\$60,000	\$1,200	\$920	\$2,400	\$1,840
\$70,000	\$1,400	\$1,120	\$2,800	\$2,240

2012: after working in a contract look at how buying back has five times the OPTrust pension.

IF BUYING BACK

Retirement age:	58 years
Pension service:	32 years
Investment cushion:	Factor 90
Time pension:	\$26,400
Time before 65:	\$32,000

A larger lifetime penalties: By increasing her years of pension service, Joanne's buyback will increase her annual pension and allow her to retire two years sooner. This will have a big impact on the value of her pension over her lifetime. Let's assume Joanne can expect to live to age 84.

- If she does not buy back her contract service and retires at age 60, her total lifetime pension will be approximately \$580,000.
- If she completes her buyback and retires two years earlier, her lifetime pension will be \$725,000, or \$145,000 more than without the buyback.

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.



Staff at OPTrust work closely with the OPB staff to ensure all transfers are completed in a timely manner. We also follow-up with employers for information needed to complete your transaction.

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				
Age	Salary	Years of service	Value of an OPTrust pension	Value of same service at OPB
25	\$ 35,000	3	\$ 11,200	\$ 10,900
35	\$ 40,000	10	\$ 51,800	\$ 49,700
45	\$ 50,000	15	\$ 116,900	\$ 112,600
55	\$ 55,000	23	\$ 252,900	\$ 243,900

OPB TO OPTRUST TRANSFER					
Age	Salary	Years of service	Value of an OPB pension	Value of same service at OPTrust	To receive full service, member pays "top up"
25	\$ 35,000	3	\$ 10,900	\$ 11,200	\$ 300
35	\$ 40,000	10	\$ 49,700	\$ 51,800	\$ 2,100
45	\$ 50,000	15	\$ 112,600	\$ 116,900	\$ 4,300
55	\$ 55,000	23	\$ 243,900	\$ 252,900	\$ 9,000



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.



OPSEU Pension Trust Fiducie du régime de retraite du SEFPO

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