



# Employer Update

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## OPTrust sponsors approve gradual contribution rate increase

The OPSEU Pension Plan's sponsors have approved a 3% increase in employers' and members' contribution rates, to be phased in gradually over the next three years. The increase means that contribution rates will rise by 1% of salary starting in January 2010, another 1% in January 2011 and again in 2012. The contribution increase will be calculated on the first pay after the pay period that covers January 1st.

The contribution rate increase is part of a proactive strategy developed by OPTrust to address a funding shortfall resulting from the Plan's 2008 investment losses. The strategy is designed to help OPTrust and its sponsors meet the Plan's long-term funding requirements without reducing pension benefits, while moderating the impact on contribution rates.

The contributions rate increases, for both employer and member contributions will be calculated as follows:

- in 2010 7.4% up to the YMPE and 9% above the YMPE
- in 2011 8.4% up to the YMPE and 10% above the YMPE
- in 2012 9.4% up to the YMPE and 11% above the YMPE.

Currently both members and employers are paying 6.4% up to the YMPE and 8% above the YMPE.

As of December 31, 2008 OPTrust had a deficit of \$1.8 billion. The additional contributions resulting from the approved increase will reduce this shortfall to \$606 million. To cover the remaining deficit, the sponsors have approved a series of payments from the Plan's member and employer rate stabilization funds. Annual payments of \$64 million, including interest, will be amortized over 15 years.

For more information on the contribution rate increase and OPTrust's deficit management strategy, please see our [website](#).

### Annualized contributions

Starting with the pay that includes January 1st, contributions to the OPSEU Pension Plan will be calculated on an annualized basis. You will calculate contributions using the member's annual salary rate, divided by the number of pay periods in the year to determine a level contribution rate for the year. See the [Employer Manual](#) for more information.

### The 2010 YMPE

The Canada Revenue Agency has set the 2010 Year's Maximum Pensionable Earnings (YMPE) at \$47,200. The Year's Basic Exemption (YBE) remains the same at \$3,500. These figures are used to determine earnings on which Canada Pension Plan (CPP) contributions are payable for 2010.

The YMPE is also used to determine the level of member and employer contributions payable to the OPSEU Pension Plan. CPP contribution rates remain unchanged at 4.95% for both employers and employees.

For more information on CPP, see their website at: <http://www.hrsdc.gc.ca/eng/isp/cpp/cpptoc.shtml>

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## **Inflation adjustment for pensions in 2010 is 0.5%**

OPTrust's pension escalation factor for 2010 is 0.5%. The pension escalation factor is the annual inflation-related increase applied to all OPTrust pensions. The 2010 increase will be reflected in pensioners' January 2010 pension payment.

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

- qualify for Long Term Income Protection
- are on leaves of absence without pay that extend beyond the end of the calendar year.

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

### **All OPTrust pensions affected**

All OPTrust pensions are adjusted annually each January for inflation. The adjustment begins the year after the former member's pension starts. The escalation is applied both to the former members' pensions and to survivors' pensions.

For recently retired pensioners, the increase after the first year of retirement is pro-rated. In this case, the increase is based on the number of full months for which a pension was paid in the preceding calendar year. In the following years, the full escalation is applied.

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

### **Pension escalation & contributions for members on LTIP or unpaid LOA**

OPTrust's pension escalation factor is used to calculate the annual salary on which contributions are based for members who:

- qualify for Long Term Income Protection benefits
- are making pension contributions during a leave of absence without pay

- have chosen to have pension contributions deducted from their Supplementary Unemployment Benefit while on a pregnancy, parental or adoption leave.

The pension escalation factor is used in cases where the member's LTIP or leave of absence extends beyond the end of the calendar year.

### **Long Term Income Protection (LTIP) contributions**

For members who qualify for LTIP benefits, the pension escalation factor is used to calculate the annual salary on which contributions are based during the period of disability.

The employer pays both the member's and the employer's pension contributions for periods when members qualify for LTIP. These contributions are based on the member's regular salary rate on the date of disability. If a member's disability extends beyond the end of the calendar year, this base salary is increased by OPTrust's pension escalation factor every January.

At the end of the first year of the member's disability, the annual salary escalation is pro-rated according to the number of full months in the previous calendar year since the effective date of the member's current salary at the time of disability. In following years, the full escalation increase is applied.

### **Contributions for leaves of absence without pay**

Members who take an unpaid leave of absence may choose to continue paying pension contributions to OPTrust during their leave. If the leave spans more than one calendar year, the annual OPTrust escalation factor is used to adjust the salary rate on which both the member's contributions and the employer's contributions (as required) are based.

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At the end of the first year of the member's leave of absence, the annual salary escalation applied is pro-rated according to the number of full months in the previous calendar year that the member was on leave. In following years, the full escalation increase is applied.

### **Contributions for pregnancy, parental and adoption leaves**

For pregnancy, parental and adoption leaves where contributions are deducted from the supplementary unemployment benefits (SUB) allowance, both the member and employer contributions are paid to OPTrust through regular payroll contributions. Where a leave extends beyond the calendar year end, the employer is required to adjust the base salary rate by the annual escalation factor as of January 1, 2010.

For leaves where the member chooses to pay contributions directly to OPTrust, we calculate the total member and employer contributions for the period of the projected leave. If the leave is expected to extend beyond the calendar year, OPTrust uses a projected escalation factor to calculate contributions for the second calendar year. The projected total contributions are used to set the amount of the member's and employer's payments during the leave.

At the end of the member's leave, OPTrust recalculates the total contributions required based on the actual escalation factor and makes any adjustments as required.

## OPSEU Pension Trust **EmployerUpdate**

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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