



# Employer Update

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## OPTrust contribution rates to increase by 1% in January 2012

Contribution rates for OPSEU Pension Plan members and employers will increase by 1% of members' salary, starting in January 2012. The increase represents the third and final phase of a gradual 3% increase in members' and employers' contribution rates, which has been implemented in three annual increments of 1% each.

The phased increase in contribution rates was approved by the Plan's sponsors in 2009 to help manage the Plan's funding shortfall resulting from its 2008 investment losses. Under this strategy, member and employer contribution rates were raised by 1% of salary in January 2010 and by a second 1% in January 2011.

As a result, contribution rates for both member and employer contributions will be increased as follows:

Members and employers pay a lower contribution rate on salary up to the Year's Maximum Pensionable Earnings (YMPE) set by the Canada Revenue Agency. This reflects the fact that salary up to the YMPE is also subject to deductions for the Canada Pension Plan.

YEAR	PERCENTAGE OF SALARY	
	UP TO YMPE	ABOVE YMPE
2011	8.4%	10%
Starting in 2012	9.4%	11%

For more information on the contribution rate increase and OPTrust's deficit management

strategy, please see the news item dated December 3, 2009 on our website at [www.optrust.com](http://www.optrust.com).

## CRA announces YMPE for 2012

The Canada Revenue Agency has set the 2012 Year's Maximum Pensionable Earnings (YMPE) at \$50,100. The Year's Basic Exemption (YBE) remains unchanged at \$3,500. These figures are used to determine earnings on which Canada Pension Plan (CPP) contributions are payable for 2012.

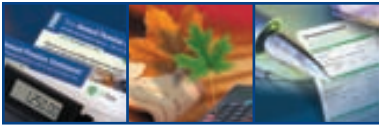
The YMPE is also used to determine the level of member and employer contributions payable to the OPSEU Pension Plan. CPP contribution rates remain unchanged at 4.95% for both employers and employees.

For more information on CPP:

<http://www.hrsdc.gc.ca/eng/isp/cpp/cpptoc.shtml>

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## OPTrust's 2012 pension escalation factor set at 2.8%

OPTrust's pension escalation factor for 2012 is 2.8%. The pension escalation factor is the annual inflation-related adjustment applied to all OPTrust pensions. The 2012 increase will be reflected in pensioners' January 2012 pension payment.

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

- qualify for or are deemed eligible to receive Long Term Income Protection (LTIP) benefits, or
- 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.

The annual pension increase is calculated based on the change in the average monthly CPI between October and September for the previous two years. For example the 2012 increase was calculated as follows:

$$\frac{\left[ \begin{array}{c} \text{October 2010 to} \\ \text{September 2011} \end{array} \text{ minus } \begin{array}{c} \text{October 2009 to} \\ \text{September 2010} \end{array} \right]}{\text{October 2009 to September 2010}} = \frac{[119.1 - 115.8]}{115.8} = 2.8\%$$

For more information, see OPTrust's fact sheet on inflation adjustments at [www.optrust.com](http://www.optrust.com).

## Pension escalation and contributions for members on LTIP or unpaid LOA

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

- qualify for or are deemed eligible to receive Long Term Income Protection benefits
- are making pension contributions during a leave of absence without pay, or
- have chosen to have pension contributions deducted from their Supplementary Unemployment Benefit allowance 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.

### 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.

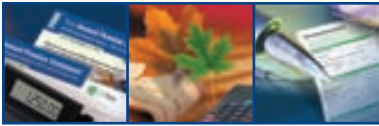
For recently retired pensioners, the adjustment after the first year of retirement is pro-rated. In this case, the increase is based on the number of full months for which a pension was paid in the preceding calendar year. In the following years, the full adjustment is applied.

The inflation adjustment is also applied to former members' deferred pensions and to divested members' "special deferred" pensions. In these cases, the deferred pension entitlement is calculated as of the date of termination or divestment. The cost of living adjustments are accumulated starting from the next month and applied up to the date the pension begins.

### Pension contributions and LTIP

For members who qualify for LTIP benefits, the pension escalation factor is used to adjust 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. This includes periods when the member is deemed to be eligible for LTIP benefits. 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.



For the first calendar year following 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 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.

Where a members' leave is expected to extend into a second or subsequent calendar year and the escalation factor is not yet known, OPTrust uses a projected escalation factor to calculate contributions for subsequent calendar years. 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.

## Contributions for pregnancy, parental and adoption leaves

For pregnancy, parental and adoption leaves where contributions are deducted from the Supplementary Unemployment Benefit (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 2012 escalation factor as of January 1, 2012.*

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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