

OPTions



OPSEU Pension Trust
Fiducie du régime de
retraite du SEFPO

A quarterly newsletter for members of the OPSEU Pension Plan
administered by the OPSEU Pension Trust (OPTrust)
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5 Fifth Anniversary
Cinquième anniversaire
1995-2000

New booklet helps members plan for retirement

A sailboat, a golf course, a lounge chair on the beach — realistic or not, as baby boomers head into middle age, images of retirement are everywhere. Whatever *your* retirement goal, though, the key to getting there is planning ahead.

As a secure source of retirement income, the OPSEU Pension Plan is an important part of your overall retirement plan. That's why OPTrust has published *Your pension and your retirement*. This new booklet is a handy guide for members who expect to retire in the next few years — and for those who are already receiving an OPTrust pension.

Your pension and your retirement helps you estimate your retirement income, outlines the steps leading up to your retirement and describes some of the decisions you'll need to make. The second half of the booklet then explains how your OPTrust pension is calculated and paid once you have retired.

Estimating your retirement income

A key question for members nearing retirement is how to maintain an acceptable standard of living, pursue their interests and meet family or personal obligations. To help you plan, *Your pension and your retirement* suggests ways to estimate what your income and your expenses will be after you retire.

For example, in addition to your OPTrust pension and Canada Pension Plan (CPP) benefits, will you be eligible for Old Age Security? What about income from RRSPs or a part-time job? Will your spouse have a retirement income?

What will your living expenses be? Will you have any debts to pay off? What about discretionary expenses?

By looking at your income and expenses ahead of time, you can check that your retirement plans are

realistic — or, if necessary, think about ways to adjust your costs or increase your income.

Setting your retirement date

Another major decision is when to retire, and how your pension will be affected.

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Updated plan booklet

Included with this issue of OPTions is a copy of the newly updated Plan booklet, *It's your pension*.

It's your pension is your guide to the OPSEU Pension Plan. The new edition has been revised to include the substantial improvements to the Plan's benefits that went into effect in late 1999.

The booklet has been redesigned to make it easier to use, with improvements including a larger page size, bigger type and user-friendly charts, graphs and tables. OPTrust thanks members who provided valuable feedback through surveys, focus groups and comment cards. Your ideas helped shape the revised booklet.

It's your pension is also available on-line on OPTrust's Web site at www.optrust.com

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Normal retirement is age 65 under the Plan, but you may be eligible for one of OPTrust's unreduced early retirement options (Factor 80, Factor 90 or 60/20) or choose to take an early reduced pension at age 55 or older. The booklet explains these options, shows how your pension will be calculated and describes how it is affected by integration with CPP at age 65.

The booklet also walks you through the steps you will need to take, and the various forms you will need to fill out, in order to retire and start receiving your OPTrust pension.

When you have retired

Included in the booklet are answers to important questions about how your pension works once you retire. When and how is your pension paid? What about income tax and other deductions? How does OPTrust calculate your annual increase for inflation? How are survivor benefits administered? What health, dental and insurance coverage is available?

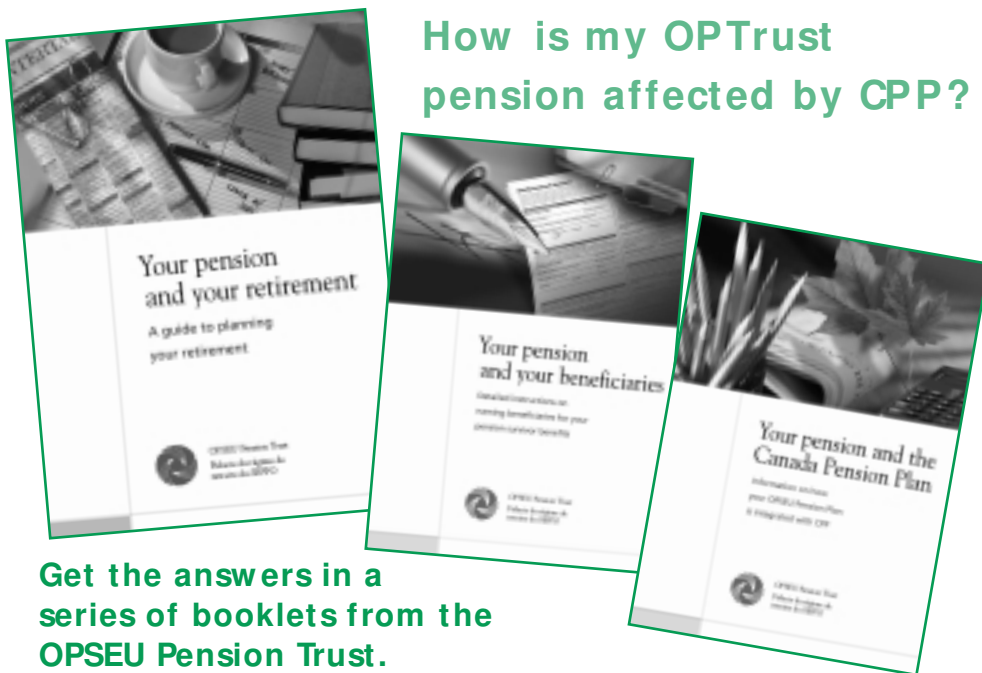
Whatever your retirement goals, *Your pension and your retirement* will be a useful tool in making them a reality.

For ordering information, see opposite. *Your pension and your retirement* is also available on-line through the OPTrust Web site at www.optrust.com. ■

How can I start preparing for retirement?

How do I designate beneficiaries for my pension?

How is my OPTrust pension affected by CPP?



Get the answers in a series of booklets from the OPSEU Pension Trust.

Your pension and your retirement is a new booklet for members who plan to retire in the next few years. It outlines the steps leading up to your retirement — and how your OPTrust pension works once you retire.

Your pension and your beneficiaries provides detailed instructions on naming beneficiaries for your OPTrust survivor benefits.

Your pension and the Canada Pension Plan describes how your OPTrust pension is integrated with CPP.

All three booklets have been updated to reflect recent improvements in the OPSEU Pension Plan.

To order a free copy of any OPTrust booklet, please complete the form below and return it:

- by mail to OPSEU Pension Trust, 1 Adelaide Street East, Suite 1200, Toronto, ON M5C 3A7
- or by fax, to 416-681-6175

We would also appreciate your ideas for new booklets in the series. Your comments and suggestions help us serve you better!

Yes! Please send me a copy of the following OPTrust booklets:

- Your pension and your retirement*
- Your pension and your beneficiaries*
- Your pension and the Canada Pension Plan*

Name: _____ SIN: _____

Home Address: _____

City: _____

Province: _____ Postal Code: _____

Comments/suggestions for other booklets: _____



OPTrust Web site helps you estimate your pension

The OPSEU Pension Trust Web site (www.optrust.com) is being improved to make it easier for you to estimate your future pension — both before and after tax.

A more powerful pension calculator

One of the most popular features on the site is OPTrust's pension estimator. This on-line calculator allows members to estimate their pensions at age 65 and under the Factor 90 and 60/20 options.

This summer, changes to the calculator will allow members to estimate their pensions under the time-limited Factor 80 provision and the reduced early retirement option, available to those age 55 and older. Driving the change is upgraded calculator software, which now mirrors the system OPTrust uses to calculate and pay pensioners' benefits.

The new version of the estimator will also reflect the recent improvements to the OPSEU Pension Plan. These include:

- a higher pension at age 65 because of a lower CPP offset
- the extension of Factor 80 to March 31, 2002
- an improved early reduced pension formula, in effect until November 30, 2004
- an increase in the basic spousal survivor benefit to 60% of the member's CPP-integrated pension, at no cost to the member.

To use the calculator, we suggest you input the credit amount from your Annual Pension Statement into the calculator, then estimate your pension under any scenarios you might want to consider.

To estimate your Factor 80 pension using the calculator, you will have to enter the date you expect your age plus years of credit to total exactly 80. To retire under Factor 80, you must submit notice of your plan to retire and then retire within strict time limits. If you expect to qualify for Factor 80 in the next year, contact OPTrust to confirm your eligibility date. Factor 80 expires on March 31, 2002.

also a taxable benefit, which will affect your tax if you qualify.

OPTrust's tax estimates calculator allows you to enter all of these factors to calculate the tax that will be deducted by OPTrust — and what your after-tax pension payment will be. You can also use the calculator to see how your deductions will change at age 65, or if your marital status or other circumstances change.

OPTrust's new on-line tax estimates calculator helps you estimate your net monthly pension, after taxes.

New tax estimates calculator

Once you have estimated your gross OPTrust pension, you can now use the new on-line tax estimates calculator to estimate your net monthly pension payment after income tax.

Like other forms of income, OPTrust pensions are subject to tax. The amount of tax OPTrust deducts is based on a number of factors. These include the pensioner's age, pension amount, marital status and other circumstances that affect your personal tax credits. The premiums paid by your employer on post-retirement life insurance coverage is

Other new features

Other recent additions to the OPTrust Web site include:

- a search engine that allows you to find the information you need anywhere on the site
- answers to common questions about OPTrust's Annual Pension Statement
- on-line versions of the OPTrust booklets *It's your pension* and *Your pension and your beneficiaries*. Other booklets, including *Your pension and your retirement*, will be available on the site soon.
- an updated list of the OPSEU Pension Plan's significant investments and a downloadable version of OPTrust's 1999 *Annual Report*.

To visit the OPTrust Web site, enter www.optrust.com into your Internet browser.

Note: Both the pension estimator and the tax estimates calculator provide estimates only. OPTrust will determine the actual amount of your pension based on accurate, up-to-date data and Plan provisions at the time you retire. As a result, your actual pension may vary from the estimate provided. Before you make any decisions affecting your pension, contact OPTrust directly. ■

When does a “significant other” become a “spouse”?

The OPSEU Pension Plan provides important survivor benefits for your spouse, if you have one, whether you die before or after you retire. Who qualifies for these spousal benefits is set out in the Plan’s definition of the term “eligible spouse.”

Under the Plan, the term “spouse” includes people who are living in a conjugal “common law” or same-sex relationship, as well as those who are married in a civil or religious ceremony. As a result, a member’s same-sex or common-law partner may be entitled to spousal survivor benefits when the member dies.

Having a spouse also affects the “commuted value” of your pension. The commuted value is the present-day lump sum value of your future pension entitlements, including spousal survivor benefits. This means that if you are vested and leave the Plan before age 55, the amount you can transfer to a locked-in RRSP is higher if you have a spouse.

When does someone meet the Plan’s definition of “spouse”?

Under the OPSEU Pension Plan, a “spouse” is a person, of the same or opposite sex, with whom a member:

- is married, or
- has been living together in a conjugal relationship for at least three years, or
- is living together in a conjugal relationship of some permanence, if they are the natural or adoptive parents of a child.

If you have a “significant other” who meets this definition, then he or she is considered your spouse for the purposes of your OPTrust pension. Since relationships can vary widely, here are a few examples.

Enrico and John have lived together in a conjugal relationship for five years. They share household expenses, but John, who has a higher income, pays a higher share. Their house is also in John’s name. Enrico is a member of the OPSEU Pension Plan.

Under the OPSEU Pension Plan, John is considered to be Enrico’s spouse, since they have lived together for three or more years in a relationship the Plan would view as “conjugal.” This is the case even though their expenses are not shared equally and certain assets are held in the name of one partner or another.

Joseph and Marika have lived together for 18 months. They have a three-month-old daughter and share their household duties and expenses. They have never claimed a spousal tax credit when filing their individual income tax returns. Joseph is an OPTrust member.

While Joseph and Marika’s conjugal relationship started less than three years ago, they are the natural parents of their child. As a result, Marika is considered to be Joseph’s spouse under the OPSEU Pension Plan. They do not need to file their tax returns as “spouses” under the *Income Tax Act* to be considered spouses under the Plan.

Kayla and Samson have lived together for one year and are thinking of getting married. Kayla is a member of the OPSEU Pension Plan. She is thinking of leaving her job with the Ministry of Finance for a new position in the private sector.

Under the OPSEU Pension Plan, Samson would not be considered Kayla’s spouse, as they have not lived together for three years, are not married, and have no natural or adopted children together. If Kayla leaves her job and chooses to transfer the commuted value of her pension to a locked-in RRSP, the amount she transfers will not reflect spousal survivor benefits.

Leslie and Jean both live in Toronto. They do not live together, and they don’t share household expenses. However, they think of themselves as a “couple” and often take vacations together. Jean is an OPTrust member.

Each situation has to be judged based on its own circumstances. Because Leslie and Jean are not living together, have no children together, and do not share living expenses, Leslie would not be considered a “spouse” under the OPSEU Pension Plan. As a result, Leslie would not be entitled to spousal benefits when Jean dies. However, Jean has the option of naming Leslie as designated beneficiary, refund recipient and/or payment recipient under the Plan. ■

OPTrust's newest Trustees: Tony Ross and Daniel Kott

Two new appointees are lending their expertise to the OPSEU Pension Plan as members of OPTrust's Board of Trustees.

Tony Ross, a Government of Ontario appointee, comes to the Board with more than 30 years' experience in the investment business. Ross retired as Vice-Chair of Merrill Lynch Canada in 1999, where he was responsible for handling debt and equity issues for Canadian governments and corporations. Since then he has been working as a private consultant, mainly providing financial advice to electric utilities.

"I'm looking forward to using my background in the investment business to help the Plan achieve the best possible returns on its investment portfolio," Ross says.

Ross will join five other trustees on the Board's Investment Committee, which tracks the performance of the Plan's investments, monitors new opportunities and reviews the Plan's investment policies.

"OPTrust has certainly benefited from its move into equities over the last five years," Ross says. "The Board's role is to ensure that the Plan continues to generate the best returns possible to pay for members' and pensioners' benefits."

For **Daniel Kott**, a Resource Development Officer with the Ministry of Natural Resources in Kapuskasing, pensions are a family tradition.



New faces: Daniel Kott (left) and Tony Ross are new additions to OPTrust's Board of Trustees.

"My father helped manage the pension plan at Spruce Falls (Power and Paper Company). I remember that pensioners would come to our house with questions about their benefits, and Dad would spend hours to ensure that they received their full entitlements. This showed me just how important a good pension plan is."

"It's impressive that the OPSEU Pension Plan has grown to almost \$10 billion in such a short time," Kott says. "Ensuring that the Fund is properly administered is a key job for the Board. But I'm also interested in the role the pension plays in individual members' lives. A small improvement can make a big difference."

As president of OPSEU Local 639, Kott knows how important it is for

members and pensioners to be able to get answers to their pension questions. "I hope to see OPTrust continue educating members about the Plan, their options and their rights," he says.

OPTrust is jointly sponsored by the Government of Ontario and OPSEU. Each sponsor names five Trustees to the board. The Trustees work together to ensure that the pension fund is invested wisely and that plan members and pensioners receive benefits to which they are entitled.

Ross and Kott join seven other Trustees: Len Hupet (Chair), Stan Sanderson (Vice-Chair), Jennifer Brown, Heather Gavin, Janine Johnson, Paul Scott and Paul Sharkey. The board has one vacancy. ■



Q: Why doesn't my Annual Pension Statement show a Factor 80 eligibility date?

A: Factor 80 is an early retirement option that is available only until March 31, 2002. To qualify for Factor 80 under the OPSEU Pension Plan, a member's age plus years of credit in the Plan must total exactly 80 on or before that date.

Your Annual Pension Statement will show a projected Factor 80 eligibility date and pension only if your age plus projected credit are expected to total 80 years by March 31, 2002. If you are not expected to qualify for Factor 80, your statement will show your earliest eligibility for an unreduced pension, under Factor 90 or the 60/20 rule, if applicable. Your statement also shows your projected pension if you work until age 65.

If your Annual Pension Statement does not show a Factor 80 eligibility date, but you expect to qualify for Factor 80 by March 31, 2002, contact OPTrust's Annual Pension Statement Hotline at 1-800-637-0024 or 416-681-6398 in Toronto.

Q: Should my statement show whether I will be eligible for the "Factor 80 extension"?

A: No. The "Factor 80 extension" is another provision of the OPSEU Pension Plan in effect until March 31, 2002. This provision applies to members who receive a layoff notice from their employer and whose age plus credit total 80 years or more by March 31, 2002 and at the time of layoff. In this situation, members may opt to retire with an unreduced pension.

The Annual Pension Statement does not show a projected pension under the Factor 80 extension because, to be eligible, a member must receive a notice of layoff. This cannot be predicted by OPTrust.

Q: If I leave my job, will I get a refund of my pension contributions?

A: What happens when you leave the Plan depends on whether or not you are "vested." You become vested when you have two or more years of continuous membership or credit in the Plan.

If you are not vested when you leave the Plan, OPTrust will return your contributions, plus interest. If you are not vested and are age 65 or older, you will receive two times your contributions plus interest. You will not receive a refund of your employer's contributions. You can either transfer your contribution refund directly into your RRSP or take a cash payment, from which income tax will be deducted.

If you are vested and leave the Plan before age 55, you can either take a deferred OPTrust pension or transfer the "commuted value" of your pension to a locked-in RRSP or similar registered investment. Vested members do not have the option of a contribution refund.

If you leave the Plan and your total contributions for the period after 1986, plus interest, equal more than half of the commuted value of your pension for the same period, OPTrust will refund the difference (known as "excess contributions") to you.

If you are 55 or older when you leave, you can take an immediate reduced pension from OPTrust. Those 55 and older should ask about the improved early reduced pension formula, in effect until November 30, 2004.

Look for a detailed discussion of the deferred pension vs. commuted value decision in an upcoming issue of *OPTions*.

Q: The federal government is raising the limit on foreign investments held in RRSPs. Will this affect how OPTrust invests my pension?

A: The federal government's limits apply to the amount of direct foreign investments that can be held in individual RRSPs and by registered pension plans like OPTrust. Since 1994, this limit has been set at 20%. In the 2000 budget, the government announced plans to raise this limit to 30% by 2001. However, by using derivatives and other instruments based on foreign market indexes, pension funds and other large investors were already able to increase their exposure to foreign assets above the 20% limit while still complying with federal regulations.

In 1998, OPTrust's Board of Trustees adopted a target of 30% for the Plan's foreign equity holdings. Last year, OPTrust's global portfolio totalled \$3.1 billion and earned an average return of 20.9%.

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This year, the Trustees will review the Plan's asset mix policy, which sets targets for each investment type. The goal is to ensure that the Plan's investment strategy strikes the right

balance between diversification — including investments in foreign equities — return on investment and prudent risk management. ■

OPTrust at the OPSEU Convention

OPTrust once again set up an information booth at this year's annual OPSEU convention, held April 6-9.

Over two days of the convention hundreds of local representatives visited the OPTrust booth to:

- pick up a copy of the 1999 OPTrust Annual Report
- take in a multi-media presentation on the Plan
- request a personalized pension estimate, and
- ask questions of OPTrust managers and staff.

Visiting the convention also gave OPTrust a chance to hear what members think of their Plan.

While several members expressed concerns about divestments or asked about specific features of the Plan, members were generally pleased with OPTrust's performance over the last year. Here is what a few had to say:

As a younger member, I'm glad to be saving \$50 each pay period on my contributions. Members in my local are also really happy about Factor 80 being extended (to March 31, 2002).

– Paul Myers, Ministry of the Attorney General, Toronto

As a young person you don't like to see the deductions coming off your pay cheque, but as you get closer to

retirement, you realize how important the pension plan is. I'm on countdown to early retirement, so it's good to know my pension is secure.

– Jeanette Sanders, Whitby Psychiatric Hospital

When I filled out OPSEU's survey on how to use the gains, I checked off Factor 80. I already qualified (under the previous deadline) because I bought back the five weeks we were on strike in

OPTrust Pension Basics

Your pension is based on this formula:

2% of average salary
(typically the average of your highest consecutive five years of annualized salary rate)

times your credit
(years and months of credited service in the plan)

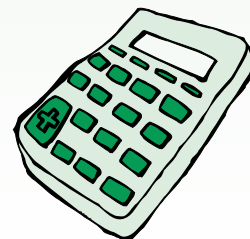
less CPP integration
(a reduction at age 65)

Important plan features:

- Lifetime income
- Inflation protection
- Survivor benefits
- Early retirement options
- Portability options
- Service buyback options

Related features for those who qualify include:

- Health/dental benefits
- Disability benefits



Jeanette Sanders (top) and Cesar Dacanay were two of the many OPSEU Pension Plan members to visit the OPTrust booth at this year's OPSEU convention.

1996, but there are a lot of people in my workplace who will benefit from extending Factor 80.

– Judy Holsgrove, Kingston Psychiatric Hospital

People in my local are pretty happy with the Plan. I'm glad about the improvements — for myself and for other members.

– Cesar Dacanay, Shared Services Bureau/Ministry of the Attorney General, Toronto ■

Your statement's in the mail

OPTrust mailed Annual Pension Statements to more than 42,000 active members in April, May and June 2000. Statements were also mailed to divested members in June.

Issuing statements to divested members is a "first" at the OPSEU Pension Trust. We want to keep divested members up-to-date on their entitlements at OPTrust. Their new pension plan will also provide a statement.

Your Annual Pension Statement provides important financial information about your OPTrust pension. This includes a snapshot of your earned pension as of December 31, 1999, your average annual salary, pension credit and contributions, and the people or organizations you have listed as your beneficiaries. Your statement also projects your pension at your earliest unreduced retirement date (if applicable) and at age 65.

Some members may not have received a statement. This includes members who have moved without informing OPTrust about their new home address and members for whom we have incomplete or inaccurate address information.

In other cases, problems with a member's pension records may have made it impossible for us to calculate a member's pension entitlement and

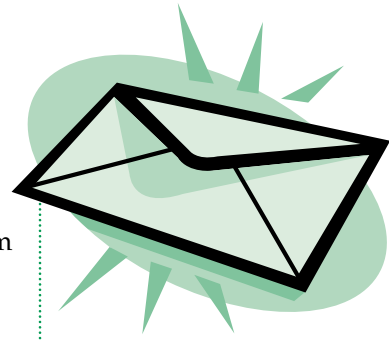
issue an Annual Pension Statement. For example, we are unable to generate a statement where a member's date of birth is missing from our database. In some cases, missing salary, credit or contribution information also prevented us from issuing a statement.

If you did not receive your statement — or if you have any questions about the information it contains — please contact OPTrust's Annual Pension Statement Hotline at 1-800-637-0024, or 416-681-6398 in Toronto.

In the meantime, we are working to correct files that are found to be missing key pension information. If you call, we can explain to you the issues we are addressing or we can ask your employer for needed information.

If you have moved recently or are planning a move, don't forget to send OPTrust your new home mailing address. That way you will continue to receive important information about your pension. Please send a signed letter indicating your new mailing address, along with your social insurance number, to OPSEU Pension Trust, 1 Adelaide Street East, Suite 1200, Toronto, ON M5C 3A7.

If you let us know your correct address, we will put your Annual Pension Statement in the mail! ■



OPSEU Pension Trust (OPTrust)

With assets exceeding \$9.6 billion, the OPSEU Pension Trust (OPTrust) manages one of Canada's largest pension funds and administers the OPSEU Pension Plan. The OPTrust exists to provide excellent service to its members, employers and sponsors. *OPTions* seeks to respond effectively to the pension information needs of more than 51,000 members of the OPSEU Pension Plan. Questions or comments regarding this newsletter may be mailed or faxed to:

OPTions

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Publications Mail Agreement
Number 1707426

If there is any conflict between statements made in this newsletter and the legal documents establishing the OPSEU Pension Plan, the legal documents shall prevail. We, therefore, suggest that any specific questions regarding your personal benefits be directed to our office.



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