

# GOOD *to* KNOW

QUICK FACTS ON  
OPTrust / OPB  
Transfers

November  
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## OPTrust / OPB Transfers

The Ontario Public Service (OPS), the LCBO and a number of Ontario agencies, boards and commissions participate in both the OPSEU Pension Plan (the Plan) and the Public Service Pension Plan (PSPP). If you work for one of these employers and change jobs throughout your career, one important consideration is what happens to your pension.

If you work in a position that is represented by OPSEU, you may be a member of the Plan and if you work in a management position or your job is excluded from the bargaining unit, you may be a member of the PSPP.

If you move from an OPSEU-represented position to a management position, you may have to transfer your pension service from the Plan to the PSPP. Likewise, if you move from a management or excluded position to an OPSEU-represented position, you may have to transfer your pension service from the PSPP to the Plan.

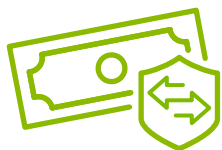
Please keep reading to learn more about how these transfers work and how your pension could be impacted if you change jobs.



### The OPSEU Pension Plan and the PSPP

OPTrust administers the OPSEU Pension Plan, and the Ontario Pension Board (OPB) administers the PSPP. The two pension plans are similar in many ways, but there are some differences. For example, the contribution rates, survivor benefits, and the formula used to calculate your pension are slightly different in both plans.

If you are a member of either pension plan and are planning to change jobs it is important to understand how this decision may impact your pension.



### Transfers from the OPSEU Pension Plan to the PSPP

#### Mandatory Transfers

If you are a member of the Plan and move to a management or excluded position with the same employer with no break in employment, your pension service will automatically be transferred from the Plan to the PSPP. These are often referred to as mandatory transfers.

If you accept a management or excluded position and join the PSPP, your employer will notify OPTrust and OPB. OPTrust will then share your pension data with OPB and transfer your pension service to the PSPP after OPB has performed the necessary calculations and requested the transfer value. This process can take some time but OPTrust will send you confirmation after the transfer has been completed and you should also receive confirmation from OPB.

## Optional Transfers

Different rules apply if there is a break in employment or you move from one employer to another. If you are a member of the Plan and you terminate employment with your employer, OPTrust will send you pension options. Depending on your age and the pension you have accrued, you may be entitled to an immediate pension or have the option to transfer the value of your pension out of the Plan to a registered retirement savings arrangement or another registered pension plan.

If you are re-hired in a management or excluded position and join the PSPP, you may also have the option to transfer your pension service from the Plan to the PSPP on a voluntary basis. These are often referred to as optional transfers. Each of the options available to you will be explained in the package you receive from OPTrust.

## Transfer Value

After OPB receives your pension data from OPTrust they will calculate the transfer value that is required to provide you with a pension from the PSPP based on your salary and the same amount of pension service you had in the Plan at the time your membership in the Plan ended. OPTrust will also calculate the transfer value that is available from the Plan.

If OPTrust's transfer value is greater than the transfer value requested by OPB, you will be credited with an equivalent amount of pension service in the PSPP, and therefore no further amounts would be payable.

In most cases, members who transfer their pension service from the Plan to the PSPP will receive an equivalent amount of pension service in the PSPP. However, depending on the nature of your job and the plan features offered to you by the PSPP, there may be situations where the transfer value available from OPTrust is not enough to pay for an equivalent amount of pension service in the PSPP. If this occurs, OPB will advise you of your options.

## Benefits of Consolidating Your Pension in the PSPP

There are many advantages to consolidating your pension in the PSPP. When you transfer your pension service to the PSPP the pension you receive from OPB will be calculated based on all your years of service and your average salary when you retire. This usually results in members receiving a larger pension and you may also qualify to retire with an unreduced pension at an earlier age than you would if your pension entitlements were kept separate in both pension plans. This may also help you qualify for post-retirement insured benefits that are offered by the Government of Ontario.



## Transfers from the PSPP to the OPSEU Pension Plan

### Mandatory Transfers

If you are a member of the PSPP and accept an OPSEU-represented position with the same employer with no break in employment, your pension service will automatically be transferred from the PSPP to the Plan. These are often referred to as mandatory transfers.

If you accept an OPSEU-represented position and join the Plan, your employer will notify OPB and OPTrust. OPB will then share your pension data with OPTrust and transfer your pension service to OPTrust after the necessary calculations have been done and the transfer value has been requested. This process can take some time but OPTrust will send you confirmation after the transfer has been completed and outline any options available to you.

## Optional Transfers

Different rules apply if there is a break in employment or you move from one employer to another. If you are a member of the PSPP and you terminate employment with your employer, please contact OPB to learn more about the options available to you. If you are re-hired in an OPSEU-represented position by the same employer or another employer and join the Plan, you may have the option to transfer your pension service from the PSPP to the Plan.

## Benefits of Consolidating Your Pension in the OPSEU Pension Plan

There are many advantages to consolidating your pension in the Plan. When you transfer your pension service to the Plan the pension you receive from OPTrust will be calculated based on all your years of service and your average salary when you retire. This usually results in members receiving a larger pension and you may also qualify to retire with an unreduced pension at an earlier age than you would if your pension entitlements were kept separate in both pension plans. This may also help you qualify for post-retirement insured benefits that are offered by the Government of Ontario.

## Transfer Value

After OPTrust receives your pension data from OPB we will calculate the transfer value that is required to provide you with a pension from the Plan based on your salary and the same amount of pension service you had in the PSPP at the time your membership in the PSPP ended. OPB will also calculate the transfer value that is available from the PSPP.

In most cases, the amount that OPTrust requires to provide members with a pension based on an equivalent amount of service they had in the PSPP will be more than the transfer value that is available from OPB. If this occurs, you will have the option to be credited with less pension service in the Plan than you had in the PSPP, or you may purchase the difference so you are credited with the full pension service. This difference is known as a "shortfall."

## The Shortfall

As noted above, the transfer value available from the PSPP is typically not enough to pay for an equivalent amount of pension service in the Plan. This is because the Plan offers slightly more generous benefits than the PSPP which includes a higher pension formula at age 65 and a larger subsidized survivor pension.

Paying for the shortfall is optional and you may choose to pay for some or all of the shortfall to increase your pension service.

If you choose to pay for the whole shortfall, you will be credited with the same amount of pension service in the Plan that you had in the PSPP. If you decide not to pay for the shortfall, your pension service will be pro-rated. However, if you choose not to pay for the shortfall you may still choose to buy it back at a later date, but the cost will likely be higher.

## Paying for the Shortfall

If you decide to purchase the shortfall or a portion of the shortfall, a number of payment options may be available, depending on your circumstances and the cost of the purchase. Payment options may include payroll deductions through your employer, online banking payments, a lump sum transfer from a registered retirement savings plan (RRSP) or locked-in retirement account (LIRA) or any combination of these. OPTrust will send you a package outlining all your payment options in greater detail.

## Benefits of Purchasing the Shortfall

Depending on your personal circumstances, purchasing the shortfall may seem like an expensive option, however, there are several important benefits to consider.

1. Both the OPSEU Pension Plan pension formula and eligibility requirements for early retirement depend on the amount of pension service you have, so the additional pension service:
  - Will increase the amount of pension you receive when you retire
  - May help you qualify for early retirement
  - May help you qualify for early retirement at a younger age
2. The Government of Ontario provides post-retirement insured benefits (PRBs) for eligible pensioners, including coverage for dental, supplementary health and hospital and basic life insurance. Eligibility for PRBs is determined, in part, by the amount of pension service you have in the Plan. Purchasing the shortfall may help you qualify for PRBs.
3. The pension you receive from OPTrust includes survivor benefits for your spouse, and possibly for your children. The more pension service you have, the higher your pension is, and the higher the survivor pension will be.

The choice to purchase the shortfall is up to you. You may wish to seek the help of a qualified independent financial advisor to assist you with the decision.

## Examples

The chart below shows some typical examples of the transfer values that would be calculated by OPB and OPTrust and the shortfall amounts that could result for members at different ages, with different amounts of pension service and different salary ranges.

### OPB to OPTrust Transfer Samples

Age	Salary	Pension Service (Years)	OPB Transfer Value	OPTrust Transfer Value	Shortfall	Reduction in pension service if shortfall not purchased	Early unreduced retirement date impacted if shortfall not purchased
25	\$60,000	2	\$16,200	\$16,800	\$600	1 month	Yes
35	\$75,000	7	\$83,700	\$86,500	\$2,800	3 months	Yes
45	\$80,000	12	\$179,400	\$185,700	\$6,300	5 months	No
55	\$90,000	17	\$352,000	\$363,600	\$11,600	7 months	No
60	\$95,000	30	\$725,700	\$751,400	\$25,700	13 months	No

## Tax Implications

Transfers into the Plan may result in a Past Service Pension Adjustment (PSPA) that needs to be reported to the Canada Revenue Agency (CRA). This PSPA is the difference between the Pension Adjustments (PAs) reported for your accrued benefit in the PSPP and the PA that would have been reported if you had earned that benefit in the Plan. As a result, the PSPA reflects the improvement of the benefit in the Plan for the same pension service in the PSPP. A PSPA reduces your RRSP contribution room.

If a shortfall exists and you pay for all or a portion of your shortfall with cash this may also generate a PSPA. Funds transferred from an RRSP or LIRA will reduce the PSPA.

## Process for Mandatory Transfers to OPTrust

OPTrust and OPB will work together to complete the transfer and you will receive completion notices when the transfer is finalized. You do not need to sign any forms to initiate the transfer process. The steps that will be taken for transfers to OPTrust are as follows:

- Your employer will send OPTrust and OPB a form to initiate the transfer.
- Your membership in the PSPP will end and you will enrol in the OPSEU Pension Plan.
- OPB will provide your pension data to OPTrust and OPTrust will calculate the transfer value.
- OPTrust will share the transfer data with OPB and request the transfer payment.
- The transfer payment will be received within 3 months from the date of request.
- OPTrust will send you a transfer completion notice and a transfer shortfall statement if a shortfall exists.

## Buybacks in Progress

If you are subject to a mandatory transfer from the PSPP to the Plan, you will continue to be paid by the same employer and any buyback you were paying for by payroll deductions can continue. OPB will calculate the amount of outstanding buyback contributions and pension service and will communicate this information to OPTrust. OPTrust will continue the process by setting up your buyback and revised payment schedule.



## For more information please contact OPTrust

This information is a summary of certain benefits offered under the primary schedule of the OPSEU Pension Plan and is not applicable to OPTrust Select. All information is current as of the date of publication.

## How to Reach Us

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