

Pension

CONNECTION

OPTrust pensions increase by 2.8%

In January 2012, your OPTrust pension increased by 2.8%. The annual increase applies to all OPTrust pensioners, survivor pensions and to the deferred pensions of former and divested OPTrust members.

Every January, OPTrust pensions are adjusted for the increase in the cost of living, as measured by the Consumer Price Index (CPI), reported by Statistics Canada. The result is protection for the buying power of your pension – and security for the future.

How your annual adjustment is calculated

OPTrust's annual escalation adjustment 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 shown below.

The maximum increase in any single year is 8%. Any increase above this level is carried forward, and applied in the next year when the adjustment is less than 8%.

Lifetime protection

The inflation protection feature is designed to protect your pension during your lifetime. For example, a pensioner who retired in 2002 with an annual pension of \$22,746 will receive \$27,747 from OPTrust in 2012 – a 22% increase since retirement. Since the Plan's inception, inflation adjustments have averaged 1.9%.

To find out how much your own pension will increase in 2012, view your *Pensioner Information Change Statement* available through secure *Online Services* or in print, which was recently mailed to your home.

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2012 Consumer Price Index Increase

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

Inflation Protection Overview		
Year	Inflation Adjustment	Annual Pension
1995	0.6%	\$20,000
1996	1.6%	\$20,320
1997	1.6%	\$20,645
1998	1.9%	\$21,037
1999	0.9%	\$21,227
2000	1.5%	\$21,545
2001	2.5%	\$22,084
2002	3.0%	\$22,746
2003	1.6%	\$23,110
2004	3.3%	\$23,873
2005	1.7%	\$24,279
2006	2.2%	\$24,813
2007	2.3%	\$25,384
2008	1.8%	\$25,840
2009	2.5%	\$26,486
2010	0.5%	\$26,618
2011	1.4%	\$26,991
2012	2.8%	\$27,747

< Using a \$20,000 pension as a starting point, this chart tracks the inflation protection increases since OPTrust's inception in 1995. The "annual pension" amounts do not reflect CPP integration which goes into effect when a pensioner turns 65.

Increase pro-rated for new pensioners

For OPTrust pensioners who retired in 2011, your inflation adjustment is pro-rated for the length of time you received a pension. For example, let's say you retired in June 2011, your pro-rated adjustment is calculated by the number of months you received a pension, divided by 12, times the 2012 increase.

$$(6 \div 12) \times 2.8\% = 1.4\%$$

In January 2012, your pension will increase by 1.4% to reflect the cost of living for six months. In the following years the full CPI will be applied to your OPTrust pension.

For more information on the Consumer Price Index, visit the Statistics Canada website at www.statcan.gc.ca.

OPSEU appoints new Trustee



Randy Marie Sloat

OPSEU named Randy Marie Sloat to the Board of Trustees in January 2012 for a three-year term.

Ms. Sloat is currently a customer care representative with Service Ontario in Hamilton. She has more than 20 years' experience in human resources and labour relations working with various trade unions and industry.

A union activist, she is the President of OPSEU Local 201 in Hamilton and also serves on several Local Executive Committees.

"I look forward to working with the Board of Trustees, the Plan's sponsors and OPTrust management to support our pension promise to more than 82,000 members and retirees," says Sloat.

She replaces Maureen Whyte whose term on the board ended in December 2011. For more information on the Board of Trustees, view their individual profiles at www.optrust.com under the "About Us" section.

You asked... Pension income splitting

With the tax season around the corner, you may want to start thinking about whether pension income splitting is right for you and your spouse. You may want to speak to a financial advisor or tax planner.



Question: How does pension income splitting work?

Answer: Pension income splitting allows you to allocate up to one-half of your OPTrust pension to your spouse when you complete your annual income tax return.

If both you and your spouse have eligible pension income, you will have to decide which one of you will act as the pensioner and elect to allocate part of their eligible pension income to his or her spouse.



Question: I want to split my income with my wife for my 2011 income tax return. Do I need to notify OPTrust?

Answer: No, you don't need to inform OPTrust. Pension income splitting is set-up through the Canada Revenue Agency (CRA). You and your spouse must complete CRA's *Joint Election to Split Pension Income* (T1032) form. This form must be completed, signed and attached to your income tax returns by April 30, 2012 or kept in your file for seven years if you file electronically.



Question: How much pension income can I split with my partner?

Answer: You are allowed to allocate up to one-half of your pension income to your partner. For example, let's say your income is \$40,000 and your spouse's income is \$20,000 – the split amount for each tax return could be \$30,000.



Question: My husband and I split our income last year. Can we change the amount for our 2011 income tax returns?

Answer: Yes. If you split your eligible pension income in 2010, you do not have to use the same percentage in 2011.



Question: What type of income can I split with my partner?

Answer: You can split your OPTrust pension or income from another registered pension plan. Starting at age 65, you have the option to split income from registered retirement income fund (including life income fund) payments and registered retirement savings plan (RRSP) annuity payments. Income from the Canada Pension Plan and Old Age Security is not eligible to be split.

Have a question about your pension?

Want to know more about a certain topic? You have several ways to find the answer you're looking for:

- visit the "Pensioner" section on the OPTrust website where you'll find answers to various frequently asked questions.
- sign-in to your *Online Services* account to send and receive messages in a secure environment. Don't have an *Online Services* account? You can also send a secure message from the "Contact Us" section on our website.
- download our *Your Pension during Retirement* booklet from the website to learn more about your pension.
- contact our Pensioner Service staff by phone at **416-681-6100** or **1-800-637-0024** (toll-free in Canada).



OPTrust's annual funding update

Under Ontario's pension legislation, OPTrust must file a funding valuation at least once every three years. Funding valuations determine if the Plan has a surplus or deficit by comparing its assets to the projected cost of members' and retirees' pensions.

OPTrust filed its most recent valuation with Ontario's pension regulator in the fall of 2011, a year ahead of schedule. Despite the Plan's continued deficit, the valuation showed a number of improvements in the Plan's funded position over the two-year period, which saw the Plan's net assets increase by \$2.3 billion, to \$13.3 billion at the end of 2010.

"By filing the valuation one year earlier than required, we have ensured that our deficit management strategy remains on track," said Stephen J. Griggs, OPTrust's President and CEO. "This decision also gives OPTrust and our sponsors greater flexibility in managing the Plan's funding over the next three-year period – flexibility we will need in the current economic environment."



"Like all major pension plans, OPTrust has had to manage the impact of our investment losses during the market crisis of 2008," said Griggs. "In 2009 and 2010, OPTrust's strong investment returns, our deficit management strategy and prudent decisions by the Plan's sponsors helped strengthen the Plan's funding."

Funding valuation

Several key factors affected the Plan's funded status in 2009 and 2010. These included gains from OPTrust's double-digit investment returns and slower-than-expected growth in the cost of members' and retirees' pensions. The Plan also benefited from special deficit payments totalling \$130 million, which were drawn from the Plan's rate stabilization reserves, approved by OPSEU and the Government of Ontario, in their role as the Plan's sponsors.

Contribution rates for active members

As part of its deficit management strategy, OPTrust has implemented the last of three scheduled annual

1% increases in active members' and employers' pension contribution rates in January 2012. This follows 1% contribution increases that took effect in 2010 and 2011, as part of a phased 3% increase in contribution rates approved by the Plan's sponsors.

A secure pension

As an OPTrust retiree, you've earned the right to count on a secure lifetime pension during your retirement years.

Your pension plan is a "defined benefit" plan. This means that when you retired, your OPTrust pension was calculated using your best five-year average salary and your years of credit in the Plan while you were an active member.

Unlike a defined contribution pension plan, RRSPs and other personal investments, your pension is not affected by market volatility. On top of that, your pension is adjusted annually for inflation. ○

Ontario introduces new family law rules

Effective January 1, 2012, there is a change to the method for dividing a pension asset when a spousal relationship ends in Ontario. This change applies to anyone who is involved in a spousal relationship breakdown (same or opposite sex) in a common-law relationship or legal marriage with a court order, domestic contract or family arbitration award dated **on or after** January 1, 2012.

Key features of the new law:

- Only one method is used to divide pension assets in Ontario for court orders, domestic contracts or family arbitration awards dated January 1, 2012 or later.
- If you *separate after retirement* you have the option to divide your OPTrust pension by paying a portion to your former spouse.
 - If you die before your former spouse, your former spouse's portion of the divided pension ends. However, he or she is entitled to a survivor pension based on 60% of your pension before it was split.
- OPTrust will provide a valuation for you, as a pension plan member, and your former spouse within the prescribed time limits. You and your former spouse do not need to pay for an actuary to value your OPTrust pension.

For more information, visit our website at www.optrust.com to download our fact sheet *Spousal Relationship Breakdown: Your Pension and Dividing Your Family Assets*. If you are involved in a spousal relationship breakdown, please contact our office.

Unless you've already provided a copy to OPTrust, if your domestic contract, court order or family arbitration award was made before January 1, 2012, please contact us. Agreements signed before 2012 continue to be administered under the old rules – no action is required on your part. ○

2012 CPP and OAS payment amounts

As a retiree, you may qualify for federal benefits in retirement including the Canada Pension Plan (CPP) and Old Age Security (OAS). The rates for both programs increased in January, 2012.

The maximum CPP retirement benefit is now \$986.67 per month, up from \$960. The new CPP rates are effective to December 31, 2012. Changes to CPP are being phased in gradually between 2011 and 2016. The first major change occurred in January 2011 for people retiring after age 65.

OAS is a monthly benefit available to most Canadians 65 years of age or older who meet the Canadian legal status and residence requirements. The maximum basic OAS pension payment increased to \$540.12 per month for January to March 2012. ○

For more information on both programs or to apply, visit the Service Canada website at www.servicecanada.gc.ca or by phone at **1-800-277-9914**.



How to deduct additional income tax from your pension

Under Canada's *Income Tax Act*, your OPTrust pension is considered taxable income. Every month OPTrust withholds certain income tax from your pension payment and pays it to the Canada Revenue Agency on your behalf.

We only withhold the required amount of income tax based on your pension unless you ask us to withhold an additional amount. We do not withhold income tax based on any other sources of income, such as CPP or an investment income. Each payer withholds income tax based on the amount that is being paid. However, the income tax amount due at year-end is based on your total income from all sources.



If you want additional income tax deducted from your pension payment, sign-in to your secure *Online Services* account. From there, click *Your Pension Statements* and update your record by clicking the *Tax Information T4A and TD1* link.

You can also complete a *Personal Information Change Request* (OPTrust 1004) form to update your information and return it to OPTrust. The form is available online or by contacting our Pensioner Services staff. ○

Five ways to protect your online identity

With an increasing number of retirees accessing pension information through OPTrust's website, we want to remind you of some quick tips to protect your identity while online.

- When using a shared computer, for example in a library or Internet café, always log out after you finish each session. Remember to clear out the computer's cache.
- Do not send or reply to requests for personal and confidential information via e-mail – only use OPTrust's secure *Online Services* site or the "Contact Us" form on our website. They are both secure.
- Choose a unique *Online Services* password that is difficult to guess, keep it confidential and change it often.
- Do not share the verification questions and answers for your secure *Online Services* account with anyone.
- For your home computer, install anti-spyware and anti-virus software to protect the information you have stored.



Your security is important to us and our top priority is to protect the privacy of your personal information when you communicate with OPTrust online. We use different layers of security technology to ensure the privacy of personal transactions through our popular *Online Services* site and secure "Contact Us" section on our website. ○

Your 2012 pension payment dates

Generally, OPTrust pensions are paid on the 26th of every month. Your OPTrust pension is paid on the following dates in 2012:

- Thursday, January 26
- Thursday, July 26
- Friday, February 24
- Friday, August 24
- Monday, March 26
- Wednesday, September 26
- Thursday, April 26
- Friday, October 26
- Friday, May 25
- Monday, November 26
- Tuesday, June 26
- Wednesday, December 19

Direct deposit for your pension

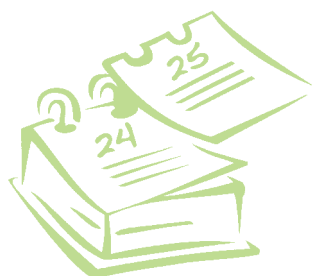
At OPTrust our top priority is to ensure your pension is paid every month. That's why we offer a safe and secure way to receive your monthly pension through direct deposit. More than 98% of OPTrust pensioners receive their pension payments through direct deposit and you can too.

When you sign up for direct deposit your pension is paid to your bank account every month. With direct deposit:

- your cheque will never be lost or stolen
- you receive your pension directly in your bank account
- there are no delays receiving your cheque due to mail interruptions
- there is no need to deposit your cheque at the bank in person.

If you live in the U.S., you can have your pension payment deposited directly to a U.S. bank account.

To sign up, log-in to your secure *Online Services* account and make the switch.



NEW RETIREES

If you are a new retiree, you receive your first pension payment in the month following your retirement. If you retired on January 31, you can expect your first payment on February 24th. ○

Did you know?

Retirees with an *Online Services* account received an e-mail notification when the 2012 inflation adjustment figure was announced mid-December 2011. When you sign up for secure *Online Services*, you have access to pension news and information before it's released in the *Pension Connection*. Retirees also receive an advance notification when the T4A tax slips are available on the *Online Services* site.

Register today

To register for an account, visit our website at www.optrust.com and click the "Register now" link below the *Online Services* logo. You will need your OPTrust ID and Social Insurance Number.

Need help? Contact our Pensioner Services team at **416-681-6100** or **1-800-637-0024** to get help with the registration process.

Once you've registered for an account, you have access to:

- view your current *Pensioner Information Change Statement*
- update banking and TD1 information, including how much tax is deducted
- view insured benefits coverage
- view a copy of your current T4A
- update beneficiary information
- update e-mail and mailing addresses. ○

Your PICS is available online, every month

By now you will have received your *Pensioner Information Change Statement* (PICS) that shows how the 2.8% inflation adjustment impacts your monthly pension. Did you know that you can view and download your PICS every month from our secure *Online Services* site when your pension is paid?

OPTrust sends a print copy of the PICS to all retirees every January to report the inflation adjustment, and again when there are changes to pension amounts (e.g. income tax rates). You can access a copy of your personal statement every month when your OPTrust pension is paid.

The statement gives you information about your monthly pension, including:

- CPP integration pension amount
- federal and provincial TD1 claim amounts
- spousal information on record
- basic life insurance amount
- monthly tax deductions



To access your statement at anytime, sign-in to your secure *Online Services* account and click *Your Pension Statements*. ○



Pension Connection is a newsletter for pensioners of the OPSEU Pension Trust. Its goal is to provide useful and timely information about the OPSEU Pension Plan.

If there is any conflict between statements in this newsletter and the legal documents of the OPSEU Pension Plan, the legal documents will prevail. Please direct any questions about your personal benefits under the Plan to OPTrust. You should contact OPTrust before making any pension-related decisions.

If you have any questions or comments, please contact us.

How to Reach Us

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OPSEU Pension Trust

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retraite du SEFPO

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