

> Fact Sheets contain in-depth information on select topics for members of the OPSEU Pension Trust

Fact Sheet

Open Option Buyback

OPTrust introduces a new option for members to buy back past service credit outside the Plan's normal 24-month application window.

The OPSEU Pension Plan's sponsors – OPSEU and the Government of Ontario – have approved a change to the Plan's rules effective **February 1, 2010**. The change creates a new “open option” for eligible members to buy back credit after the Plan's normal 24-month application deadline has expired. With this new option, OPTrust members have an opportunity to boost their pension in retirement and possibly retire sooner.

As a result, if you missed OPTrust's 24-month deadline to apply to buy back past service, you can now obtain a cost quote and purchase credit for your past service.

How does an open option buyback work?

An open option buyback gives members who did not apply within the normal 24-month window the flexibility to complete a buyback. OPTrust now accepts applications from active members:

- for leaves of absences that ended more than 24 months before the application date
- who did not apply within 24 months of their most recent plan membership date to purchase contract service (non-contributory periods) or previously refunded service
- for service with other public sector pension plans.

Important: The new open option buyback gives members an opportunity to secure a

pension benefit that was previously out of reach. Buying the additional credit may bring you closer to one of the Plan's early retirement options and you would likely see an increase to your pension at retirement. However, the cost for this option may be significantly higher. That's why OPTrust encourages members who want to buy back service to apply within the Plan's normal 24-month application window because it is less expensive.

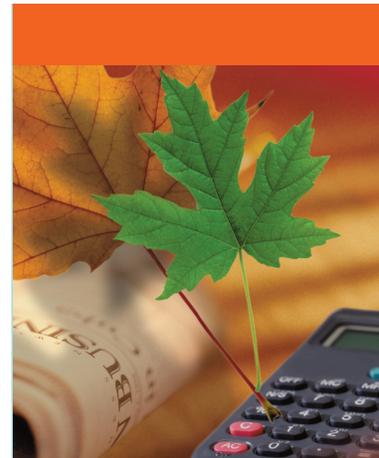
Who qualifies?

The new rule applies to active OPTrust members who want to purchase:

- service with an employer who contributed to the OPSEU Pension Plan, the Public Service Pension Plan, or its predecessor
- unpaid leaves of absence from a participating employer
- service with another Canadian registered pension plan (Non-Ontario Public Service buyback and transfer top ups).

How much will it cost?

OPTrust calculates the cost of an open option buyback based on the projected value of the additional OPTrust pension you will receive when you retire. To determine the cost, we use factors such as your age, salary history, and credit to be bought back. The whole cost of the buyback is paid by you.



An open option buyback gives members, who did not meet the normal 24-month window, the flexibility to complete a buyback.



Go online for your estimate

Want to know how much it will cost for your open option buyback? Whether you want to buy back non-OPS service, an unpaid leave of absence or non-contributory service, our online buyback estimator will give you an estimate for your missed period of service.

To see what your buyback would cost, visit our website at www.optrust.com and use the online buyback estimator located under “Calculators” on our homepage to get an estimate.

To help you make an informed decision, the online tool will provide you with:

- an estimated cost to buy back your years of service
- your monthly pension with the buyback, starting at age 65
- your monthly pension without the buyback, starting at age 65
- the difference that the buyback will make to your monthly pension.

How to apply

First, you should start with our online buyback estimator to get an estimate of the cost. The estimator provides a close estimate compared to the actual cost. So right away, you’ll have an idea of whether you want to proceed with the purchase of your past service and how it will increase your pension at retirement.

Next, if you are interested, you will need to complete OPTrust’s *Application for Past Service Credit* form, available online and return it to our office. OPTrust will then provide you with a formal cost quote.

Note: Previous buyback applications will be accepted. If you want to re-open an application that was previously denied due to the Plan’s normal 24-month application time limit, you do not need to re-send your records to OPTrust since we have this information on file. Simply contact OPTrust and we will re-open your initial application.

Example 1

Garcia became a full-time OPS employee and joined the Plan in 2005. In 2008, Garcia made an application to apply to buy back his three years of unclassified service. However, Garcia was informed that he missed the Plan’s 24-month window. Under the new rules, he now has the option to open the application and purchase his previous service.

Example 2

When Jean joined the Plan in 1998 and he had four years of contract service to buy back. Jean made an application and paid for a portion of his past service credit. However, Jean did not complete his buyback payments within the Plan’s 10 year and three month time limit.

With the new open option buyback, Jean can now finish paying for his years of contract service and boost his income at retirement.



To apply, you should start with our online buyback estimator for an estimate. Then you will need to complete OPTrust’s *Application for Past Service Credit* form, available online and return it to our office. OPTrust will then provide you with a formal cost quote.





Example 3

Mary is age 60 with 18 years of service credit. When Mary first joined the Plan, she had two years of contract service but did not submit a buyback application. At age 60, Mary does not meet any of the Plan's early retirement options.

If Mary retired today, her OPTrust pension would be reduced by 25% or 5% for every year that she is under age 65, the Plan's normal retirement date. **Mary's pension is calculated as:**

$$\begin{aligned} 2\% \times \$54,000 \times 18 \text{ years} &= \$19,440 \\ \$19,440 - 25\% &= \mathbf{\$14,580} \\ &\text{annual pension} \end{aligned}$$

Let's say Mary decides to buy back her contract service under the new open option buyback:

$$\begin{aligned} 2\% \times \$54,000 \times 20 \text{ years} &= \mathbf{\$21,600} \\ &\text{annual pension} \end{aligned}$$

Mary receives a bigger OPTrust pension without a reduction and she can retire sooner.

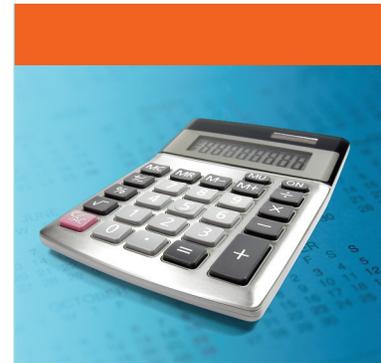
Why buying back credit matters

Buying back credit can be an important way to increase your pension when you retire plus increase your credit so that you can retire earlier. It may even help you to qualify sooner for OPTrust's early retirement options such as Factor 90 or 60/20.

It's always a good idea to apply to purchase credit within the Plan's 24-month application window. That way the cost will be significantly less than if you missed the window and you will have more payment options available to you.

Should I buy back credit?

Depending on your age and years of service, the cost to buy back credit outside the Plan's 24-month application window may be expensive. However, a buyback will help you reach retirement sooner or increase the amount of your pension at retirement. You may want to discuss this option with a financial advisor.



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For more information please contact OPTrust

This **Fact Sheet** is intended as a summary description of the OPSEU Pension Plan. The Plan text contains numerous provisions not described here that may apply to you. In the event of any conflict between this Fact Sheet and the OPSEU Pension Plan text, the Plan text will govern.

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