OCHU/CUPE Pension Guide

Healthcare of Ontario Pension Plan Highlights – 2015 Edition

CUPE Research

Is HOOPP a Good Pension Plan ?

- Yes, it is a "*defined benefit*" Plan.
- Members are guaranteed a certain level of pension wage defined by a formula.
- An individual's retirement wage is not subject to the vagaries of the market, unlike the situation with money purchase plans and RRSPs.
- It is also jointly controlled.

How and When Did We Get Joint Control?

- In 1989, Unions sought joint control of the Plan from the Superintendent of Pensions – *we lost.*
- We appealed – the Pension Commission of Ontario ordered joint trusteeship in 1990.
- After the OHA lost its appeal to the Divisional Court, joint trusteeship was established in 1993.

How Is the HOOPP Board of Trustees Structured?

- 16 voting members
  - 8 appointed by OHA
  - 8 appointed by 4 major unions
    - CUPE
    - ONA
    - SEIU
    - OPSEU

Plan Membership – Full-time Employees

- Mandatory for full-time employees.
- Full-time employees must join immediately upon being hired.

Plan Membership – Part-Time and Casual Employees

- Is optional for part-time and casual employees
- Eligibility requirements will be lifted beginning October 1, 2015
- Part-time and non-full-time employees can now join HOOPP upon hire

Definitions ……..1

- "YMPE" means the "Year's Maximum Pensionable Earnings". It is set by the federal government every year and is based on the average wage. In 2015, the YMPE is set at $53,600.

Contribution Levels

- From 1999 to the end of 2003 contributions were subsidized from the plan’s surplus.
- Commencing January 1, 2004, the subsidy was completely removed.

How Much Do Members Contribute?

- The rates you pay today are:
  - 6.9% of "annualized earnings" up to the YMPE ($53,600 in 2015).

    And
  - 9.2% of "annualized earnings" above the YMPE.

Definitions….2

- “Annualized earnings” are what you earn in a **calendar** year that count towards your pension. If you work for more than one HOOPP employer both sets of earnings are included.
- Not all types of earnings are included, for example the following DO NOT count towards your pension:
  - Overtime pay
  - Shift premiums
  - Percentage in lieu

For the Average CUPE Member What Does This Cost in Dollars and Cents?

- Based on the average CUPE annual wage of $45,825 the rates you pay today are:
  - $45,825 x .069 = $3,161.93/year or $263.49 per month

For a CUPE Member Earning More Than the YMPE What Does This Cost in Dollars and Cents?

- Based on a CUPE annual wage of $56,550 ($29/hr) the rates you pay today are:
  - $53,600 x .069 = $3,698.40/year

plus

  - ($56,550 – 53,600) x .092 = $271.40/year

  for a total of $3,969.80/year or $330.82/month

How Much Are Employers Required to Contribute?

- Employers must contribute 126% of what members contribute.

How Do I Calculate My Basic Pension Wage?

- If you earn LESS than the "average YMPE" it is 1.5% x your "average annualized earnings" x your # of years of "contributory service".

Definitions….3

- "Average annualized earnings" means the highest average annualized earnings during any five consecutive years.
- "Average YMPE" is the average of the year's YMPE for the three years before your HOOPP benefit is calculated.

Definitions….4

- “Contributory service” is the most important part of the formula.
  - It is the length of time measured in years and part years that you’ve contributed to HOOPP, and it is adjusted for such things as part-time hours.
  - You are not allowed to count more than regular full-time hours per week, 52 weeks per year.

What If I Earn More Than the Average YMPE?

- If you earn MORE than the average YMPE the benefit formula is 1.5% x your average annualized earnings (up to the average YMPE) x # of years of contributory service.

Plus

- 2% x your average annualized earnings above the average YMPE" x # of years contributory service.

Basic Pension Wage – Average CUPE Member

Example 1 – FT CUPE member

Assume average earnings of $45,825, 25 years of contributory service, and average YMPE of $51,233.33.

$45,825 x 0.015 x 25 years = $17,184.38 yearly or $1,432.03 per month.

Basic Pension Wage - ONA Member

Example 2 – FT ONA member

Assume average earnings of $83,557.50, 25 years of contributory service and average YMPE of $51,233.33

$51,233.33 x 0.015 x 25 years = $19,212.50 yearly

plus

$32,324.17 x 0.02 x 25 years = $16,162.09 yearly for a total of $35,374.56/year or $2,947.88/month

Basic Pension Wage - CEO

Example 3 - CEO

Assume average earnings of $275,000, 25 years of contributory service and average YMPE of $51,233.33

$ 51,233.33 x 0.015 x 25 years = $19,212.50 yearly

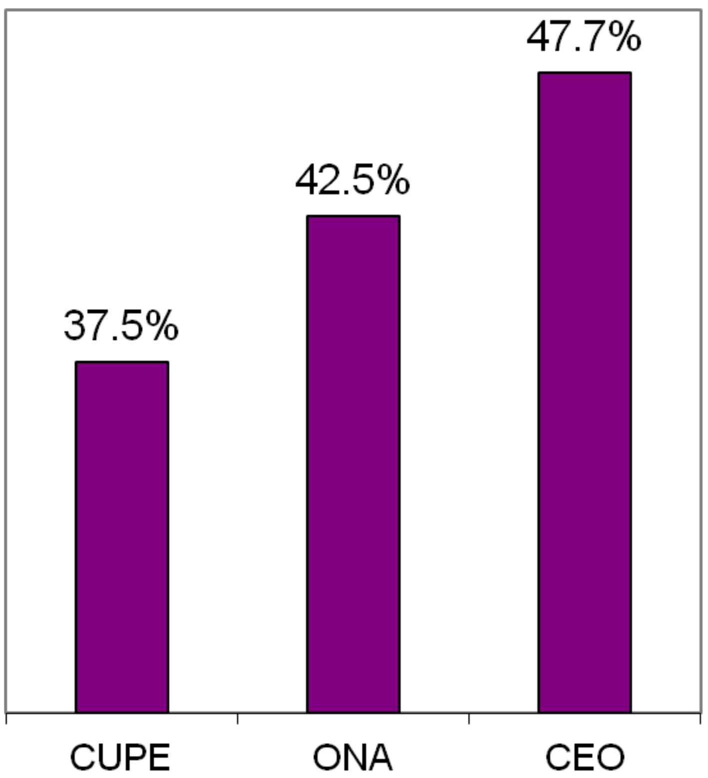
plus

$223,766.67 x 0.02 x 25 years = $111,883.34 yearly

for a total of $131,095.84/year or $10,924.65/month

The Current Retirement Benefit Formula Benefits Higher Earners More

- The existing formula provides a proportionately higher pension income for those at higher income levels.
- It only replaces 37.5% of the average CUPE member's pre-retirement income, compared to 42.5% for the ONA member and 47.7% for the CEO.



What Would Be a Fairer Formula?

- If the % of average earnings up to the YMPE were to be increased to 2.0% then all income earners would benefit equally.
- For the average CUPE wage earner, the increase would be substantial.

How Much More Would the Average CUPE Member Receive?

- $45,825 x 0.02 x 25 years = $22,912.50 or $1,909.38 monthly.
- This would generate $477.34 more a month for the average CUPE member than the present formula (an increase of 33.3%).

How Soon Can You Retire?

- The normal retirement age used by HOOPP is 65.
- But if you have two or more years of eligibility, you can
  - Retire at age 60 or after 30 complete years of eligibility without a reduction in pension entitlement, or
  - Retire between 55 and 59 but usually with a reduction in your pension entitlement.

Early Retirement Table

Years of eligibility service completed	Percentage of pension payable					
	Age 55	Age 56	Age 57	Age 58	Age 59	Age 60+
Feb-14	70.00%	76.00%	82.00%	88.00%	94.00%	100%
15	77.50%	82.00%	86.50%	91.00%	95.50%	100%
16	79.00%	83.20%	87.40%	91.60%	95.80%	100%
17	80.50%	84.40%	88.30%	92.20%	96.10%	100%
18	82.00%	85.60%	89.20%	92.80%	96.40%	100%
19	83.50%	86.80%	90.10%	93.40%	96.70%	100%
20	85.00%	88.00%	91.00%	94.00%	97.00%	100%
21	86.50%	89.20%	91.90%	94.60%	97.30%	100%
22	88.00%	90.40%	92.80%	95.20%	97.60%	100%
23	89.50%	91.60%	93.70%	95.80%	97.90%	100%
24	91.00%	92.80%	94.60%	96.40%	98.20%	100%
25	92.50%	94.00%	95.50%	97.00%	98.50%	100%
26	94.00%	95.20%	96.40%	97.60%	98.80%	100%
27	95.50%	96.40%	97.30%	98.20%	99.10%	100%
28	97.00%	97.60%	98.20%	98.80%	99.40%	100%
29	98.50%	98.80%	99.10%	99.40%	99.70%	100%
30 +	100%	100%	100%	100%	100%	100%

* *Based on age at retirement*

Partial Years Don’t Count

- It’s very important to note that partial years don’t count on HOOPP’s early retirement table.

- The later you retire, or the more years of eligibility you have in the plan, the larger your benefit will be.

Early Retirement Bridge

- You can qualify for the early retirement bridge benefit if you are between the ages of 55 to 64 and if you have two or more years of plan eligibility.
- This bridge bumps up the percentage of average earnings replaced from 1.5% to 2.0% up to the YMPE.
- At age 65 the formula reverts to 1.5%.

Temporary Transition Benefit

- Some members qualify for an additional 'transition benefit'.
- To qualify you must have reached the age of 55 by December 31, 2005, and:
  - be under the age of 65 when you retire.
  - have had 5 or more years of plan membership.
- The maximum transition benefit is currently worth about $551 a month until you reach age 65.
- It will be reduced if you retire early without attaining 30 years of membership or age 60, and by even more if you have less than 10 years of contributory service when you retire.

How Do the Bridge and Transition Benefits Operate Within the Context of the Overall Retirement Income System?

Age	HOOPP			CPP	OAS
	Basic Lifetime Pension	Permanent Bridge	Temporary Transition Benefit		
55-59	Yes	Yes	Yes	No	No
60-64	Yes	Yes	Yes	Yes	No
65	Yes	No	No	Yes	Yes

Cost of Living Adjustments (COLA)

- HOOPP does not guaranteed 100% protection against inflation.
- HOOPP trustees vote annually on whether to provide COLA.
- Prior to 2006, HOOPP had a ***guaranteed*** COLA of 75% of the previous year's increase in the Consumer Price Index (to a maximum of 10%).
- The 75% guarantee now only applies to pre-2006 contributory service.

Some pensions are not keeping up with inflation

HOOPP trustees approved two adjustments for 2014:

- 2014 COLA will be granted at a rate of 100% of CPI at 1.47%
- A catch-up adjustment will increase pensions to the level they would have been if they had received an annual COLA equal to 100% of CPI between 2002-2013.

Pensions as Deferred Wages

- Pensions are deferred wages.
- When pensions don't keep up with inflation, the incomes of retired wage earners shrink.
- The lack of a 100% guaranteed protection against the erosion of pension benefits to inflation is of concern to CUPE's trustees, CUPE members and CUPE retirees.

Can Members Purchase Past Service With the Employer?

- Yes, but it's expensive.
- Besides your share, you must pay the employer share plus interest.
- Which periods of service are most commonly bought back?
  - Waiting periods
  - Periods of temporary, casual and part-time employment

Spousal Benefits

- Your spouse will get lifetime pension provided s/he meets one of following qualifiers:
  - is married to you, but not separated from you,
  - has been living with you continuously for a period of not less than one year, or
  - is the mother or father (natural or adoptive) of your child and lives with you in a relationship of some permanence.

Spousal Benefits – 3 Options

- The normal spousal pension is 60% of your basic lifetime pension payable upon your death.
- You can elect that your spouse receive more [80% or 100%] of your basic lifetime pension for the price of an actuarially equivalent reduction in your own basic lifetime pension (based upon you and your spouse's age at retirement).

New Post-Retirement Spousal Benefits

- Previously, no spousal benefits were payable to spouses acquired *after* a member had retired.
- Now a retired member can elect to provide spousal coverage to a spouse acquired post-retirement, provided the spouse the member had at retirement is not still living.
- The price is an actuarial reduction in the member's pension based on the age of the member and the spouse.

What About Other Beneficiaries?

- If you and your spouse die before receiving pension payments equivalent to the contributions (plus interest) made by you into the plan, your named beneficiary will receive the balance.

What Is a "Beneficiary"?

- A "beneficiary" is an entity or person(s) designated by you to receive the benefits payable under the plan upon your death, with the exception of the spousal pension.
- You name your beneficiary through HOOPP.
- Since your eligible spouse is automatically your beneficiary, you should name as your beneficiary the person(s) you want to receive your HOOPP benefits should you have no eligible spouse at the time of your death.

What If You Have No Spouse?

- You get pension for life.
- If you die before receiving 180 payments (15 years' worth), your named beneficiary receives the balance.

Shortened Life Expectancy Option

- HOOPP has a new provision which allows active members with a life expectancy of less than two years to withdraw a lump-sum payment.
- A member must contact HOOPP directly to terminate their membership in HOOPP and receive the lump-sum payment.

HOOPP Inquiries

If you have any questions about HOOPP:

– Call the HOOPP line at 1-877-434-6677

OR

– Visit the HOOPP website at www.hoopp.com where you can find the HOOPP Pension Calculator