New rules for certain groups of PSPP members who qualify for long term income protection (LTIP)

We've created this bulletin to communicate an update to the Public Service Pension Plan (PSPP) regarding long term income protection (LTIP).

What's changed?

Effective January 1, 2016, the Ontario Government amended the PSPP to add a new set of rules for specified groups of PSPP members who qualify for LTIP. The pre-existing LTIP rules will continue to apply to certain groups of members.

The new LTIP rules **do not** affect members who already qualified for LTIP under the pre-existing rules prior to January 1, 2016.

Are agency employers subject to the new LTIP rules?

The new PSPP provision provides that agency employers are covered under the pre-existing rules; however, they do have the option of opting in to the new rules.

To opt in, a senior HR representative from your organization must make a written election to OPB to have the new LTIP rules apply to your employees. The new rules will apply to members who incur a disability on or after the date indicated in the election.

For more information about opting in to the new rules, including what the opt-in date should be for your organization, please contact OPB's Employer Relations team by emailing nathan.pike@opb.ca.

Before submitting an election to OPB, please contact the Benefits Policy Unit of Treasury Board Secretariat (TBS) to inquire about any LTIP policy requirements to opt into the new LTIP rules.

Please direct any inquiries to:

Edwin Harrigan Manager, Benefits Policy Unit Total Compensation Policy Branch Employee Relations Division Treasury Board Secretariat	77 Wellesley St. West, 13th Floor Toronto, Ontario M7A 1N3 Tel: 416-325-4991 Fax: 416-327-8402 Email: edwin.harrigan@ontario.ca

How will members accrue pension credit under the new LTIP rules?

Under the new rules, members on LTIP will accrue 70% of the pension credit they accrued before the disability occurred. We will prorate partial years of credit accordingly.

Examples of how credit accrual under the new rules works:

1. A full-time employee will earn 0.7 years (8.4 months) of pension credit for every year on LTIP.
2. A regular part-time (RPT) employee with an RPT ratio of 60% will earn 0.42 years (approximately 5 months) of pension credit for every year on LTIP.
3. A regular part-time employee with an RPT ratio of 50% will earn 0.35 years (approximately 4 months) of pension credit for every year on LTIP.

Note: If the member worked irregular hours (i.e., unclassified) or on a seasonal basis, you have to provide OPB with the appropriate employment ratio to apply.

What are the pension contributions under the new LTIP rules?

Under the new LTIP rules, contributions are based on the member's salary on the day before the LTIP effective date, multiplied by 70%. The resulting amount will be indexed annually each January.

For example, the annual contributions for a full-time member with an annual salary of $100,000 are calculated as follows:

YMPE = $58,700

Annual member contributions = (7.4% x $58,700) + (10.5% x $41,300) x 70% = $6,076.21

Note: OPB will communicate the required contributions after you've notified us that the member has qualified for LTIP. Please do so using a secure message via the Employer Portal

What if employees at my organization have an LTIP policy that provides for a different percentage of their salary while on LTIP; i.e. an amount other than 70%?

Employers who opt into the new rules must remit 70% of regular contributions, as required by the PSPP text, even if your organization's LTIP policy pays a different benefit to eligible members.

Is the employer required to pay both portions of the contributions under the new LTIP rules?

No. Under the new LTIP rules, employers are no longer required to pay both portions of the required contributions.

Members who qualify for LTIP under the new rules are required to pay their share of the contributions during the LTIP period; however, the employer is responsible for collecting and remitting all LTIP contributions (member and employer's portions) to OPB during the LTIP period.

The member must forward their portion of the contributions to the employer, who will remit the combined amount to OPB.

Note that contributing during the LTIP period is mandatory; members cannot opt out of contributing to the PSPP.

What happens if the member is eligible to both WSIB & LTIP under the new LTIP rules?

Under the new LTIP rules, where a member qualifies for both WSIB and LTIP, the member has the option of making full member contributions (i.e., 100% of their regular contributions, instead of 70%) for the first year after their date of disability as required by the *Ontario Workplace Safety and Insurance Act*. The employer must match these additional contributions.

If the member elects to make the additional contributions, they will accrue 100% of their pre-disability pension credit for the first year after their date of disability. After the first year, the regular LTIP rules will apply; meaning the member will earn credit and contribute based on the 70% rule.

Under the old LTIP rules, the employer is required to pay both portions of the required PSPP contributions for members who are eligible for both WSIB & LTIP.

How do the new LTIP rules compare to the pre-existing rules?

The following table summarizes the new LTIP rules in comparison to the pre-existing rules.

Plan Provisions	Existing rules	New rules
Date of disability	Any date of disability	On or after January 1, 2016 or the date determined at the time the employer or bargaining group opts-in to the new rules
Pension credit accrual	100% of pre-disability accrual	70% of pre-disability accrual
End of pension credit accrual	Age 65	Age 65
Member contributions	Paid by employer	Paid by member
Contribution calculation	100% of regular member contributions	70% of regular member contributions
Salary basis for contribution calculation	Salary at date of disability, indexed annually each subsequent January	Salary on day before LTIP effective date, indexed annually each subsequent January
Salary indexation calculation	Uses the date of the member's last salary increase before the date of disability	Uses the date of the member's last salary increase before the LTIP effective date
Members who also qualify for WSIB	No impact	Members have option to accrue full credit for first 12 months post-date of disability.