

# Should I continue my Long Term Disability coverage during my leave of absence?

## The answer to this question deserves careful consideration.

Long Term Disability (LTD) insurance provides a safety net that will replace a percentage of your salary and provide pension plan protection should you be unable to work because of an illness or injury.

Your LTD plan recognizes that most members are in a highly vulnerable financial position should they be confronted with a loss of income during a lengthy or permanent disability.



## While on leave of absence, you have two options:

1. Maintain your LTD coverage by continuing to pay your premiums, **or**
2. Discontinue your LTD coverage by ceasing your premium payments. When you return to work your coverage will be reinstated and you will be subject to a pre-existing condition clause.

## Maintaining your LTD coverage

If you choose to maintain your LTD coverage and you become disabled while on leave, you are eligible to apply for LTD benefits. There will be no break in your coverage and you will not be subject to a pre-existing condition clause upon your return to work.

### Example 1:

*Tracey is diagnosed with cancer during her leave of absence. While undergoing cancer treatment, her leave of absence ends and she is unable to return to work. As Tracey maintained her LTD coverage during her leave, she is eligible to apply for LTD benefits. The benefits, payable on or after the date her leave is scheduled to end, will help her replace her income while she is unable to work.*

## Discontinuing your LTD coverage

If you become disabled while on leave, you will not be eligible for LTD benefits. Upon your return to work, your coverage will be reinstated and you will be subject to a pre-existing condition clause if you become disabled within 12 months from the date of reinstatement.

### What is a pre-existing condition?

*This is a disability arising from illness or injury for which you obtained medical care during the 90 day period before you become re-insured.*

### Example 2:

*Tracey is diagnosed with cancer during her leave of absence. Tracey did not maintain her LTD coverage during her leave, therefore, she is not eligible to apply for LTD benefits to help her replace her income if she is unable to return to work. If Tracey returns to work after her leave of absence ends, her LTD coverage will be automatically reinstated, but if Tracey has to discontinue work less than one year from her reinstatement of insurance date, her benefits will be subject to a pre-existing condition clause. She can apply for LTD, but if it is determined that her medical condition is pre-existing, her LTD application will be declined.*

Please refer to the enclosed Options for Continuing Benefits During Leave form showing the cost to maintain your LTD coverage and carefully consider your options before making your selection. If you have any questions about your LTD coverage, please contact OTIP benefits services at 1-866-783-6847 or visit [www.otip.com](http://www.otip.com).



# The road to buying back your credit

Meghan Haag has a lot on her mind these days. Aside from getting used to a brand-new class of energetic Grade Six students, the Toronto District School Board teacher is also expecting her first child next March. She's heard some of her colleagues talk about "buying back" her absence but she's not quite sure what might be involved.



Meghan and Stefan Haag know how important it is to maximize her pension.

## WHAT ARE THE BENEFITS?

The benefit of buying back an absence is significant. Meghan can maximize the actual time (years, months and days) she has contributed to her pension through a buyback. Simply put, the more credit she accumulates, the greater her pension. Missing a year's credit now means one less year of credit when calculating her pension. She may even be required to work longer to reach her 85 factor.

"I'm anxious to learn more about how a buyback can work for my family," says Meghan. "My husband is self-employed, so we will be relying on my pension when we retire. We want to build a house up north one day, so it's important for us to maximize my pension."

Let's follow Meghan through the steps she'll take as she thinks about buying back. Keep in mind that no two buyback experiences are the same, and Meghan's path, although typical, is unique to her situation.

## TO BUY BACK OR NOT TO BUY BACK?

Before she lets her employer know about her upcoming maternity leave, Meghan goes online to *iAccess Web*, the secure member website. All of the tools and personalized information she needs can be found in her online Buyback Centre. She can use the Buyback Calculator to see what she might expect to pay to buy back her absence. She only needs to enter the start and end dates of when she will be away.

Meghan decides that buying back is a possibility worth considering. But what does she do next to get the ball rolling?

## WHO NEEDS TO BE INFORMED?

Meghan lets her employer know she is taking a maternity leave, and her employer sends this information to us. From this point on, she can relax and let us do the work and calculations for her. We contact Meghan by e-mail to let her know that a buyback opportunity exists in her *iAccess Web* Buyback Centre.



## WHAT'S THE COST?

Meghan signs into *iAccess Web*. Her Buyback Centre displays her upcoming leave, as well as the estimated cost, payment options, tax implications and deadlines. She can also see the expected benefit to her future pension and the earliest possible date she can retire with an unreduced pension—with and without the buyback.

"I'm one of those people who is horrible with numbers, but if someone shows me precisely what my options are and how much I owe, it really helps my level of understanding," Meghan reveals. "I think having the *iAccess Web* Buyback Centre is great because it does the calculations for me."

After reading through the website and becoming more buyback-savvy, Meghan decides that yes, she and her husband can afford to buy back her year's maternity leave within the five-year deadline (once Meghan's leave ends, she has five years to pay for her buyback).

## HOW TO PAY?

March 2011: Meghan gives birth. Once she is on leave, we provide her with a confirmed buyback cost (approximately 45 days after her leave's start date). She can now begin to pay for her buyback. Meghan opts to put a lump sum towards her buyback—not the full amount, but it's what she's saved so far—by arranging an

electronic bill payment through her bank. She still has a small amount left to pay, and interest will begin to be charged only when her leave ends in March 2012.

## WHAT ABOUT TAXES?

Flash-forward to January 2013. Meghan's leave ended almost a year ago, and there is still a balance outstanding on her buyback. We send her an e-mail asking if she intends to buy back her leave in full. Informing us of her intent to buy back will secure Meghan's eligibility to receive a pension adjustment (PA) for the leave, as opposed to a past service pension adjustment (PSPA). This means that her buyback will not be conditional on her having sufficient RRSP room, something that the Canada Revenue Agency (CRA) must approve. Meghan wants to avoid the complication of CRA approval and decides to provide her intent to buy back by calling one of our Pension Benefits Specialists.

Meghan's current RRSP contribution room will be reduced by the amount of her pension adjustment (PA). This reduction is permanent, even if she subsequently decides not to complete the buyback. For more details, please read *Tax implications of buying back credit*, available in the Member Reference Library at [www.otpp.com](http://www.otpp.com). ■

## WHAT ABOUT RRSPS?

Meghan elects to use her RRSPs to pay off the remainder of her buyback. She downloads the *Direct Transfer Form* (T2033) from *iAccess Web*, fills it in and takes it to her financial institution.

Meghan's financial institution completes the form and sends it to us, in addition to the funds needed for her transaction. And with that, Meghan's buyback is complete.

"Most teachers think that buying back is complicated," says Meghan. "But the pension plan has made the process really easy and efficient, so I don't have to feel lost or confused along the way. I'm really happy that I have the opportunity to do something that will benefit my family in the future."

## WHAT IF?

What if Meghan doesn't declare her intent to buy back, and what if the remainder of her buyback is not paid by January 2013? Meghan has until March 2017 to complete her buyback. Before the deadline, we remind her of this approaching date. If she chooses to pay off her buyback, a PSPA will be issued and she will need approval from the CRA before the remainder of her buyback can be permitted. If she chooses not to pay off the rest of her buyback, she forfeits the remainder of the opportunity, but she receives credit for what she has already purchased. ■



**On Sept. 1, 2010, several plan enhancements were enacted to make it easier and more convenient for members to buy back an absence in education. For more information, check out the Buybacks section in the Member Info tab of our website at [www.otpp.com](http://www.otpp.com).**

# iAccess Web makes buying back easier

If you've checked out *iAccess Web* recently, you would have noticed a big change under your "My Buybacks" tab: that's right, we've completely changed and improved the way buybacks are seen, calculated and processed online.



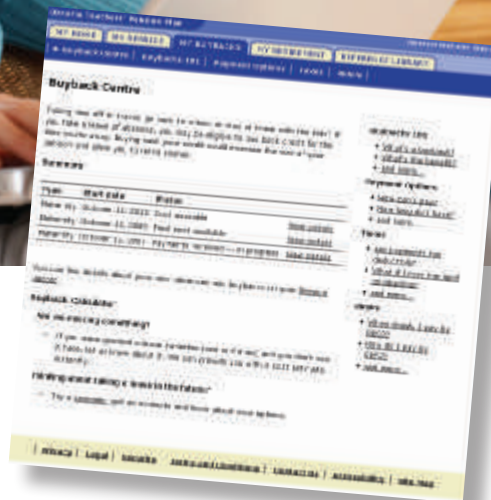
## MY BUYBACK CENTRE

Here's where you will find up-to-date information on leaves of absence your employer has reported to us and the buyback opportunities you may have, including the ones for which you are in the process of paying.

## FAMILIAR FAVOURITES AND NEW FEATURES TOO

### Buyback statement

How much interest have you paid, if any? How much more do you owe? What are your deadlines? Your buyback statement shows what payments we've received from you and how we've applied them against the cost of your buyback.



You can even print out your statement and include it along with any payments you send to us.

### Buyback Calculators

If you're just thinking about taking a leave of absence, you can use a Buyback Calculator to try out different scenarios to see how your pension could be affected by a future leave of absence. You

can do this even if you haven't been approved for an absence—you just need the start and end dates of your leave. If you have been approved for a future leave or if you've already taken one, you can also use a Buyback Calculator to obtain an initial cost estimate.

### Buybacks 101 and more

Learn about the basics and get answers to some of the most common questions teachers have regarding buying back. Find out how to pay, when to pay, and how buying back could affect both your RRSPs and your taxes.

### Important dates

Get an overview of the important dates and deadlines you'll need to consider during the life of your buyback. Don't worry, you won't have to remember any of these dates; we'll contact you to let you know if there's anything you have to do.

## If you're still not registered for iAccess Web:

1

Call **416-226-2700** or **1-800-668-0105**, weekdays from 8 a.m. to 5:30 p.m. or

2

Download and complete the registration form at **www.otpp.com**. Just follow the link from the homepage.