

Pension

CONNECTION

OPTrust hires leading pension expert as President and CEO



The OPTrust Board of Trustees appointed Hugh O'Reilly to the position of President and CEO, effective January 2, 2015. Mr. O'Reilly is one of Canada's leading experts on pensions and brings to the organization an unmatched knowledge of the operation and governance of jointly sponsored pension plans.

"We are very pleased to have someone with Mr. O'Reilly's depth of knowledge in public sector pension plans, and their challenges and opportunities, to lead the organization and help implement our strategic plan going forward," said Michael Grimaldi, Chair of the Board of Trustees. "On behalf of the Board we look forward to working with Mr. O'Reilly to ensure the organization fulfills its mission of delivering sustainable pension security for all our plan members."

Mr. O'Reilly previously led the Pension Benefits and Insolvency Practice Group at Cavalluzzo Shilton McIntyre Cornish LLP, a firm he joined after a successful career on the management side as a partner at Torys LLP. Mr. O'Reilly is one of two pension lawyers in Canada rated by Lexpert on both the management and union side, and he has a reputation for crafting innovative, practical outcomes to pension challenges.

"Public sector pensions in Ontario have made tremendous progress over the last decade, however many challenges still face the sector, including at OPTrust. The Board of Trustees believes that Mr. O'Reilly is the right leader to help us continue to grow," said Vicki Ringelberg, Vice-Chair OPTrust. "Mr. O'Reilly will build on the work of outgoing President and CEO, Bill Hatanaka, who we thank for his excellent service to the organization." □

In this issue:

- 2 OPTrust Board names new Chair and Vice-Chair
- 2 Plan ahead for your survivors
- 3 Retirees receive 1.7% increase to pensions
- 4 Research study demonstrates efficiency of DB model
- 5 Mark your calendar
- 5 Get ready for tax season
- 6 Facts about... Starting CPP before age 65
- 7 You asked... Spousal relationships
- 7 New Ontario pension regulation
- 8 Quick tips to protect your personal information

OPTrust Board names new Chair and Vice-Chair

As part of OPTrust's governance structure one Government appointee and one OPSEU appointee fill the positions of Chair and Vice-Chair, with the roles alternating between the Government and OPSEU appointees every two years.



Michael Grimaldi was named Chair of OPTrust's Board of Trustees, effective November 2014. Mr. Grimaldi was first appointed to the Board in 2012 by OPSEU, and became Vice-Chair in 2013. Retired in 2013, Mr. Grimaldi, with over 30 years' experience in the Ontario Public Service, is a strong advocate for defined benefit and jointly sponsored pension plans. Mr. Grimaldi replaces the former Chair Scott Campbell who remains on the Board.

The Board also appointed Vicki Ringelberg as Vice-Chair. Ms. Ringelberg joined the Board in 2011 as a Government appointee. Her career spans over 20 years in the investment industry, where she held various senior positions. Ms. Ringelberg is currently director of Portland India Select Business Mauritius Portfolios Ltd., Portland General Partner Inc., and a member of the Board of Trustees for Portland Canadian Trusts.



PLAN AHEAD FOR YOUR SURVIVORS

Your OPTrust pension provides benefits for your survivors, so it's important that you identify who you want to receive those benefits. Remember it's always a good idea to:

- **make sure OPTrust knows who your beneficiaries are**
- **review your designation on a regular basis.**

Learn more at optrust.com.

Retirees receive 1.7% increase to pensions

Your annual OPTrust pension increased by 1.7% starting January 1, 2015.

The adjustment is the result of the OPSEU Pension Plan's inflation protection provision and reflects the rise in the cost of living in Canada.

The full 1.7% increase applies to all OPTrust pensioners who retired before 2014. For retirees whose pension started in 2014, the increase will be pro-rated based on the month the pension started. The annual increase also applies to OPTrust survivor pensions and to the deferred pensions of former and divested OPTrust members.

LIFETIME PROTECTION

Under OPTrust's inflation protection feature, retirees' pensions are adjusted every January, based on changes in Canada's Consumer Price Index (CPI). The result is protection for the buying power of retirees' pensions – and security for the future.

For example, Peter retired in December 2004 with an annual pension of \$23,110. In January, Peter will receive \$27,617 – a 19.5% increase over a 10-year period. Since the Plan's inception, inflation adjustments have averaged 1.8%.

HOW OPTRUST CALCULATES THE ANNUAL INCREASE

OPTrust calculates the annual increase by dividing the CPI average for the two 12-month periods ending the previous September. The 2015 escalation factor and resulting 1.7% increase was calculated as follows:

$$\frac{\left[\begin{array}{l} \text{October 2013 to} \\ \text{September 2014} \end{array} \right] \text{ minus } \left[\begin{array}{l} \text{October 2012 to} \\ \text{September 2013} \end{array} \right]}{\text{October 2012 to September 2013}} = \frac{[124.6 - 122.5]}{122.5} = \mathbf{1.7\%}$$

The maximum increase in any year is 8%. An increase above that level is carried forward and applied in the next year when the adjustment is below 8%.

CONSUMER PRICE INDEX

The Consumer Price Index (CPI), produced by Statistics Canada, is a measure of price movements. The CPI is calculated by comparing the retail prices of a representative "shopping basket" of goods and services at two different points in time. This "shopping basket" includes a range of goods and services including food, fuel, transportation, home energy and shelter.

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

HOW MUCH WILL YOUR PENSION INCREASE?

Annual Pension	Increase	Annual Pension	Increase
\$15,000	\$255	\$30,000	\$510
\$20,000	\$340	\$35,000	\$595
\$25,000	\$425	\$40,000	\$680

To find out how much your own pension will increase in 2015, view your *Pensioner Information Change Statement* available through secure *Online Services* or the print version mailed at the end of January 2015.

Research study demonstrates efficiency of DB model



A study by a renowned actuary examines what would happen if public sector defined benefit (DB) plans were converted to defined contribution (DC) and concludes it would create higher costs, inefficiencies and increased risks.

> Read the full paper online at optrust.com.

In October 2014, a new research paper was released: *Shifting Public Sector DB Plans to DC – The Experience So Far and Implications for Canada*. The paper was authored by actuary Robert Brown and journalist Craig McInnes and was sponsored by the Canadian Public Pension Leadership Council, a group of which OPTrust is a member.

The research identifies five stakeholders in the conversion debate and examines whether in every case a shift to a DC arrangement would solve problems or create them. The stakeholder groups are: employers, including governments; employees and their dependants; current taxpayers; future generations of taxpayers; and society at large.

The paper also examines the claim that converting public sector DB plans to DC is in the best interests of taxpayers and other stakeholders by studying the experience of other jurisdictions, including Australia, Michigan, Nebraska, New York City, Saskatchewan and Texas and applying those lessons here.

After examining the literature on the experience in other jurisdictions and modelling what the ramifications would be in converting a large Canadian DB plan to DC, the paper concludes that none of the stakeholders, including taxpayers, would ultimately be better off.

It also shows that for an efficient \$10 billion DB plan, converting to individual-account DC arrangements to provide the same value of pension benefit would increase the ongoing cost of the plan by about 26 to 77 per cent, depending on how the funds are invested, and increase the required contribution rates accordingly.

Rather than saving money as conversion proponents argue, converting to DC increases costs and reduces efficiency. □

Mark your calendar

At OPTrust, pensions are paid on a monthly basis, usually on the 26th except for December when the pension is paid by the 20th. However, if the 26th falls on a Saturday or Sunday the pension is paid the previous Friday. For your convenience, we offer direct deposit to the financial institution of your choice.

New retirees receive their first pension payment in the month following their retirement. So, if you retired on October 31st, you can expect your first payment as an OPTrust retiree on November 26th. □

Your first payment in 2015 was on January 26th, and you can expect to receive your pension for the remainder of the year on the following dates:

CUT-OFF DATES FOR CHANGES

Wednesday, February 18
Thursday, March 19
Friday, April 17
Tuesday, May 19
Friday, June 19
Friday, July 17
Wednesday, August 19
Friday, September 18
Monday, October 19
Thursday, November 19
Friday, December 11

2015 PAY DATES

Wednesday, February 25
Thursday, March 26
Friday, April 24
Tuesday, May 26
Friday, June 26
Friday, July 24
Wednesday, August 26
Friday, September 25
Monday, October 26
Thursday, November 26
Friday, December 18

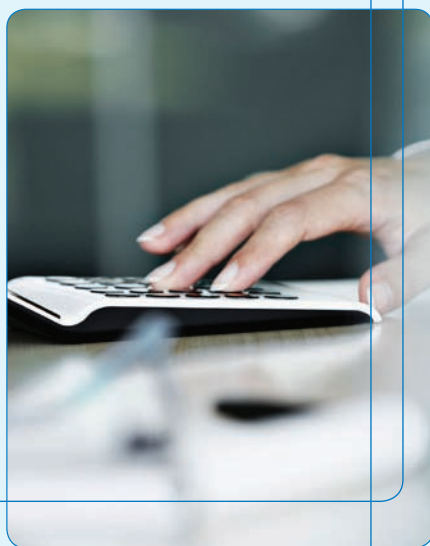
Get ready for tax season

Preparing for the 2014 income tax season is easy with OPTrust's secure *Online Services*. When you sign in or register, you have immediate access to your 2014 T4A in the *Online Services* area of our website. Sign in to *Online Services* to view and print your T4A. Go to "Your Pension Statements" then click on the *Tax Information T4A and TD1* link. To see your statement click on T4A – 2014. Please note that although the online version says "duplicate," you can still use it for tax purposes.

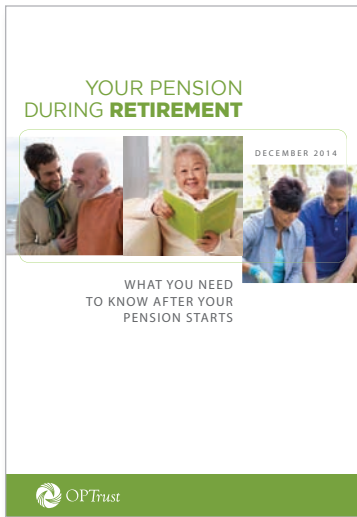
OPTrust will still send you a paper version of your 2014 T4A. It will be mailed to your home address in February.

WANT ADDITIONAL TAX DEDUCTED?

If you want OPTrust to deduct additional tax from your pension, using your *Online Services* account, click on the link *Tax Information T4A and TD1*. □



Facts about... Starting CPP before age 65



Learn more about CPP and your pension in our updated booklet **Your Pension during Retirement** available from OPTrust. The booklet also highlights what you need to know after your pension starts.

The Canada Pension Plan (CPP) provides retirement benefits to individuals who have contributed to it during their employment. Your pension from OPTrust is designed to provide you with a combined pension income at age 65 – from both OPTrust and CPP – that equals approximately 2% of your average salary multiplied by your years of pension service in the OPSEU Pension Plan.

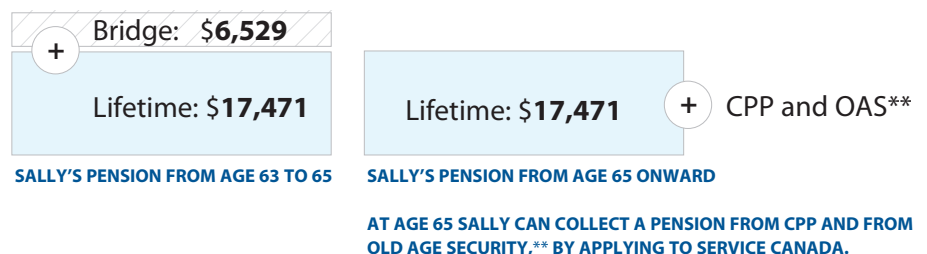
In effect, if you retire before age 65, OPTrust pays a temporary bridge pension to make up the full 2% pension benefit. When you were a contributing plan member, you made reduced contributions to the OPSEU Pension Plan on the portion of your earnings that is also covered by CPP. This contribution “integration” is taken into account in the way your OPTrust pension is calculated starting at age 65.

When you reach age 65 the bridge pension from OPTrust stops and your 2% pension will be made up of a lifetime pension from OPTrust plus a CPP pension, shown in the following example.

EXAMPLE OF ANNUAL PENSION WITH BRIDGE

Sally retires at 63 on August 31, 2014 with an average annual salary* of **\$60,000** and **20 years** of pension service.

- **Sally’s annual lifetime pension** from the OPSEU Pension Plan, effective September 1, 2014: **\$17,471** + a \$6,529 bridge pension until age 65



* **Average annual salary** is the average of your highest consecutive five-year annual salary rates during your membership.

** If you were born after 1957, check with Service Canada to find out when you are eligible to collect Old Age Security payments.



NEW ONTARIO PENSION REGULATION REQUIRES DISCLOSURE ON ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS

Starting January 2016, Ontario registered pension funds will have to disclose information about their investment policy consideration of environmental, social and governance (ESG) factors. OPTrust recognized well ahead of the new regulation that ESG factors have the potential to affect the Plan's long-term investment performance for many years.

OPTrust has established a responsible investing program, an overarching policy, and implemented a range of measures to identify, assess, and manage ESG-related factors as part of our investment activities. The approach reflects OPTrust's fiduciary responsibility to the Plan's members and sponsors, which includes identifying and addressing all factors that could affect the Fund's investment returns.

As part of our commitment to promoting responsible investing, and as signatory to the UN-supported Principles for Responsible Investing, OPTrust actively reports to our members, sponsors and other key stakeholders on our responsible investing program.

In December 2014, we launched our inaugural *Responsible Investing Report for 2014* which can be found on the website. We are proud to have been shortlisted for a global award recognizing excellence in responsible investment reporting in 2013 and 2014.

For more information on OPTrust's responsible investing activities, please visit optrust.com and go to our Investment section.

Spousal relationships

Question: I'm going through a divorce. How much can OPTrust pay my former spouse?

Answer: Pension law limits the amount OPTrust can pay your former spouse. The law does not permit payment of more than 50% of your OPTrust pension earned during the spousal relationship to a former spouse to divide family assets. **This limit applies even if a separation agreement, court order or other document states a higher amount.**

Question: If I remarry, will my new spouse get survivor benefits?

Answer: If you are single when you retire and start a spousal relationship later, your pension will be reduced to fund the survivor pension for your new spouse.

Question: What happens to my pension if my spouse dies before me?

Answer: If your spouse dies before you, there is no change in the pension you are receiving. Please notify OPTrust if this happens so we can adjust our records accordingly. If you chose an increased survivor pension before you retired, you will continue to receive a reduced pension despite the fact that your spouse died before you.

Quick tips to protect your personal information

When you communicate with OPTrust – whether online, over the phone or by mail – our top priority is to ensure that your personal information is always protected.



HERE ARE SOME QUICK REMINDERS TO PROTECT YOUR PERSONAL INFORMATION AT OPTRUST:

- When you visit OPTrust in person, bring two pieces of identification, including one with a photo (e.g. driver's licence, health card, passport, etc.).
- Do not share your secure *Online Services* password or verification questions and answers with anyone.
- When communicating with OPTrust electronically – send your message through your secure *Online Services* account, which uses encrypted technology unlike regular email.
- If you don't have an *Online Services* account, use the Contact Us page on our website to send your email through an encrypted server.
- Use your OPTrust ID, not your social insurance number, when communicating with OPTrust.
- Keep your personalized pension information, such as your *Annual Pension Statement* in a safe place along with other important financial documents.
- Inform OPTrust of your new home address, so we can continue to provide you with important information about your pension. To protect your privacy, we can only accept mailing address changes made by regular mail, phone or through your *Online Services* account.

Learn more about how OPTrust protects your privacy at [optrust.com](https://www.optrust.com). □

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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Member Services

Tel: 416 681-6100 in Toronto
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Fax: 416 681-6175

[optrust.com](https://www.optrust.com) | email@optrust.com



OPSEU Pension Trust | Fiducie du régime de retraite du SEFPO

Return undeliverable Canadian addresses to:

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