

Options

Pension reform changes effective July 1, 2012

In May 2010, the Ontario government passed the *Pension Benefits Amendment Act*, which includes numerous amendments to the *Pension Benefits Act* with several significant changes that may affect plan members.

The following changes are effective July 1, 2012 and reflect a number of recommendations made by Ontario's Expert Commission on Pensions.

In summary, the changes include:

Immediate vesting

Defined benefit plan members will be immediately vested instead of vesting after two years of plan membership. Vesting means that a member has a right to receive a pension from OPTrust upon termination of employment.

Small benefit payments increased

Under the new changes, the threshold amount for a "small pension" will increase. A lump sum payment or transfer will be possible if your annual pension is less than 4% of the Year's Maximum Pensionable Earnings (YMPE), or if the commuted value of that pension is less

> *Pension reform changes...* continued on page 2

In this issue



Marcus Rangai, OPTrust Member, Ministry of Agriculture, Food and Rural Affairs, featured in our *2011 Report to Members*

- 2 Tim Hannah joins the Board of Trustees
- 3 Facts about... Your *Annual Pension Statement*
- 4 You asked...
- 4 Get the facts about your pension
- 5 Thinking of leaving the Plan?
- 6 Ontario budget to limit cost of future pension deficits
- 7 How we protect your privacy
- 8 Your online resource: Direct Contact presentation
- 8 Welcome new members

Inside: 2011 Report to Members

SPECIAL PULLOUT SECTION

Delivering Sustainability

Want to know how your pension plan is managing its investments? Interested in the approach OPTrust takes to build the long-term security of your pension? Looking for the latest on the Plan's funding status?

Just turn to the special pullout section inside this newsletter to read OPTrust's *2011 Report to Members*. There you'll find key statistics on the financial performance of the OPSEU Pension Plan and news on how we serve you and our almost 84,000 other members and retirees. ○



> **Pension reform changes...** continued from page 1

than 20% of the YMPE. In 2012, any annual pension that is less than \$2,004 or any commuted value that is less than \$10,020 can be taken in cash.

Notice of plan amendments

Currently when there is an amendment to the Plan that adversely affects members' benefits, OPTrust is required to inform only the affected members prior to the amendment. With the change, any amendment to the Plan will require advance notice to all members.

Grow-in benefits

A plan member whose employment is involuntarily terminated (other than for misconduct) before they

qualify for an unreduced pension may have the option to qualify for early retirement benefits before age 65 under a new grow-in option. To be eligible, the member's age plus service must total 55 years or more on the date of termination. Sponsors of jointly sponsored pension plans, like the OPSEU Pension Plan, have the option to opt out. The sponsors have not yet made a decision, but they have until June 30, 2013 to do so.

The changes to the *Pension Benefits Act* took effect on July 1, 2012. ○



Tim Hannah

Tim Hannah joins the Board of Trustees

OPSEU appointed Tim Hannah to the OPTrust Board of Trustees in May 2012.

Hannah is a Senior Environmental Officer with the Ministry of the Environment in Peterborough. He started his career with the Ontario Public Service in 1990 as a Correctional Officer at the Millbrook Correctional Centre until its closure in 2003. Hannah has a wealth of government experience having worked for a range of ministries before joining the Ministry of Environment in 2007 as an Inspector.

A strong union activist, Hannah has held several local executive positions including President of Local 341 in Peterborough. He has also been elected by his region to work on various provincial-level OPSEU committees throughout his career.

Hannah holds a Bachelor of Science degree in economics and geography from Trent University.

“Our 84,000 members and pensioners count on OPTrust to provide them with a secure defined benefit pension in retirement – it’s an incredibly valuable asset. I’m honoured to join the Board and work together with OPTrust management and staff to meet the pension promise for the membership,” says Hannah.

About the Board of Trustees

OPSEU and the Government of Ontario jointly sponsor the OPSEU Pension Trust. Each sponsor appoints five volunteer Trustees to the Board, which is responsible for overseeing the investment of the Plan's assets, the administration of members' and pensioners' benefits, and the provision of quality service to OPTrust's membership. Every two years, the roles of Chair and Vice-Chair alternate between a Government and an OPSEU appointee.

For more information visit the Board of Trustees section on our website at www.optrust.com. ○



Facts about... Your Annual Pension Statement

OPTrust distributed *Annual Pension Statements* – online and in the mail – to more than 47,000 active and divested members this spring. As with most OPTrust members, your statement is likely the key piece of information you look to every year for a detailed account of your pension benefits and to help you plan ahead.

Your statement is a snapshot of your OPTrust pension at December 31, 2011. It is designed to show your pension data on the left-hand side with a description of the content on the right side.

Your statement is personalized and features the information that is relevant to you, including your:

- pension estimates
- best average annual salary
- credit
- beneficiary information
- contributions and interest

Your pension estimates

When calculating the pension estimates shown on your statement, OPTrust uses your salary at December 31, 2011 for future projections. This is a different calculation from the regular OPTrust pension formula, which uses your best-five year's average annual salary. For example, let's say you are retiring in five years, the projected amount is calculated using only your salary at December 31, 2011 with no increases.

Best average annual salary

Your OPTrust pension is calculated using your highest consecutive five-year annual salary rates during your membership. The best average annual salary as of December 31, 2011 is shown on your statement. However, this average annual salary may not have been used in your pension estimates, depending on your projected retirement dates.

Credit

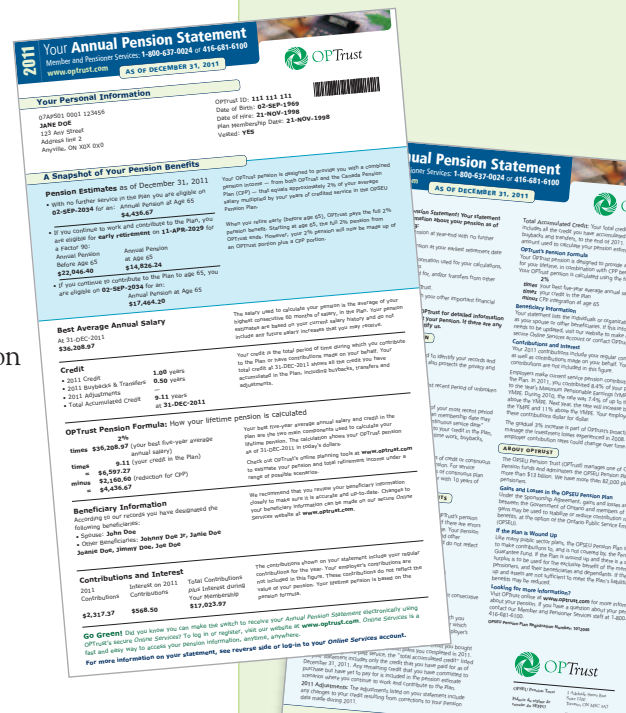
Your credit is the total period of time during which you contribute to the Plan or have contributions made on your behalf. Your credit at December 31, 2011 shows all the credit you have accumulated in the Plan, including buybacks, transfers and adjustments.

Beneficiary information

Depending on the number of beneficiaries you have on record or the length of the individual names, you may notice that not all names or organizations are shown on your statement. Not to worry. The information you provide to OPTrust through your *Online Services* account or OPTrust's *Pension Beneficiaries* form is in our system. For a complete list of your beneficiaries on record at OPTrust, log-in to or register for your secure *Online Services* account. While online you can make any changes to your record.

Contributions and interest

This section shows your contributions for 2011 and your accumulated contributions from previous years. Your employer's matching contributions are not included in this figure.



If you have questions about your *Annual Pension Statement*, send a secure message through your *Online Services* account or contact our Member Services line at **416-681-6100** or **1-800-637-0024**.



You asked...

Question: I've heard that the provincial budget could mean my pension will be reduced. Is this true?

Answer: In the budget, the government announced proposals for a new legislative framework to address deficits in public sector pension plans. The goal is to limit the impact of future pension deficits on the government's finances – and on members' and employers' contribution rates.

This would be done by requiring plans that experience a deficit to reduce the pension benefits that members will earn for future service, instead of increasing members' and employers' contributions.

However, there would be no reduction in the pensions paid to current retirees, or in the pension benefits that current and former members have already earned for their past service.

Based on the OPSEU Pension Plan's most recently filed funding valuation, the Plan has a surplus.



Question: Does OPTrust have a deficit?

Answer: Based on our most recently filed funding valuation, the OPSEU Pension Plan has a surplus.

While the Plan had a deficit of \$586 million at the end of 2010, it also had funding reserves of \$843 million. These reserves were enough to allow the Plan's sponsors – OPSEU and the Government of Ontario – to eliminate the Plan's current deficit without further increasing contribution rates or reducing future pension benefits. The sponsors are currently using these reserves to pay down the deficit over the next 15 years.



Question: What would happen if the Plan had a deficit in the future?

Answer: If the Plan experiences a funding deficit in the future, the Plan's sponsors would have the option of using any available reserves in the Plan's rate stabilization funds to reduce the deficit.

However, if there still were a shortfall after using the stabilization funds, the proposals could prevent the sponsors from increasing member and employer contribution rates to eliminate the deficit. As a result, it could be necessary to reduce the pension benefits members would earn for their future service, on a go-forward basis.

However, under the existing regulatory framework any change in pension benefits would not affect the pensions of current retirees, or the pension benefits that current and former members have already earned for their past service. ○



Get the facts about your pension

Delivering a secure retirement income to our almost 84,000 members and pensioners is the focus of OPTrust's pension promise.

As a member, you have the security of knowing that your pension is not affected by current financial market turbulence. That's because your pension plan is a "defined benefit" plan.

Your pension is based on OPTrust's pension formula that uses your salary history and credit in the Plan – not changing investment returns. You can count on your OPTrust pension to provide you with a predictable income in retirement, payable for your lifetime.

For more facts about your pension, read the insert included with your 2011 *Annual Pension Statement* or visit our website Members > Annual Pension Statement > and download OPTrust's infographic. ○

Thinking of leaving the Plan?

If you are considering leaving your current job to pursue a career opportunity outside the Ontario Public Service, you have some decisions to make about your OPTrust pension.

When you end your membership in the OPSEU Pension Plan, if you are vested and under age 55, you have two options for your earned pension benefit:

- leaving your OPTrust pension credit in the Plan and receiving a deferred pension from OPTrust
- OR
- transferring the “commuted value” (CV) of your deferred pension into a registered, “locked-in” investment, such as a registered retirement savings plan (RRSP).



Regardless of your age when you end your membership, there is also the option of transferring your pension to another pension plan.*

A deferred OPTrust pension

If you decide to take a deferred OPTrust pension, you will receive a lifetime retirement income at a future date. Your pension will be based on i) your best five-year average annual salary and ii) your years of credit in the Plan.

A deferred pension is payable at the Plan’s normal retirement age of 65. You also have the option to collect a reduced lifetime pension as early as age 55 under the Plan’s early retirement option. At age 65, your OPTrust pension is reduced for integration with the Canada Pension Plan (CPP).

Commuted value transfer

Alternatively, if you are under age 55, you have the option of transferring the commuted value of your pension entitlement to a locked-in retirement account (LIRA) or similar registered investment. The commuted value of your pension is the lump sum present value of the stream of payments you and your eligible spouse, if any, are expected to receive following retirement, based on interest, inflation and mortality rate assumptions.

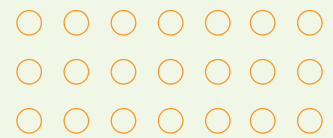
This option may be attractive if you want greater control over your retirement savings and to manage your investments directly. If you choose to move the commuted value of your pension to your own LIRA, your retirement income will be based on the market performance of the investments you choose and annuity rates in effect when you decide to retire.

*You may have the option to transfer your pension to another plan through a reciprocal transfer agreement. This option is subject to restrictions. For more information, refer to OPTrust’s transfer fact sheets online at www.optrust.com > Publications > Fact Sheets.

For more information

Leaving your job is a big step that involves a number of important decisions. Whether you stay in the OPSEU Pension Plan or transfer your pension value to a LIRA, your choice will affect you for many years to come. Make sure you’ve looked at all the facts before you make your decision.

Learn more about your pension options in OPTrust’s online fact sheet *Deferred pension or commuted value transfer?* ○



Ontario budget to limit cost of future pension deficits

As part of the 2012 provincial budget passed in June, Ontario Finance Minister Dwight Duncan announced a package of measures affecting the province's public sector pension plans. This package includes a commitment to develop a new legislative framework that would limit the impact of future pension deficits on the government's finances.

If the OPSEU Pension Plan experiences a funding deficit in the future, the proposed measures could affect the options available to OPTrust and the Plan's sponsors to address the funding shortfall.

Based on the Plan's last funding valuation, filed with the provincial regulators, the Plan has a surplus. The proposed measures will not affect the pensions that are paid to OPTrust's 28,000 current retirees or the accrued pension benefits of more than 56,000 current and former members of the Plan.

Objectives of the proposed measures

The government's stated objective is to ensure that jointly sponsored public sector pension plans remain sustainable and affordable over the long term, both for plan members and for the province.

The government plans to refine its proposals after consulting with its key partners. As a result, the final details are not yet known. However, the budget sets out a number of key principles for managing future pension deficits.

These principles include the following:

- In case of a deficit, public sector pension plans would be required to reduce future pension benefits or ancillary benefits before further increasing employer contributions.
- In exceptional circumstances, a limit would be set on the amount or value of benefit reductions before additional contribution increases could be considered.
- Any benefit reductions would apply only to the pensions members earn for their future service. The value of the pensions that members have already earned for their past service would not be affected. Current retirees would not be affected, either.
- Where employee contributions are currently less than employer contributions, increased employee contributions would also be available as a tool to reduce pension deficits.
- Where plan sponsors cannot agree on benefit reductions through negotiation, a new third-party dispute resolution process would be invoked.
- These measures would be reviewed, but only after the provincial budget has been balanced.

OPTrust's deficit and rate stabilization funds

The proposed measures are not expected to affect the OPSEU Pension Plan's benefits or contribution rates, unless the Plan experiences a funding deficit in the future.

Like most other major pension plans, OPTrust was affected by the market downturn of 2008. Since then, however, OPTrust and the Plan's sponsors – OPSEU and the Government of Ontario – have implemented a series of measures

to address the Plan's funding deficit without reducing members' and retirees' pension benefits.

These measures include:

- a gradual increase in member and employer contribution rates equal to 3% of members' salary, which was phased in between 2010 and 2012
- the use of the Plan's rate stabilization funds to pay down the balance of the deficit over the next 15 years.

According to OPTrust's most recently filed funding valuation, the Plan had a deficit of \$586 million at the end of 2010. At the same time, the Plan's rate stabilization funds totalled \$843 million. These funds were set aside from past surpluses and are available to the sponsors to offset contribution increases that would otherwise be required to address a funding shortfall. The stabilization funds were enough to allow the sponsors to pay down the balance of the current deficit without either reducing members' future pension benefits or increasing contribution rates above current levels.

Members' and pensioners' current pensions protected

Based on the proposals set out in the provincial budget, the current protections that apply to members' and retirees' OPTrust pensions should not be affected.

Under Ontario's current *Pension Benefits Act* (PBA), the value of retirees' OPTrust pensions cannot be reduced, even if the Plan experiences a deficit in the future. For current retirees, this means there will be no change in monthly pension amounts, and their pensions will continue to be adjusted annually to keep pace with inflation.

> **Ontario budget...** continued on page 7

How we protect your privacy

Your privacy is our top priority at OPTrust. We have measures in place to deliver on this commitment to protect you from your personal information being compromised at all times.

For example, we use three important ways to protect your personal information:

- **Physical.** Locking filing cabinets and restricting access to our offices.
- **Organizational.** Staff training and awareness initiatives, visitor controls, limiting access on a “need-to-know” basis, and applying other policies and procedures, for example, authentication of callers’ identities, clean and locked desk policies, etc.
- **Technological.** Server security features, individual passwords and encryption.

OPTrust ID provides added security

OPTrust has introduced another measure to protect your personal information and prevent fraud – removing the Social Insurance Number (SIN) from all forms, with the exception of tax-related forms required by the Canada Revenue Agency and OPTrust’s enrolment form. We also now accept your employee WIN ID number to identify your records.

We will ask for your OPTrust ID when communicating with us over the phone, in person or online.



What can you do?

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 – use your secure *Online Services* account or the “Contact Us” section on our website, which use encrypted technology unlike regular e-mail.
- Use your OPTrust ID or WIN ID numbers 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 any address changes. If you move we can continue to provide you with important information about your pension.

For more information on OPTrust’s privacy policy, download our booklet *Privacy Matters at OPTrust* available online. ○

> Ontario budget... continued from page 6

For OPTrust members, the pension you have already earned for your past service is also protected under the current PBA, and cannot be reduced. The same protection applies to divested members and the deferred pension entitlements of former members of the Plan.

If the Plan experiences a deficit in the future, the proposals may limit the sponsors’ options for addressing it. In this case, if the Plan’s rate stabilization funds are not large enough to cover a future deficit, the sponsors may have to reduce the pension benefits available to active members on a go-forward basis, rather than increasing members’ and employers’ contribution rates.

As a result, any change to the Plan’s benefits would apply only to the pension benefits that members will earn for their future service.

More information

OPTrust closely monitors a range of factors that affect the Plan’s funding outlook. The full details of our most recent investment and financial results, and the results of our next funding valuation, are available in our online 2011 annual report and a summary is included in this issue of *OPTions*.

In the meantime, OPTrust looks forward to providing information and assistance to the Plan’s sponsors regarding the government’s consultations on the new legislative framework, and will provide updates as the process unfolds.

More information on the 2012 provincial budget is available at www.ontario.ca. ○

Your online resource: Direct Contact presentation

OPTrust Direct Contact sessions are a great way to learn more about your pension plan – directly from an OPSEU Pension Trust representative. While our sessions are set to resume again in the fall, in the interim you can view an interactive version on our website from the comfort of your home or office at any time and learn more about your pension.

The online version of our popular Direct Contact pension information sessions is designed to reach all members, regardless of location.

Got a question about the Plan and your personal situation? Not a problem. Simply log in to your secure *Online Services* account and send a message to OPTrust. Our Member and Pensioner Services staff will respond to you right away. ○



Welcome new members

Over 1,200 fixed-term and casual employees signed-up to join the Plan in 2011. The enrolments were largely due to OPTrust's ongoing outreach program to target Ontario Public Service employees whose enrollment in the Plan is voluntary.

Why join the plan?

For new members, the OPSEU Pension Plan offers a reasonably secure and safe way to invest for the future – and one in which the employer pays a matching contribution. The benefits of joining the Plan are summarized in OPTrust's new online video and companion brochure for fixed-term and casual employees.

Tell a co-worker

Know a co-worker who might be interested? Why not suggest he or she visit our "Join the Plan" section on our website to view a short video and brochure? ○

OPTions

OPTions is a newsletter for members 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

OPSEU Pension Trust

1 Adelaide Street East, Suite 1200
Toronto, ON M5C 3A7

Member and Pensioner Services

Tel: 416-681-6100 in Toronto
1-800-637-0024 toll-free in Canada
Fax: 416-681-6175

www.optrust.com | email@optrust.com



OPSEU Pension Trust

Fiducie du régime de
retraite du SEFPO

Return undeliverable Canadian addresses to:

OPSEU Pension Trust
1 Adelaide Street East
Suite 1200
Toronto, ON M5C 3A7

