

Pension

CONNECTION

In this issue



Anne Bateman, OPTrust retiree, Centre for Addiction and Mental Health, featured in our *2011 Report to Pensioners*

Ontario budget has no impact on retirees' pensions

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 earned pension benefits of more than 56,000 current and former members of the Plan.

> **Ontario budget...** continued on page 2

Inside: 2011 Report to Pensioners

**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 Pensioners*. 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. ○

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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.

OPTrust's deficit and rate stabilization funds

The proposed measures are not expected to affect the OPSEU Pension Plan's benefits or contribution rates for active members, 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 active 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 your 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.

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 active members will earn for their future service.



More information

OPTrust closely monitors a range of factors that affect the Plan's funding outlook. The 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 *Pension Connection*.

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. ○

Tim Hannah joins the Board of Trustees



Tim Hannah

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.

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 retiree, 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 used your salary history and credit while you were an active member in the Plan. You can count on your OPTrust pension to provide you with a predictable income in retirement, payable for your lifetime. ○

Net assets: \$13.7 billion

Inflation protection: Your pension is adjusted annually to keep pace with the cost of living.

Defined benefit vs RRSPs:

Unlike mutual funds and other RRSP vehicles, the value of an OPTrust pension is unaffected by market downturns.

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 on the Board of Trustees, visit our website at www.optrust.com under the Governance section.



Responsible investing: A focus on real estate

OPTrust has made a significant commitment to responsible investing.

Our responsible investing program starts from the recognition that environmental, social and governance (ESG) concerns can have a direct impact on the financial performance of individual investments and can expose companies – and OPTrust itself – to financial and reputational risks.

The program focuses on two key areas:

- integrating environmental, social and governance considerations into the way we make investment decisions, and
- working directly with companies, and with other investors, to promote sound corporate governance, improve corporate disclosure and address areas where ESG issues have been identified as significant concerns.



Energy efficient investments

Since 2004, OPTrust has built a real estate portfolio that is currently valued at about \$1.8 billion, which includes directly owned properties and fund investments in Canada and abroad.

As part of our focus on good management of our assets, we actively pursue a number of strategies to improve the energy efficiency and environmental performance of our properties. This makes good business sense, since it lowers operating costs and increases our net income from these properties. It also reduces their carbon footprint while enhancing our ability to attract and retain good quality commercial tenants.

BOMA BEST certification for directly owned properties

In Canada, we have made a substantial commitment to achieving Building Environmental Standards (BEST) certification from the Building Owners and Managers Association (BOMA) for our directly owned commercial properties. Currently, 16 buildings have achieved BEST certification, representing 56% of our directly owned Canadian commercial portfolio by value.

Roof-top solar energy generation

We have contracted to install roof-top solar electricity generating equipment at six of our directly owned industrial properties in Ontario and linked them to Ontario's electricity grid under the Ontario Power Authority's Feed-In-Tariff program. These systems are expected to generate more than 800 kilowatts of clean, renewable energy per year, and more than \$129,000 in net annual revenue for our real estate portfolio.

Energy efficient roofing materials

Two retail properties in British Columbia, which are part of OPTrust's national retail portfolio, are in the process of having portions of their roofs replaced with a certified sustainable ultra-white reflective material that reflects the sun's rays, reduces cooling costs and improves energy efficiency. We will be evaluating the effectiveness of this product and other potential benefits (such as a longer-life of the roof membrane) to determine if it can be used for future roof replacements within OPTrust's real estate portfolio.

Global Real Estate Sustainability Benchmarking

Two of OPTrust's key real estate management partners were ranked number 1 and number 2 in the Americas in the GRESB survey, which covers more than 21,000 properties world-wide. The Multi-Employer Property Trust (MEPT) manages a US-based fund in which we have a \$50 million investment, while Bentall Kennedy has managed our Canadian retail portfolio since 2005.

Manufactured housing communities

In 2011, OPTrust was a partner in the acquisition of a national portfolio of 15 Manufactured Housing Communities ("MHCs") across Canada. This investment provides a good fit with our other Canadian multi-residential real estate investments and will provide OPTrust with stable and predictable income returns while also providing well-managed, affordable housing options for Canadians.

Read OPTrust's 2011 annual report for more information on our environmental, social and governance practices and approach to investing, online at www.optrust.com.

You asked... 2012 provincial and federal budgets

Question: I have heard media reports that the federal government is changing the eligibility age for Old Age Security to 67. Is this true?

Answer: Yes. The recent federal budget announced plans to increase the eligibility age for both Old Age Security (OAS) and Guaranteed Income Supplement (GIS) benefits.

The current eligibility age for both OAS and GIS is 65. Under the planned changes, the eligibility age will increase to 67. The increase in the qualifying age will be phased gradually over a six-year period, starting in 2023.

- Between now and 2023, there will be no change in the current qualifying age of 65.
- Starting in 2023, the qualifying age will be increased in annual steps, rising to age 67 by 2029.

As a result:

- If you were born before April 1, 1958, you will continue to qualify for OAS and GIS at age 65.
- Those born on or after February 1, 1962 will qualify at age 67.
- People born between these dates will qualify during the phase-in period, at an age between 65 and 67, depending on when they were born.

More information on the change to the eligibility age for OAS and GIS is available on the Government of Canada website at www.servicecanada.gc.ca.



Question: Does the change in the eligibility age for OAS and GIS affect the reduction to my OPTrust pension at age 65?

Answer: No. The way your OPTrust pension is calculated is not tied to your ability to collect OAS or GIS. Instead your OPTrust pension is calculated based on the Plan's pension formula. So, the amount of your OPTrust pension will not be affected by the change in the qualifying age for OAS.

Under OPTrust's pension formula, your pension is "integrated" with the Canada Pension Plan (CPP). This means that during your career, you paid lower contributions to OPTrust for the part of your salary that is also covered by CPP. As a result, your OPTrust pension is reduced at age 65, when you will be eligible to receive an unreduced retirement pension from CPP.

Please note that your OPTrust pension is integrated with CPP at age 65, even if you choose to start receiving CPP earlier, or delay starting CPP until after 65. The amount of the reduction for CPP integration is based on the OPTrust pension formula, and is not directly tied to your actual CPP payments.

Question: Does the provincial budget mean my pension could be reduced?

Answer: No. Under Ontario's current *Pension Benefits Act*, the pensions paid to current retirees cannot be reduced. This also applies to the deferred pensions of former OPTrust members, and the pensions active members have earned for their service to date.

For our current retirees, this means there will be no change in your monthly pension amount, and your pension will continue to be adjusted annually to keep pace with inflation.



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 changes that may affect active plan members.

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

In summary, the major changes include:

Immediate vesting

Defined benefit plan members will be immediately vested instead of after two years of plan membership.

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 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.



While the bulk of pension changes do not affect OPTrust retirees, the act requires pension plans to notify its membership – active, retired, deferred or divested members – of any plan amendments.

Grow-in provision

The provision allows eligible plan members who are involuntarily terminated (other than for misconduct) to eventually qualify for early retirement benefits. The OPSEU Pension Plan is a jointly sponsored plan and as such the sponsors have the right to opt-out of the grow-in option. The sponsors have not yet made a decision, but they have until June 30, 2013 to do so.

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 new change, any amendment to the Plan will require advance notice to the membership, including active, retired, deferred or divested members.

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

How we protect your privacy

Safeguarding your personal information is our top priority. We have measures in place in our business operations 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, the 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 and correspondence, with the exception of tax-related forms required by the Canada Revenue Agency. 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 numbers when communicating with OPTrust.
- Keep your personalized pension information, such as your *Pensioner Information Change 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.



Planning to move to the U.S.?

OPTrust offers direct deposit pension payments to financial institutions throughout the United States. So, if you plan to live or spend part of the year south of the border, all you need to do is set up a U.S. bank account and we'll deposit your monthly pension. You can still maintain your Canadian account for the months you are in Canada.

You can notify OPTrust through your secure *Online Services* account or by completing a *Personal Information Change Request* form. Remember to update your new home mailing address too. ○



We want to hear from you

Do you have a retirement story to share? Want to share your tips for an active retirement with other pensioners?

Contact OPTrust at communications@optrust.com and let us know what you're doing in retirement. We may feature you in a future issue of *Pension Connection* or our annual report. ○

Pension CONNECTION

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

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

