

February 13, 2015

OPSEU Pension Trust

Fiducie du régime de
retraite du SEFPO

Ontario Retirement Pension Plan:
Key Design Questions
Budget Secretariat
Ministry of Finance
95 Grosvenor Street
3rd Floor, Frost Building North
Toronto ON M7A 1Z1

Re: OPSEU Pension Trust Comments on ORPP Key Design Questions

The OPSEU Pension Trust (OPTrust) is pleased that the Ministry of Finance (MoF) has requested comments on the proposed Ontario Retirement Pension Plan (ORPP). We will address the key questions posed in MoF's December 2014 paper.

The OPSEU Pension Plan is a contributory defined-benefit (DB) pension plan with approximately 84,000 members and pensioners and \$16 billion in assets. It is a jointly-sponsored pension plan (JSPP) sponsored by the Ontario Public Service Employees' Union and the Government of Ontario.

The MoF paper raised three key design issues which OPTrust will address.

1. "Comparable" Workplace Pension Plan

The paper indicates that the preferred approach is to define "comparable" plan as being either a defined benefit or target benefit (TB) multi employer pension plan because they "closely align" with "key features" of the ORPP.

It is a fact that DB pension plans provide members with foreknowledge of what income they are going to receive in retirement, thereby offering security, value and predictability. It has been noted that DB pensioners are important to the economies of smaller communities and spend approximately \$27 billion in Ontario.¹ For this reason, OPTrust recommends that the definition of "comparable" pension plan should not extend beyond the DB model and existing multi-employer pension plans.

2. The Right Minimum Earnings Threshold

Setting the threshold at \$3,500 maintains compatibility with CPP, which would be useful if the two programs are ever merged. However, this will have an adverse impact on the access of low income retirees to GIS and GAINS. Compensating changes to these programs would be a logical way of addressing this concern. But the likelihood is that any federal government open to changing GIS and

¹ Craig Sebastiano, "The benefits of pension plans", *Benefits Canada*, March 18, 2014

GAINS would also be open to expanding CPP, which is a more desirable outcome for Canadians at all income levels.

OPTrust is cognizant of the fact that, while a higher threshold may be better for society, the potential migration of the ORPP into an expanded CPP is the most beneficial outcome. Therefore, we understand the preference for a threshold of \$3,500. However, we think it is important that the ORPP should not have the effect of appearing to penalize persons with modest incomes and modest retirement savings.

In addition to the above comments, we note that the idea of a provincial pension plan to supplement CPP has recently been raised in Manitoba. We would encourage Ontario to explore a multi-jurisdictional approach with other provinces. This would help to pool investment and longevity risks.

3. Addressing the Needs of the Self-Employed

OPTrust has no specific comment on this third issue. We do feel that, in view of the changing workforce in Ontario, there needs to be a debate focused on addressing the retirement needs of these individuals.

In conclusion, OPTrust would like to state its view that the best way of addressing the issue of adequate retirement incomes is through the expansion of defined benefit pension plan coverage to as many employees as possible. As has been stated previously:

Canada's defined-benefit pension funds do more than contribute to a retirement income system that is the envy of the world and offers us a competitive advantage; they are also a key driver of prosperity in Canadian communities large and small, and a cornerstone of our national economy.²

Thank you for allowing us to provide input; we hope the Ministry of Finance will find our comments to be helpful.

Yours truly,



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² Bill Hatanaka, Jim Keohane, Jim Leech and Michael Nobrega, "Pension Shift Puts Decades of Progress at Risk", *Globe and Mail*, October 22, 2013.