

OPTions

A NEWSLETTER
FOR MEMBERS
OF THE OPSEU
PENSION PLAN
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Pension plans and financial advisors: different business, different goals

Opinion by President and CEO Peter Lindley

Every day, 1,000 people retire in Canada. As that number continues to grow, ensuring that Canadians can retire with security and stable incomes has never been more important. And that is the chief concern of Canada's defined benefit pension plans. We are in the retirement security business, and we are best at providing it.

Those who can't benefit from these pensions must trust the lion's share of their retirement income to financial advisors. In recent months, there have been a number of opinion pieces published by financial advisors, all with a very specific perspective: they want to manage your money. Their business is related to ours – and yet, the differences are stark. Financial advisors must make profits for themselves and their employers while helping individuals maximize their savings.

Defined benefit pension plans are focused solely on earning enough money to pay pensions. There are no other factors. According to a 2018 study by the Healthcare of Ontario Pension Plan, pension plan members can expect to generate retirement income at a cost of roughly one quarter of the typical individual method. Why? The advantages include internal investment management with no fees, economies of scale, and risk sharing for all.

With shared risk, plan members don't have to navigate volatile markets on their own. They're not concerned about whether markets are up or down when they want to retire, and the pension payments are guaranteed for life. As with managing a pandemic or any other challenge in life, we work better when we work together.

Financial advisors may tell you that with their advice, you will benefit from superior investment returns. This conveniently ignores the fact that your pension plan doesn't charge fees for holding your money in trust, and it obscures the role of the plan – to pay you a reliable lifetime income once you retire.

If you are lucky enough to be a member of a pension plan, and you are tempted by an investment advisor to leave it because they can give you better returns, you will be taking a big gamble. You will be betting the advisor can produce returns big enough for both you and them. You will be betting that the market doesn't crash after you take your money out of the pension plan. And you will be betting that you don't outlive your savings.

I understand the financial advisor's perspective. Our kind of pension plan is the competition, and it can't be fun competing with those whose sole mandate is to provide retirement security, free from the interference of profit margins and private interests.

It certainly seems that at a quarter of the cost, our business provides people with a superior retirement experience. The defined benefit pension is the most cost-effective way to generate retirement savings, because the individuals involved are the only interested parties, and they are all in it together. That's why investment advisors call their constituents "clients," while we call ours "members."



Proudly serving our members for 25 years.

Paying pensions today, preserving pensions for tomorrow.

Retiree pensions to increase by 1%



Starting January 1, 2021 pensions being paid to **OPTrust retirees will increase by 1%**. The adjustment is a valuable feature of the Plan that helps pensions keep pace with inflation in retirement. The inflation rate is measured by the Consumer Price Index (CPI), reported by Statistics Canada, which OPTrust adopts to set the adjustment.

Many economic factors are working together to keep inflation low. COVID-19 is also disrupting the economy – consumer goods and services such as clothing and footwear, air travel and gas prices all experienced a decline for much of 2020. Other factors that have contributed include an aging population, technological innovation and increasing globalization.

According to the Bank of Canada, low, stable and predictable inflation is good for the economy – and for Canadians' finances. It helps money keep its value and makes it easier for everyone to plan how, where and when they spend. While it feels like everything is becoming more expensive, inflation has been consistently low over the past decade and OPTrust's annual cost of living adjustments (COLA) for retirees continue to reflect that. Since the Plan's inception in 1995, COLA has averaged 1.8% per year.



Changes to commuted value calculations

Earlier this year, the **Canadian Institute of Actuaries announced that it would be changing the standards for calculating commuted values (CVs)**. Like all defined benefit pension plans registered in Ontario, the OPSEU Pension Plan was required to adopt the new standards on December 1, 2020 to comply with provincial pension law.

A CV is the lump sum value of a deferred pension in today's dollars, estimated to be equal in value to a future pension.

The changes will impact the interest rate and retirement age assumptions that OPTrust uses to calculate CVs for members when they end their plan membership. These changes will likely reduce CVs in the short term but the impact over the mid to long term remains to be seen.

Pensions that are being paid to retired members or their survivors will not be affected by the changes, nor will pensions that members are entitled to receive when they retire in the future. Only members who are eligible to take their CV out of the Plan and decide to do so will be affected.

Investing in challenging times: preserving pensions for tomorrow



COVID-19 has made it a challenging year for investors. OPTrust's mission is to pay pensions today and preserve pensions for tomorrow. Pensions are a long-term endeavour, with success measured over decades rather than years.

We know that periods of low returns are possible, which is why we continue to work diligently to weather these events. Despite the current volatility in the markets, the Plan is on a solid footing and positioned to provide our members with secure, predictable income in retirement for life. In these three articles, members of our investment team discuss our current approach.

[Private equity at OPTrust](#) (from Investment Innovation Institute Insights)

[How OPTrust is continuing to pay pensions in a low interest rate environment](#) (from ACPM Observer)

[The importance of resilience](#) (from top1000funds.com)



Going digital!

As Canada and the world take measures to slow down and contain the spread of COVID-19, we are doing our utmost to ensure we are being responsible to our members and our team.

The OPTrust office is closed to all visitors until further notice and paper mail is no longer being collected and processed. You can connect with us immediately by sending all your pension documents using your [Online Services](#) account or our [Contact us](#) drop box feature. If you haven't already done so, go digital to avoid any delays. It's safe, secure and fast!



Temporary Plan amendment

The terms of the OPSEU Pension Plan were amended in 2020 to suspend the re-employment earnings ceiling for retired members who return to work to perform duties related to the COVID-19 pandemic. This temporary provision was effective from March 17 to November 30, 2020 and then extended further to March 31, 2021. It allows retired members to return to work to assist with COVID-19 efforts without impacting their pension.

COVID Alert app can help protect us



We offer thanks to our members working on the front lines who continue to support us and keep us safe! One way we can all help to protect each other is to **download the federal government's COVID Alert app**. It can help us track the spread of the virus in our communities.

The COVID Alert contact tracing app lets you know if you have been in close contact with someone who has tested positive, and lets others know if you test positive, without sharing any personal information. This allows app users to self-isolate, get tested and slow the spread of the virus. Find out [more](#).



OPTions is a newsletter for members of the OPSEU Pension Plan.

Some information in this newsletter is intended to summarize certain benefits offered under the primary schedule of the OPSEU Pension Plan and is not applicable to OPTrust Select. All information is current as of the date of publication.

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