OPTrust

OPSEU Pension Trust
Fiducie du régime de retraite du SEFPO

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January 26th, 2017

The Honourable Charles Sousa
Minister of Finance
7 Queen's Park Crescent, 7th floor
Toronto, Ontario
M7A 1Y7

**RE: Pre-Budget Submission**

Dear Minister:

With net assets of $18.4 billion as of December 31st, 2015, the OPSEU Pension Trust (OPTrust) invests and manages one of Ontario's largest pension funds and administers the OPSEU Pension Plan, a jointly-sponsored defined benefit plan with about 88,000 members and retirees.

To begin, we would like to commend the Government of Ontario on its recent initiatives to improve and expand pension coverage for Ontarians. The Government's commitment to this important initiative is demonstrated by its role in the development of an expanded Canada Pension Plan and the recent release of PBA Regulations that support the conversion of Single Employer Pension Plans (SEPPs) to Jointly Sponsored Pension Plans (JSPPs).

We encourage the Government to continue to recognize pension coverage as an important issue and to support initiatives that will help to provide Ontarians with adequate income security in retirement. We would also encourage the Government to consider ideas that will promote growth and aid the long-term sustainability of pension plans in the broader public sector.

We firmly believe in the JSPP model given that employers and members are equally responsible for the decisions that are made with respect to the governance of their pension plan. Unlike a SEPP, JSPPs also have the ability to make funding decisions based on a long-term (going concern) basis rather than a short-term (solvency) basis. Similar treatment could be afforded to other types of pension plans to alleviate immediate short-term funding problems.

In addition to the initiatives already taken, we would also encourage the Government to explore legislative alternatives that will promote adequate income security to more Ontarians in their retirement and ensure that defined benefit pension plans are sustainable and remain affordable in the future.

Such alternatives could include:

- New pension models could be established that support a more modest pension in retirement for employers and members that do not have the advantage of a workplace pension.

- Examining the methodology that is prescribed by the Pension Benefits Act for the calculation of lump sum commuted value (CV) amounts that are paid to members who terminate their membership in a JSPP. JSSPP's are funded on a going-concern basis; commuted values (CV's) should be paid on the same basis. These amounts are arguably excessive when interest rates are low.

- We support the continued operation and sustainability of the Pension Benefits Guarantee Fund (PBGF).

Yours very truly,

Hugh O'Reilly

**CC:** Yvon Baker, MPP
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