

PENSIONS IN PERSPECTIVE

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Supporting adequate pensions and retirement with dignity.

Welcome to the latest edition of Pensions in Perspective, a newsletter that addresses issues of pension design and promotes innovative ideas about how to provide adequate retirement income to Canadian citizens.

In each issue, there is a mix of commentary, an In the News segment, Facts and Figures about pensions, and a look at what politicians are saying.

The newsletter is published four times a year, and past issues are posted on the HOOPP website and the blog of the Alliance for Retirement Income Adequacy, which can be found at ariapensions.ca. We encourage you to follow ARIA on Twitter – the handle is @ARIApensions

Enjoy!



Nursing brings job satisfaction and future financial security from DB plan

By John Devine

It's a career that presents significant challenges, but also a high degree of personal satisfaction and reassurance for future financial security.

Nursing also seems to run in Connie Positano's family, a development that is met with considerable parental approval.

"My mom had always wanted to be a nurse, so I was definitely interested in helping people. She was very happy. I was the second nurse in the family," Positano said in a recent interview. Her early days were spent caring for elderly and palliative-care patients – and "doing a little bit of everything."

"I was doing direct patient care, and I really enjoyed my job – I always have. It was very rewarding for me and I really enjoyed working with the elderly and palliative-care patients. I really felt like I was making a difference."

Now a Barrie resident, Positano began her nursing career almost 25 years ago at Sudbury General Hospital as an RPN, working in a variety of disciplines. She spent 10 years as an RN at the Royal Victoria Hospital, working in obstetrics, surgical day-care recovery and then mental health.

Her reasons for getting into nursing included job security and the ability to help people. Now, she realizes being a member of a sound pension plan is a benefit that didn't seem all that important 25 years ago, but sure does now.

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HOOPP
Healthcare of Ontario
Pension Plan



FACTS AND FIGURES

- 71% of Canadians surveyed have some sort of debt; 21% say their debts have increased in the last year: Source: CIBC
- Canada's Top 10 public sector funds collectively managed \$714 billion at the end of 2011, representing 35% of Canada's retirement assets. Source: Boston Consulting Group
- The average Canadian household debt, not including mortgage debt, was \$26,935 at the end of the first quarter of 2013. Source: TransUnion
- Only 56% of Canadians are confident they will be debt-free when they retire; 47% say they'll continue to work until they are out of debt. Source: Manulife Bank of Canada
- One-third of Canadians have nothing left over once their bills are paid: Source: Certified General Accountants Association of Canada

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"The pension plan provides security for the future, knowing that it will be there for me when I need it."

The strength of the Healthcare of Ontario Pension Plan (HOOPP) was reaffirmed by its latest annual report, which showed growth of 17.1% in 2012, and a funded status of 100%. Members, says Positano, especially younger ones, need to recognize the value of the plan, even if they don't like the regular deductions.

"There are a lot of myths out there about pensions, particularly among younger people who don't have a good sense of what their pension means to them ... they see a large deduction off their pay, but they don't understand what it will mean to their future financial security."

Although she says it wasn't physically taxing, the work can take an emotional toll – but, again, the chance to make a difference provides balance.

"I have always taken comfort, even with palliative-care patients, that I could make the experience as comforting as possible for them, tending to every detail that includes supporting the family. You aren't just caring for the patient, but also their family as well."

For most of the past 10 years, Positano worked part-time, a decision driven by a need to care for her children. She didn't contribute to the plan during those years, but now that she is back in a full-time capacity, she intends to buy back some years of service.

"If I buy back the years of service, it increases the pension quite significantly ... and HOOPP looks at your best five years, so that gives me a lot of security as well. HOOPP also has a great online calculator so you can look at how much buying back years will increase your pension, monthly."

Positano now nurses in the community sector, working with schools on mental health and addiction issues. As always, the work remains challenging, but having a good network of colleagues to connect with helps ease the daily challenges of the job.

The community work is similar to her efforts with elderly patients in Sudbury.

"For a lot of the elderly patients who were living alone in some of the outlying communities around Sudbury, you were often times their only support."

Although she says nursing has changed over the years, with much more emphasis on acute care, the basics remain the same: providing comfort and treatment to those in distress. "The reward remains seeing recovery and the impact you can have."

And, as she says, having a secure pension plan that will provide adequate retirement income is also reassuring. "It's a well-managed plan. You don't hear negativity in the media about the HOOPP pension. And when you are debating doing something like buying back years of service, it is reassuring to know that it is doing so well."

John Devine writes for the Alliance for Retirement Income Adequacy. Read the ARIA blog at ariapensions.ca, and follow ARIA on Twitter – the handle is: @ARIApensions



Canada's Top Ten pension funds help drive national prosperity: landmark study

Canada's ten largest public pension funds, dubbed 'the Top Ten,' "provide Canadians with one of the strongest retirement income systems in the world and also contribute significantly to national prosperity," according to a media release citing a study by the Boston Consulting Group.

At the end of 2011, the release notes, the 10 funds managed \$714 billion in pension funds.

The study, the release states, "provides, for the first time, data on the aggregate impact of these global organizations. The study is an in-depth examination of the economic impact of these pension funds to the end of fiscal 2011. The study concludes the Top Ten are a Canadian success story on the world stage," the release notes.

"This study is the first of its kind covering a group of financial institutions whose daily activities have an enormous impact on the retirement prospects of current and future generations of Canadians, and on the economy at large," said Kilian Berz, Senior Partner and Head of BCG Canada, in the release.

"Several factors have enabled their success, with a core factor being a strong governance structure that allows the funds to operate as a business in the best interests of their members," he states in the release.

Key findings mentioned in the release are that the Top Ten pension funds manage about 35% of Canada's retirement assets, and have grown those assets by more than 100% in the previous eight years, and "have invested roughly \$400 billion in Canada, including \$100 billion in real estate, infrastructure and private equity."

"BCG's study focused on the ten largest public sector pension funds (ranked here by size of pension assets): the Canada Pension Plan Investment Board, the Caisse de dépôt et placement du Québec, the Ontario Teachers' Pension Plan Board, the British Columbia Investment Management Corporation, the Public Sector Pension Investment Board, the Ontario Municipal Employees Retirement System, the Healthcare of Ontario Pension Plan, the Alberta Investment Management Corp., the Ontario Pension Board and the OPSEU Pension Trust," the release states.



WHAT THE POLITICIANS ARE SAYING

"A modest increase in premiums can finance a doubling of CPP/QPP benefits for all Canadian workers. This would provide real and sustainable retirement security."

MP Irene Mathyssen, Pensions Critic (Federal) - New Democratic Party

"This is basically how Maclean's magazine, in a recent article, described the broader public sector: the new elite, people who have a remnant of the past... a defined benefit pension plan that lets you retire sometime in your fifties with somewhere between 60% and 75% of your salary."

MPP Peter Shurman, Thornhill - Progressive Conservative (Ontario)

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IN THE NEWS

Market value of Canadian pension funds reaches \$1.2 trillion

Those who write that pension plans are “unsustainable” often understate the value that professional investing brings to the pension funding picture.

An article in Benefits Canada notes that employer sponsored pension funds in Canada reached a market value of \$1.2 trillion at the end of 2012, according to Statistics Canada figures.

“That’s a 3.1% increase over the previous quarter,” the magazine notes, adding that “on an annual basis, the value of pension funds increased 9.3% in 2012, following gains of 4.3% in 2011 and 14.2% in 2010.”

The article notes there was brisk growth in stock investments, a 0.9% increase in the value of bond holdings, and increases in real estate (6.1%) and foreign (5.7%) respectively. Revenues were up, the magazine notes, by \$36.1 billion – and expenditures, in the form of benefit payments, also grew by 10.3%.

Pension plans a plus for small to medium businesses

We often read about the lack of good workplace pension plans in Canada. But an insightful article by Derek Sankey, published in the Regina Leader-Post, indicates that some small to medium enterprises (SMEs) are beginning to offer pension plans to attract and retain talent.

“The struggle of small-to medium-size enterprises (SMEs) to fight for talent against their much larger counterparts is a familiar one, but there appears to be a greater willingness among SMEs to pony up with cash in the form of retirement and pension plans – long avoided by many SME owners due to cost and complexity,” his article reports.

The article cites the example of a non-profit Drop-In and Rehab Centre in Calgary that was experience turnover “in the 40 to 50% range” among its 230 employees. The centre’s finance director, the article, notes, found that 10 years ago, “only four per cent of his staff was investing in RRSPs.” Since a retirement savings plan was implemented at the centre, “that number has risen to 77% – and he’s keeping employees on the payroll longer, despite strong competition from other non-profits and the for-profit private sector,” the article notes.

The article adds that the Centre is also “trying to differentiate itself in a crowded war for talent among larger non-profits and private sector companies” by offering, in addition to a retirement savings plan, health and dental benefits and work-life balance days.

Links to articles referenced:

Benefits Canada: <http://www.benefitscanada.com/pensions/db/pension-funds%E2%80%99-market-value-up-again-40252>

Regina Leader-Post: <http://www.leaderpost.com/business/Small+firms+recruitment+ideas/8497933/story.html#ixzz2W0jh1tuq>

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WHAT THE POLITICIANS ARE SAYING

“Here we are, arguably the richest country in the world. Arguably, our generation is economically the most successful, and the vast majority of people are going to retire in poverty.”

*The Hon. Glen Murray,
Minister of Transportation/
Infrastructure – Liberal
(Ontario)*