PENSIONS IN PERSPECTIVE

VOLUME 6, ISSUE 1 // MARCH 2016

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!

HOOPP now 122% funded, net assets reach record $63.9 billion

The Healthcare of Ontario Pension Plan (HOOPP) ended 2015 with net assets of $63.9 billion and a funded position of 122% following investment returns of 5.12%, states a HOOPP media release.

HOOPP surpassed its funding target by 1.17%, and has averaged returns of 9.32% over the last 10 years and 9.46% over the last 20, the release states.

"Even during a year of significant economic uncertainty, HOOPP remains fully funded which means that we have the resources to pay every pension owed to the membership," states HOOPP President and CEO Jim Keohane in the release. "Being fully funded means we are able to consistently deliver to our members and our liability driven investing approach has been critical to ensuring the long-term health and sustainability of the Plan," he states.

Thanks to the strong improvement in funding – up from 115% at the end of 2014 – contribution rates made by HOOPP members and employers will remain at 2004 levels, the release notes.

"Created in 1960, HOOPP is a multi-employer contributory defined benefit plan for Ontario's hospital and community-based healthcare sector with over 490 participating employers," the release states. HOOPP's 309,000 members and pensioners "include nurses, medical technicians, food services staff and housekeeping staff, and many other people who work hard to provide valued Ontario healthcare services," the release adds.

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HOOPP, the release concludes, "is governed by a Board of Trustees with representation from the Ontario Hospital Association (OHA) and four unions: the Ontario Nurses' Association (ONA), the Canadian Union of Public Employees (CUPE), the Ontario Public Service Employees' Union (OPSEU), and the Service Employees International Union (SEIU). The unique governance model provides representation from both management and workers in support of the long-term interests of the Plan."

Canada's largest pension funds manage $1.1 trillion in retirement assets

The biggest 10 public pension funds in Canada, a group that includes the Healthcare of Ontario Pension Plan, now manage a whopping $1.1 trillion in retirement assets, reports the Globe and Mail, citing research carried out by the Boston Consulting Group (BCG).

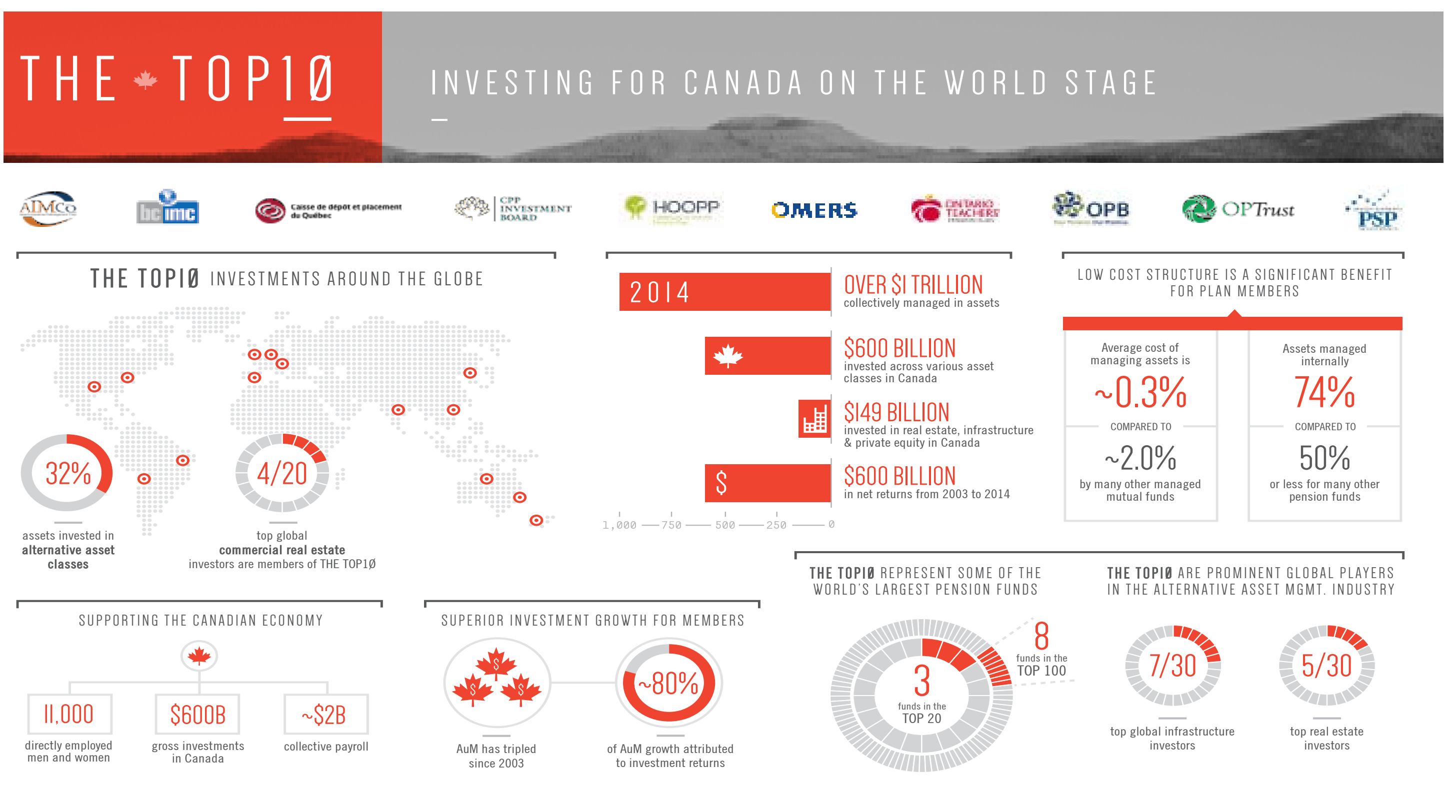
And that asset base has tripled in size since 2003, the Globe reports.

"The funds have expanded rapidly in recent years, pursuing a strategy of directly investing in assets globally with an emphasis on real estate and infrastructure projects such as bridges, tunnels and roads. Some pension experts say this approach has helped them mitigate the impact of volatility in global equity markets and challenging economic conditions," the Globe reports.

The study, commissioned by the 10 funds, indicates that one-third of assets are in alternative classes "such as infrastructure, private equity and real estate," the article notes.

"The top 10 have shown impressive growth in investment capabilities and scale to manage the realities of a post-financial crisis world," Craig Hapelt, partner and managing director at BCG, tells the Globe. "Their investments also have a broader positive impact on Canada's prosperity," he tells the newspaper.

The funds manage assets in-house, the article notes, which they say helps lower costs. "At the end of 2014, the top 10 funds now manage assets worth the equivalent of over 45% of Canada's gross domestic product (GDP)," the Globe article notes.



IN THE NEWS

Older Canadians lack savings as they enter retirement

Less than 20% of Canadian couples aged 55 to 64 have saved enough for retirement, reports the Globe and Mail, citing recent research by the Broadbent Institute.

The report notes that half the older couples surveyed had no workplace pension plan between them. The report, authored by Richard Shillington, says "the vast majority of these Canadians retiring without an employer pension plan have totally inadequate savings," the Globe reports. As well, the article stresses, only half have enough savings to last them for a year in retirement.

"This new data on retirement savings and gaps in support makes one thing perfectly clear – we have a retirement-income crisis on our hands that requires urgent government action now," the Broadbent Institute's Rick Smith tells the Globe. The article notes that those with inadequate savings will be heavily reliant on government-funded programs like Old Age Security and the Guaranteed Income Supplement, as well as the Canada/Quebec Pension Plan.

Longer lifespan poses problems for retirement savers: BlackRock

Those without workplace pension plans must save on their own for retirement. And a new report by BlackRock says that there are three common mistakes retirees doing their own saving need to take into account, reports the National Post.

First, BlackRock's Chip Castille tells the Post, "people underestimate how long they're going to live." If at birth statistics say you are likely to live until 76, you will – once you reach age 65 – have already survived the threats of childhood disease and can expect to live until your mid-80s, he states.

Savers also overestimate how much they can spend, the article notes. "BlackRock's 2015 Global Investor Pulse Survey estimates that, on average, Canadians expect to require $46,900 annually to satisfy their anticipated expenses in retirement," the article states. "However, they've only saved an average of $70,700 in total — enough to maintain that lifestyle for two years, excluding any government pensions," the article adds.

Finally, the article concludes, many savers underestimate the power of compound interest, and should consider pre-retirement saving "as a debt they owe themselves."

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FACTS AND FIGURES

- 12.1% of seniors 65 and over are living below the poverty line, the rate for single seniors is 28%.
  Source: Statistics Canada
- 47% of Canadians aged 55 to 64 don't have a pension plan; those making $50,000 to $100,000 a year have saved an average of $21,000; those making $25,000 to $50,000 have only saved $250 on average.
  Source: Broadbent Institute
- British Columbia public sector retirees added $1.66 billion to the provincial GDP and supported the growth of 31,000 jobs – they also contributed $310 million to the BC treasury in taxes
  Source: BC Municipal Pension Board report
- While 63% of Ontarians say they are "happy" in retirement, 60% worry that they don't have enough money to support themselves in their old age.
  Source: Angus Reid research
- The ratio of household debt to disposable income in Canada has risen to 171%, the highest level recorded since 1990.
  Source: Parliamentary Budget Office

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Canadian pension plans finish 2015 in the black

Despite a volatile fourth quarter and "global economic uncertainty," Canada's pension plans finished the year in the black, with an annual return rate of 5.4%, reports Benefits & Pensions Monitor.

BPM cites recent research from the RBC Investor & Treasury All-Plan Universe which found Canadian DB plans bounced back from losses in the second and third quarters of last year.

"Canadian pension plans clearly benefited from global diversification portfolio strategies. The positive 2015 return rate can largely be attributed to a lift from global equities which offset much of the downward pressure from weaker domestic sectors, particularly commodities, resources, and energy, over the course of the year," states RBC's David Heisz in the BPM article.

Links to articles referenced:

Globe and Mail: http://www.theglobeandmail.com/globe-investor/retirement/retire-planning/many-canadians-entering-retirement-with-inadequate-savings-study-says/article28761394/

Financial Post: http://business.financialpost.com/active-investor-retirement

Benefits & Pensions Monitor: http://www.bpmmagazine.com/benefits_news.php?date=2016-02-19

WHAT THE POLITICIANS ARE SAYING

"Our goal is to work together with all provinces and territories to get to a Canada Pension Plan enhancement, and our aim is to do that in a collaborative way this calendar year,"

Hon. Bill Morneau, Federal Finance Minister (Lib.)

"Whether you are just entering the workforce or nearing your retirement, an NDP government will ensure the Canada and Quebec pension plans are there for you."

MP Tom Mulcair, NDP

"Any public pension plan improvements should be made nation-wide through the CPP,"

MPP Patrick Brown, PC Leader of the Opposition

HOOPP Healthcare of Ontario Pension Plan
50 YEARS OF SERVING OUR MEMBERS

Pensions in Perspective
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