

# Staff room rap



October 1, 2008

003-2008/2009

## **OSSTF/FEESO Pension Update Summary**

Members of the Ontario Teachers' Pension Plan (OTPP) are advised that the legislated deadline for filing the January 1, 2008 valuation of the Plan was met. The Ontario Teachers' Federation (OTF) and the Government of Ontario, the Partners, agreed to a plan that allowed the OTPP Board to file a balanced valuation with the Financial Services Commission of Ontario (FSCO) by September 30, 2008.

The Partners investigated all possible solutions that would eliminate the \$12.7 billion actuarial deficit. It was clear that if the Partners did not find a feasible solution, the OTPP Board would, under legislation, have to file a balanced valuation with contribution rates increasing to 15.3% of gross salary up to the Yearly Maximum Pensionable Earnings (YMPE) and 16.9% of gross salary above YMPE. (YMPE in 2008 is \$44,900.) With this reality, the Partners, in their discussions, attempted to find the best alternative solution for the members of the plan.

OSSTF/FEESO communicated as frequently as possible during the pension discussions in an effort to keep members informed, however, executive session requirements severely limited the scope of what could be released.

It is important to summarize the results of the final stages of the process.

- September 22, 2008
  - OTF Executive agreed to a joint Government-OTF proposal to address the OTPP funding deficit, thus ensuring presentation to the OTF Board of Governors
- September 23, 2008
  - Meeting of all OTF Governors to review the joint Government-OTF Pension Valuation Proposal
  - Presentation followed by Questions and Answers
- September 23, 2008
  - Meeting of OSSTF/FEESO Teacher/Occasional Teacher Bargaining Unit Presidents, OTPP and OMERS Advisory Workgroups to review the joint Government-OTF Pension Valuation Proposal
  - Information packages and ballots were distributed
- September 24, 2008
  - OTF Communiqué – Pension Update Vol. #14, No. 1 was emailed to T/OT Presidents for distribution to members

- September 26, 2008
  - PSSP and Teacher/Occasional Teacher Sector Council Meetings
  - Further presentation of joint Government-OTF Pension Valuation Proposal followed by Questions and Answers
- September 26, 2008
  - Provincial Council Meeting
  - Further presentation of joint Government-OTF Pension Valuation Proposal followed by Questions and Answers
  - Vote results were announced:
    - 76.3% endorse
    - 22.7% not endorse
    - 1% spoiled/abstentions
    - Total votes cast : 20,184

The results of the vote determined the OSSTF/FEESO position to be utilized during the formal ratification process scheduled for the OTF Board of Governors' Special Meeting on September 29, 2008. The majority vote dictated that all ten (10) OSSTF/FEESO OTF Governors would vote in favour of endorsing the proposal.

OTF Governor votes are designated as follows:

OSSTF	-	10
AEFO	-	10
OECTA	-	10
<u>ETFO</u>	-	<u>10</u>
TOTAL	-	40

- September 29, 2008
  - OTF Governors' Special Meeting
  - ETFO representatives walked out of the meeting prior to a ratification vote on the Pension Valuation being conducted
  - Meeting was adjourned due to loss of quorum
- September 29, 2008
  - OTF Executive Special Meeting
  - The OTF Executive voted to endorse the joint Government-OTF proposal
  - OSSTF/FEESO representatives voted to endorse the proposal as directed by the membership vote
- October 1, 2008
  - OTF Communiqué Vol. #14, No. 3 issued (Note: there is no Vol. #14, No. 2)
  - OSSTF/FEESO Summary Issued

The highlights of the changes to the Plan to address the January 1, 2008 funding deficit are:

- Conditional Inflation Protection (CIP) will be put in place for future service accrued on or after January 1, 2010. Annual pension increases for retirees will be calculated based on when their service was accrued. Post-2009 service will have indexation guaranteed at 50% of CPI, and adjustments between 50% and 100% each year of retirement, dependent upon the Plan's financial position, with the possibility of "catch-up" in years of surplus. Pre-2010 service will have 100% indexation adjustments. The goal of the Partners is to provide indexation adjustments at 100% of CPI on all service accruals when possible. The OTPP will manage the Plan's investments appropriate to pursuing this goal. The design of the CIP must be finalized by March 2009. Any foregone inflation increases to pensioners are to be matched by the government/designated employer through a payment to the Plan of an equivalent value.
- No further contribution rate increase (beyond the 0.8% scheduled increase for January 1, 2009 – part of the January 1, 2005 filed valuation).
- The base contribution rate will be 8.3%/9.9% (was 7.3%/8.9%) (No impact on current contribution rates).
- The Discount Rate used in future valuations will be Real Return Bond (RRB) rate plus 1.4% (presently RRB + 1%); and for the January 1, 2008 valuation only, the Discount Rate will be RRB + 1.5% (this change will balance the existing deficit).
- A Review process shall be established to provide some accountability for the setting of the discount rate.
- A Consultative Committee shall be established to discuss the status of the plan and the factors that underlie its position. This committee will meet quarterly.

OSSTF/FEESO wants the discussion process used to be more efficient and transparent. President Ken Coran announced to the meeting of Provincial Council on September 26, 2008, that OSSTF/FEESO would be bringing a motion to the OTF to review the OTF Process for Negotiations and Consultation Discussion prior to arriving at an agreement for filing pension valuations. This review of the pension negotiation process should include, at a minimum, reports and recommendations on the following items:

- representation on the negotiation committee;
- sharing of pertinent information in a timely and transparent manner;
- a time frame that allows for the education and involvement of OTF members;
- an approval process for pension discussion materials; and
- other processes and parameters identified by the Review Committee.

The review would be conducted by the Affiliate Presidents, the OTF Secretary Treasurer and one OTF Governor from each affiliate, with an interim report available in writing for the Spring OTF Board of Governors meeting with recommendations to be finalized at the Summer Board of Governors meeting.

It was also reported at Provincial Council that, in future valuations, the OTPP will smooth the RRB rates over two years rather than use the rate from a single date, as has been past practice. OSSTF/FEESO will continue lobbying on valuation methodology, specifically the use of the RRB rates.

The OSSTF/FEESO TPP Workgroup will be meeting October 6. They will be reviewing the issues and concerns, and then discussing recommendations to our Provincial Executive for future consideration in these matters.

**A message from President Ken Coran:**

A number of issues have been highlighted regarding both the valuation methodology and communication processes involved in this valuation of the plan. The final decision reflects the best option available at the time. This decision allows flexibility within the plan to address the plan's future financial status.

OSSTF/FEESO will consistently monitor and work to refine all processes to continuously improve future pensions for all members.