Important Info for ALL NLTA Members

COST ESTIMATES FOR IMPROVEMENTS IN PENSION INDEXING PROVISIONS OF THE TPP

As a result of an Advisory Motion to Executive, carried at the November Joint Council Meeting, Provincial Executive carried the following motion on November 27, 2010:

> ***The NLTA will develop options for an improved pension indexing formula, with costs attached, to be presented at the March 2011 Joint Council meeting.***

Arising from this motion, a number of improved pension indexing scenarios for the Teachers' Pension Plan were developed by staff and a request was made to the Pensions Division at the Department of Finance in early December 2010 to have the Pension Plan actuaries develop a costing of these indexing scenarios. A summary of the information received from the Pensions Division was compiled and presented to the March 2011 Joint Council meeting, where an advisory motion was carried that this information be provided to school representatives prior to BGM 2011.

The information follows. Please note that this is a costing only and that improvements to any provision of the Teachers' Pension Plan would be subject to negotiations with government.

PENSION INDEXING SCENARIOS FOR THE TEACHERS' PENSION PLAN

Current Indexing Provision:

For all those whose pensions are integrated with the CPP (i.e. retired after August 31, 1998), the current indexer provides an annual pension increase of 60% of the change in the Consumer Price Index (CPI) for the previous calendar year to a maximum annual increase of 1.2%, effective as of September 1 following a retiree's 65th birthday. *(Cost is 1.7% of teacher payroll.)*

SCENARIO 1:

Enhance the current indexing provision as follows:

For all those whose pensions are integrated with the CPP (i.e. retired after August 31, 1998):

a. Full CPI, no maximum;
b. Full CPI to a maximum of 4%;
c. Full CPI to a maximum of 2%;

effective as of September 1 following the 65th birthday; or
effective as of the first of the month following the date of retirement.

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SCENARIO 2:

For all those with pensionable teaching service after August 31, 2012, maintain the current indexing provision for all service up to August 31, 2012 and apply indexing at the level of full CPI for all service after August 31, 2012; the latter to be applied as of the first of the month following the date of retirement. *(Example: For a teacher who retires on June 30, 2020 with 34 years service; 26 years to August 31, 2012 and 8 years after August 31, 2012; 26/34 of the pension will be indexed under the current indexing provision while the remaining 8/34 will be indexed at full CPI as of the date of retirement.)*

SCENARIO 3:

Same as scenario 2, but with full CPI indexing for post August 31, 2012 service **capped at a maximum of 4%.**

Costing of TPP Indexing Scenarios

(Summary of Information Provided by Pension Plan Actuaries)

Indexing Scenarios	Increase in Liability to Pension Plan (millions)	Total Required Increase in Contributions (% of payroll)
For all who retired after August 31, 1998:		
1(c). Full CPI, capped at 2%, **from age 65**.	$117.9 M	2.6%
1 (a, b). Full CPI, uncapped or capped at 4%*, **from age 65**.	$198.3 M	4.3%
1.1(c). Full CPI, capped at 2%, **from date of retirement**.	$412.4 M	9.5%
1.1(a,b). Full CPI, uncapped or capped at 4%*, **from date of retirement**.	$586.4 M	13.4%
2 or 3. Current indexer for all service pre-August 31, 2012. Indexing at full CPI (uncapped or capped at 4%*) for all service post-August 31, 2012, **applied from age 65**.	---	1.0%
2 or 3. Current indexer for all service pre-Aug. 31, 2012. Indexing at full CPI (uncapped or capped at 4%*) for all service post-August 31/12, **applied from date of retirement**	—	3.5%

* The CPI assumption used in the TPP valuation is 2.5%. As that would be the maximum CPI that would be considered for valuation purposes, the requested estimated cost for capping CPI at 4% would be the same as the estimate for full CPI.

Note: The current indexing provision for all who retire after August 31, 1998, provides an annual increase of 60% of the annual change in CPI, to a maximum annual increase of 1.2%, effective as of September 1 following the retiree's 65th birthday.